

# SCOTTISH WIDOWS PLATFORM

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A guide to the consolidated tax certificate

For Professional Advisers only

**SCOTTISH WIDOWS**



## We issue consolidated tax certificates (CTCs) following the end of the tax year if clients hold or, have held at some point during that period, a Scottish Widows General Investment Account.

This guide is designed to help you understand the CTCs and the information they contain. This guide is based on our current understanding of law and taxation. No investment or tax decision should be made on the basis of this alone. Where appropriate, specialist legal and tax advice should be obtained.

### What the CTC shows

The CTC shows the various forms of income a client's investments have produced and any tax we have deducted for the previous tax year. This includes:

- **Interest distributions**
- **dividends and rebates from investments in Authorised Unit Trusts (AUTs)**
- **Open-ended Investment Companies (OIECs)**
- **Exchange Traded Instruments (ETIs)**
- **interest on cash.**

Clients may be required to provide His Majesty's Revenue & Customs (HMRC) the above information as part of their tax return/self-assessment.

Depending on the types of investment held, income will be shown as either interest, or dividend distributions.

We do not show income from ISA and pension investments on the CTC as income from these tax wrappers is not liable to tax.

If clients live in Scotland, they will be assessed for Scottish Income Tax. Scottish Income Tax applies to wages, pension and most other taxable income. They will pay the same tax as the rest of the UK on dividends and savings interest.

### Income and accumulation distributions

Authorised Unit Trusts (AUTs) and Open Ended Investment Companies (OIECs) allow the purchase either 'income' or 'accumulation' units. Income from income units will be disbursed in the form of cash, which can be taken, or reinvested to buy additional units. Accumulation units retain any income within the fund and the effect of this is usually reflected in an increase to the unit price.

#### Income Units

Where the CTC shows distributions from 'income' units, these must be reported as income on a tax return.

#### Accumulation Units

Where the CTC shows distributions from accumulation units, these will need to be reported to HMRC, even though the client has not physically received any income.

#### Interest payments

Interest payments may count towards the annual Personal Savings Allowance. In the 2023/24 tax year, this was £1,000 for a basic rate taxpayer, £500 for a higher rate taxpayer and £0 for additional rate taxpayers.

**Please note, if your clients held an Advance by Embark account that was migrated to the Scottish Widows Platform, we have changed the methodology and the way we pay and account for any interest on the Scottish Widows Platform. We pay interest net of tax and pay any tax due directly to HMRC. You may notice a difference on the CTC in the way tax on interest payments is accounted for before and after migration.**

### Dividend payments

Dividend payments may count towards the Dividend Allowance. In the 2023/24 tax year this was £1,000. Clients will not have to pay tax on dividend income up to £1,000. Any dividends received that exceed the Dividend Allowance may be liable to tax. In the 2023/24 tax year the rates were: 8.75% for basic rate taxpayers, 33.75% for higher rate taxpayers and 39.35% for additional rate taxpayers.

### Offshore (non-UK) assets

For UK residents, the tax treatment of income and gains from any offshore assets may differ from that of UK assets (as described above). Any tax liability is dependent upon the reporting status of the asset. Offshore assets can be either 'reporting' or 'non-reporting'.

### Reporting funds

Offshore funds can apply to HMRC for 'reporting status'. If granted, and the client is a UK resident, they must declare the income, whether or not distributed, in their tax return.

The Scottish Widows Platform does not provide Excess Reportable Income (ERI) figures. This is the amount of dividends and interest earned by an offshore reporting fund that isn't otherwise distributed to investors.

### Non-reporting funds

This term relates to any offshore fund that does not have HMRC reporting fund status. These funds have no obligation to report any accumulated income to HMRC. UK resident investors may be liable to UK tax only on income that has been distributed.

### Equalisation

Accumulated income received by AUTs and OEICs may be distributed on a set distribution date, chosen by the fund manager, in the form of either interest or dividends. Equalisation will be reflected as a separate entry on the CTC. Where units are acquired between distribution dates, investors are only entitled to income accumulated from the date of purchase. In these circumstances, investors are only assessable to income tax on the part of the payment which reflects their period of ownership. The balance is treated as a return of original capital and is known as an 'equalisation payment'. This amount is not taxable. Equalisation is only attributed as part of the first distribution received after the purchase of units. Any further distributions will be potentially liable to tax depending on client circumstances.

### Property income

Property income detailed on the CTC may come from multiple sources. This could be from Real Estate Investment Trusts (REITs), or from Property Authorised Investment Funds (PAIFs).

REITs must follow certain rules relating to money they distribute to shareholders, and this affects how those distributions are taxed. 90% of the tax-exempt profit from a property rental business has to be distributed to shareholders. This is known as a Property Income Distribution, or 'PID'. They can also distribute taxed income from other activities, known as a Non-Property Income Distribution, or 'non-PID'.

These distributions are commonly made by way of dividend payments. Dividends can be entirely PID, entirely non-PID, or a combination of the two.

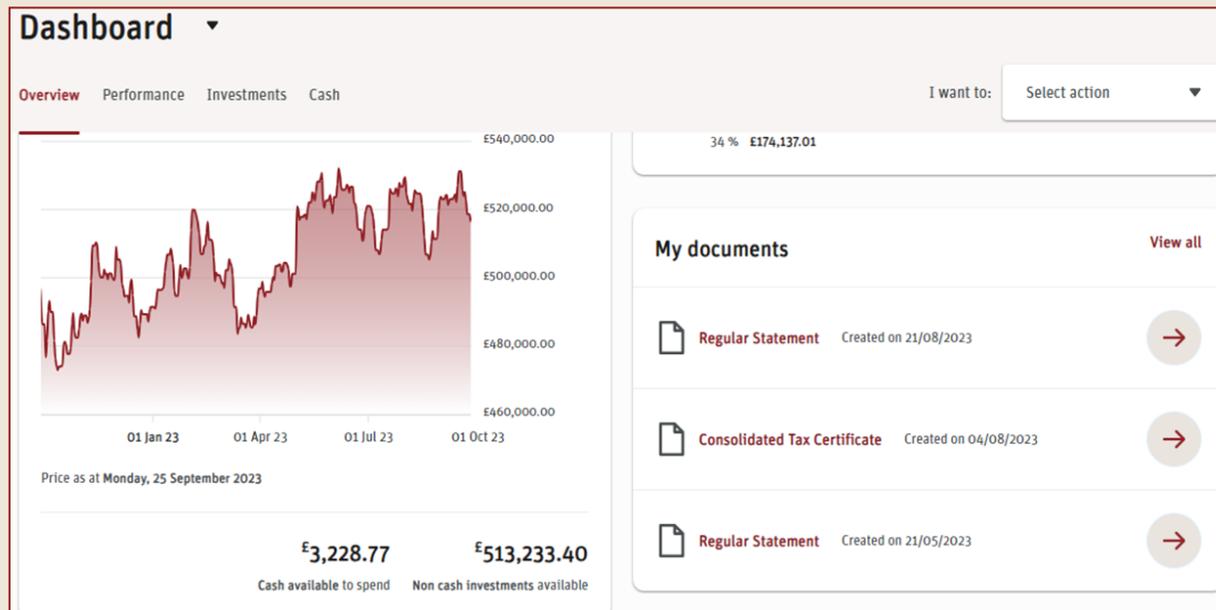
The tax treatment of PID and non-PID dividends differs. PIDs are taxable as property letting income in the hands of tax-paying shareholders but are treated separately from any other property letting income which clients may receive.

Profits distributed as PID dividends are paid out of tax-exempt profits and therefore are potentially fully taxable in the hands of the investor as property letting income. PID dividends are normally paid after deduction of withholding tax at the basic rate of income tax (20%), which the REIT pays to HMRC on the investors' behalf.

Non-PID element of dividends will be treated in exactly the same way as other dividends received.

## Where can I find my clients Consolidated Tax Certificate?

You can find CTCs in the Document folder or under My Documents on the platform dashboard.





## Frequently asked questions

### **Why do interest and dividend values shown on the platform not match those detailed on the CTC?**

Reasons for this can vary. For example, delays between a dividend pay date and the actual posting of the dividend from the fund manager.

### **Why do multiple lines of cash interest appear on the same date, with different values, for the same client?**

If the client is invested in multiple models/funds, each one will show an interest distribution separately.

### **Although not shown on the CTC, why is withholding tax showing on the platform against a UK fund?**

This is caused by equalisation and how the platform reflects adjustment(s) made in respect of capital gains.

### **Why does the CTC not provide Excess Reportable Income figures?**

Currently, we cannot provide these figures, however, the fund manager should be able to assist.

### **Are income and accumulation distributions from mutual funds created when selecting an income strategy on the platform?**

No, the income and accumulation distributions from mutual funds are set at fund level by the fund manager. The income strategy on platform allows you to select whether any income received from mutual funds will be automatically reinvested or remain within the account as available cash.

### **For migrated ex-Advance by Embark accounts, have you changed the way tax on interest distributions is accounted for?**

Yes, if your clients held an Advance by Embark account and this was subsequently migrated to the Scottish Widows Platform, we have changed the methodology and the way we pay and account for any interest on the Scottish Widows Platform. We pay interest net of tax and pay any tax due directly to HMRC. Advance by Embark made gross interest distributions to the client and then deducted tax.

## Glossary

**Authorised Unit Trust (AUT)** – a type of collective investment scheme with an open-ended structure operating under a trust deed.

**Bond** – a security that represents a loan made by an investor to a borrower, typically a corporation or a government.

**Equalisation** – a balance representing income generated by a fund's investments but not yet paid out if units are purchased between dividend dates.

**Exchange Traded Instrument (ETI)** – a term used to describe any financial instrument that is traded on a stock exchange.

**Gilt** – a UK government bond issued by HM Treasury.

**Open-Ended Investment Company (OEIC)** – a type of collective investment scheme with an open-ended structure operating as a company.

**Overseas dividends** – the distribution of non-UK corporate earnings to eligible shareholders.

**Overseas Income** – income generated from investments outside of the UK.

**Product wrapper interest** – interest income generated within a financial product ('wrapper').

**Property Authorised Investment Fund** – a type of investment fund specifically designed to invest in real estate.

**Real Estate Investment Trust (REIT)** – a company that owns, operates, or finances, income-producing real estate.

**UK authorised unit trust/OEIC dividends** – the distribution of earnings from UK authorised unit trust/OEICs to eligible unitholders.

**UK authorised unit trust/OEIC Interest** – unit holders in authorised unit trusts (AUTs), and shareholders in open-ended investment companies (OEICs), may receive income as an interest distribution.

**UK Bank Interest** – interest income gained from a deposit over a period of time.

**UK Bond/Gilt Interest** – interest income generated from investing in UK bonds and gilts.

**UK dividends** – the distribution of UK corporate earnings to eligible shareholders.

**UK Gilts & Bonds** – Accrued Interest – the interest that has accumulated on the gilt, or bond, since the last interest payment date.

### Where can I find out more?

Further information regarding the completion of tax returns and associated guidance can be found at:

[www.hmrc.gov/sa](http://www.hmrc.gov/sa)

[www.hmrc.gov.uk/selfassessmentforms](http://www.hmrc.gov.uk/selfassessmentforms)

[www.gov.uk/government/collections/self-assessment-helpsheets-foreign](http://www.gov.uk/government/collections/self-assessment-helpsheets-foreign)

For more information on the Scottish Widows Platform, please contact your consultant on **0330 024 2345**.  
We may record or monitor calls to improve our service.



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