

Purpose

This document outlines how Credo will process non-standard trades that are outside normal buy/invest or sell/raise orders as described in the Guide: MyCredo User.

Bed & ISA

A Bed & ISA is a pair of trades where an investment is sold from an **individuals** General Investment Account (GIA) and simultaneously bought in an Individual Saving Account (ISA). The two trades are carried out together to limit market exposure and to take advantage of any unused ISA allowance.

MyCredo Process

To capture a Bed & ISA order:

- Input the sell order from the individuals GIA, and within the Talk to Me state "Bed & ISA".
- Input the buy order for the ISA, and within the Talk to Me state "Bed & ISA".
- Once trades are executed and allocated, kindly review the cash available in the GIA only and send an email to payments@credogroup.com requesting an ISA subscription indicating the amount in cash. The ISA subscription amount must be in excess of the purchase amount as you cannot go overdrawn in an ISA and can be the full annual allowance as the Bed & ISA trade may be a partial utilisation of the annual allowance.

No change of beneficial owner can take place, a Bed & ISA is not possible from a joint account.

Once these instructions are captured, you have completed your Bed & ISA transaction.

Fund Class Conversion

A fund class conversion is a switch from one share class to another for the same fund without creating a CGT event. This will be at the discretion of the Fund Manager.

MyCredo Process

- Input the sell order of the Fund you wish to convert from, and within the Talk to Me state "Fund conversion to provide details of the new class along with ISIN/Sedol if available"
- The conversion can take up to 6 weeks, indication only as dependent on third parties.
- Trading of the related securities is not permitted whilst the conversion is unsettled.

Off Market Agency Cross Trades/Transfers

Credo Process

If an asset transfer is requested which results in a change of beneficial ownership, and no financial consideration is exchanged between the two relevant parties i.e. a gift from husband to wife or from parent to child (refer to Third Party Transfer), then the following steps will be followed:

- Shares gifted to children will be classed as a disposal for CGT purposes
 - The value of the shares being gifted will be the market value of the shares as at the date that the shares are to be transferred. This value will be applied to both the disposal by the parent and the acquisition by the child.
- Shares gifted between spouses or civil partners
 - As this type of transfer is not classed as a disposal for CGT purposes, the value of the shares being gifted will remain as the initial acquisition cost.

Example One

Client A buys 10,000 shares XYZ plc at £2 per shares for a total cost of £20,200.00. Client A gifts all of the shares to child C - the market value of the shares as at the date of the transfer is £23,000.00. Client A is deemed to have disposed of the shares for £23,000.00 and the child C is deemed to have acquired the shares for £23,000.00. Client A has incurred a CGT liability of £23,000 less the cost of £20,200 = £2,800

Example Two

Client A buys 10,000 shares XYZ plc at £2 per shares for a total cost of £20,200.00 Client A gifts all of the shares to Spouse B - the market value of the shares as at the date of the transfer is £23,000.00. As this is not deemed a disposal for CGT purposes, Client A and Spouse B will have the value applied as per the original acquisition cost i.e. £20,200

Capital Gains Tax Implications

What is Capital Gains Tax?

Capital Gains Tax (CGT) is a tax on the profit made when something (an 'asset') is sold (or 'disposed of') which has increased in value. It's the gain made which is taxed, and not the amount of money received.

Disposing of an asset includes:

- selling it
- giving it away as a gift, or transferring it to someone else

- swapping it for something else
- getting compensation for it e.g. an insurance pay-out if it's been lost or destroyed

When requesting a transfer of shares where no financial consideration is either given or received by either party there might still be an implication for Capital Gains Tax purposes.

Does CGT apply to all assets?

Most assets (stocks and shares, units in a unit trust and debentures) are liable to CGT and some assets (investments such as an ISA, gilts and most qualifying corporate bonds) are exempt from CGT.

Please refer to HMRC website for a detailed information.

How is CGT calculated?

When disposing of an asset, one needs to know the true acquisition cost and allow for any costs relating to the disposal. For partial disposals, the allowable expenditure incurred must be proportioned between the part being disposed of and the part retained.

Transfer of shares between spouses or civil partners

The disposal of assets between spouses or civil partners who live together is on the basis of zero gain and zero loss, whereby the transferring party passes on their gain to the receiving party.

Death of an individual

The disposal of assets upon the death of an individual is not subject to CGT.