

## TAX INFORMATION NOTE LIFE INSURANCE CONTRACTS - NATURAL PERSONS

The taxation applicable to the contract is generally that of the country of your habitual and fiscal residence.

The information in this tax information note is intended for natural persons fiscally resident in the Grand Duchy of Luxembourg. The information herein is without prejudice to future changes in legislation during the lifetime of the contract. It does not take into account the particular characteristics of individual situations. We therefore recommend that you seek advice from an independent legal and fiscal advisor, who will take into account your personal situation.

All information herein is applicable as of 1 December 2020, without prejudice to future changes to the fiscal treatment of life insurance contracts. This Tax Information Note is for general information purposes only and does not purport to be exhaustive. WEALINS S.A. may in no case be held liable by reason of this information.

Updated versions of this Tax Information Note are at the disposal of the policyholder upon simple request or by electronic means.

**Any tax and duty, with retroactive effect or not, that may affect the contract will be at your charge or at the charge of the beneficiaries with respect to the maturity and death benefits. The same applies to all declaration obligations.**

WEALINS S.A. offers life insurance contracts for various countries: The features of each product are based on the law and regulations of a specific country. It is however important, in case of change of the policyholder's residence and to avoid undesirable fiscal consequences, that the latter checks if the essential features of the insurance contract, e.g. the level of death coverage, comply with the law and regulations of the country in which the policyholder intends to establish his new habitual residence.

### Broad outline of the Luxembourg tax regime for natural persons

Luxembourg residents taking out a life insurance contract with a Luxembourg-registered insurer are subject to Luxembourg tax law in relation to that contract, as explained below:

#### 1. Tax treatment of premiums

Deductibility of premiums under article 111 of the Income Tax Act (LIR).

Premiums paid to private-sector insurance undertakings licensed to write life insurance in the Grand Duchy of Luxembourg are deductible<sup>1</sup> up to an annual limit of EUR 672 plus an identical allowance for spouses or civil partners taxed together and one for each child for whom the taxpayer gets child tax relief under article 122 of the Income Tax Act.

The conditions<sup>2</sup> required for this deduction are as follows:

- The only qualifying premiums and contributions are those covering the risks and constituting the savings of the taxpayer, spouse, civil partner or children for whom the taxpayer gets child tax relief under article 122 of the Income Tax Act.
- **So far as life assurance contracts linked to asset accumulation vehicles are concerned:**
  - the **minimum effective term** of subscription must be **ten years or longer**,
  - furthermore, such contacts must have a **life cover element** of at least 60% of the total regular premiums expected to have been paid by the end of the contract which must provide for at least five annual premiums, or a **death cover of at least 130% of the premiums paid up to the date of death**.

#### 2. Tax treatment of sums paid out under life insurance contracts

According to article 115 of the Income Tax Act, the capital and the surrender values of individual endowment, invalidity or pure life contracts are free of income tax.

Any total or partial surrender may be made without fiscal consequences unless the surrender is made during the first six months following the entry into force of the life insurance contract.

#### 3. Inheritance tax

Benefits received on death of a Luxembourg policyholder/insured person are subject to inheritance tax, as the case may be.

In accordance with articles 16, 17 and 18 of the law of 28 January 1948 whose object is to ensure the fair and accurate assessment of registration fees and inheritance tax, upon the death of a policyholder/insured person last domiciled in the Grand Duchy of Luxembourg, WEALINS S.A. will inform the Luxembourg Registration & Estates Office of the name(s) of the beneficiary(ies) of the contract and the amount(s) of any benefit(s) paid.

Rates of inheritance tax vary according to the heir's degree of kinship with the deceased and the value of the heir's inheritance, as set out below:

- Children or descendants : 0% for the share of the inheritance prescribed by law
- from a spouse or civil partner under a legally-registered civil partnership entered into at least three years before the inheritance proceedings commence: 0%
- from a brother or sister:
  - on amounts receivable under the intestacy rules: 6%
  - on any additional amount: 15%
- from an uncle or aunt and nephews or nieces, or from a parent by adoption:
  - on amounts receivable under the intestacy rules: 9%
  - on any additional amount: 15%

<sup>1</sup> Premiums are deductible from the total net income, insofar as they are neither to be considered as operating expenditures, nor as acquisition costs.

<sup>2</sup> No restriction is applicable with respect to the beneficiary; anyone may be designated as beneficiary without his designation being able to justify a refusal of the premiums' deductibility as special expenses.

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- from a grand-uncle or grand-aunt and grandnephews and grandnieces, or from an ancestor by adoption:
  - on amounts receivable under the intestacy rules: 10%
  - on any additional amount: 15%
- from any other relation, and from unrelated persons: 15%

The rate of inheritance tax is increased, as set out in the table below, for any individual heir's portion the net taxable value of which exceeds EUR 10,000:

Scale	Enhancement	Scale	Enhancement
EUR 10,000 but not more than EUR 20,000	1/10	EUR 380,000 but not more than EUR 500,000	13/10
EUR 20,000 but not more than EUR 30,000	2/10	EUR 500,000 but not more than EUR 620,000	14/10
EUR 30,000 but not more than EUR 40,000	3/10	EUR 620,000 but not more than EUR 750,000	15/10
EUR 40,000 but not more than EUR 50,000	4/10	EUR 750,000 but not more than EUR 870,000	16/10
EUR 50,000 but not more than EUR 75,000	5/10	EUR 870,000 but not more than EUR 1,000,000	17/10
EUR 75,000 but not more than EUR 100,000	6/10	EUR 1,000,000 but not more than EUR 1,250,000	18/10
EUR 100,000 but not more than EUR 150,000	7/10	EUR 1,250,000 but not more than EUR 1,500,000	19/10
EUR 150,000 but not more than EUR 200,000	8/10	EUR 1,500,000 but not more than EUR 1,750,000	20/10
EUR 200,000 but not more than EUR 250,000	9/10	Over EUR 1,750,000	22/10
EUR 250,000 but not more than EUR 380,000	12/10		

### General exemptions

The following are exempt from taxes on inheritance and transfer on death:

- All inheritances and transfers on death in the direct line (with the exception of any share exceeding that prescribed by law for inheritance in the direct line).
- All inheritances and transfers on death from a spouse.
- All inheritances and transfers on death from a civil partner, under a legally-registered civil partnership entered into at least three years before the inheritance proceedings commence.
- All inheritances and transfers on death from a deceased spouse to the surviving spouse or from a deceased civil partner to the surviving civil partner under a legally-registered civil partnership entered into at least three years before the inheritance proceedings commence, in usufruct or as a pension or annuity, if by the deceased spouse's or civil partner's death any children by his/her earlier marriage or civil partnership (or any descendants thereof) succeed to ownership or are charged with the pension or annuity.
- All inheritances and transfers on death where the value of the entire estate (less any debts) does not exceed EUR 1,250.

### 4. Wealth tax

Wealth tax on the fortune of natural persons domiciled in Luxembourg was abolished on 1 January 2006.