WEALINS®
WEALTH INSURER

TAX INFORMATION NOTE
Capitalisation contracts – Finland

FOYER GROUP

Finland

The following general information on taxation is intended for natural persons or taxable legal entities (corporations) fiscally resident in Finland.

The information concerns unit-linked capitalisation contracts.

The information herein is without prejudice to future changes in legislation during the life of the contract. It does not consider the particular features of individual situations.

We therefore recommend that you seek advice from an independent legal and fiscal advisor, who will consider your personal situation.

Our products are designed for specific countries and the features of each product are based on the law and regulations of a specific country. It is important to check if all characteristics of your capitalisation contract and therefore its tax treatment comply with the law and regulations of your country of habitual residence.

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

The following does not contain taxation of a capitalisation contract in the agricultural source of income.

The following does not handle taxation of so-called artificial capitalisation contracts.

You or the legal taxpayer are solely responsible for declaring and paying all required taxes or making any other required declaration with regard to this capitalisation contract.

The following comments do not handle the special tax treatment of certain insurances (Finnish Income Tax Act 35 b §) .

Insurance Premium Tax

There is currently no insurance premium tax applicable to capitalisation contracts in Finland.

Insurance premium

Insurance premium is not a deductible expense in income taxation at the time of the payment into the capitalisation contract (this concerns both a legal entity and a natural person).

Transfer Tax and Capital Gains Tax

If assets are invested in the capitalisation agreement, the transaction might be subject to both transfer tax and capital gains tax. Similarly, if WEALINS exercises its one-sided right to meet its payment obligations by transferring the ownership of the underlying assets to you or other transferee, the transfer might be subject to the transfer tax.

Taxation of surrenders and expiration benefits

When a surrender value or expiration benefit is paid back to the client, the part of the surrender value or the expiration benefit of the capitalisation contract that exceeds the amount of funds invested and management fees paid under the capitalization contract period is considered profit. Taxable income is the proportionate share of the payment that corresponds to the remaining profit in proportion to the amount of the surrender value or the expiration benefit in total at the time of the payment.

Premiums for capitalisation agreement are not separately deductible for tax purposes, but can be taken into account in calculating the taxable profit of the capitalisation agreement as explained here above. The fact that only the profit of the payment is taxable also requires that the premium has not been deducted in taxation earlier.

Natural person: the taxable profit is taxed as capital income of a natural person. Capital income is taxed at a rate of 30% for capital income amounts up to EUR 30,000 per year and 34% for capital income amounts exceeding EUR 30,000 per year. Also other capital income of the taxpayer than income from the capitalisation contract is included in this limit.

Legal entity: the taxable profit is taxed as business income of a legal entity (tax rate 20 %). Please consider with a due care with your bookkeeper and your tax advisors the asset class in which the capitalisation contract and the income or loss should be booked in your entity's taxation.

The loss from the total surrender or expiration of the capitalisation contract will be deductible as a definitive loss when the capitalisation contract is terminated. Losses from partial surrenders are not tax deductible. Natural persons: the loss is deductible from the capital income accrued during the tax year of surrender or expiration. The loss may be carried forward for the following ten tax years. Legal entity: the loss is deductible from the business income accrued during the tax year of surrender or expiration. The loss may be carried forward in accordance with the relevant rules.

Inheritance / Natural Person

In case of death of the client, the capitalisation contract will remain valid and will be included as an asset in the death estate's inventory deed. The heir(s) is (are) obliged to pay inheritance tax. The contract is valued for its fair market value in inheritance taxation. Based on the court practice and the guidance issued by the tax administration, surrender value (at the time of the death of the client) of the capitalisation contract can be considered as a fair market value of the capitalisation contract at the time of the client's death.

If the heir(s) or the death estate surrender the capitalisation contract or if the benefit on expiry of the contract is paid, the value from which the inheritance tax is paid, is considered as cost basis in income taxation. However, please note the income tax rules about cost basis if the contract's ownership is changed due to marital rights instead of inheritance.

If someone receives income from a capitalisation contacts based on a right to return as referred to in the Finnish Code of Inheritance (*Perintökaari*), the payment is fully taxable income.

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