Tax notice - Luxembourg

Main characteristics of the taxation of the life insurance policy for a natural person

FEBRUARY 2025

During the life of the Policy, the tax regime applicable to the Policy is that of the country in which the Policyholder is resident for tax purposes on the day of the taxable event. The Luxembourg tax regime on life insurance applies when the Policyholder is a Luxembourg tax resident. In the event of a transfer of tax residence outside the Grand Duchy of Luxembourg during the life of the Policy, it is in principle the tax legislation of the new country of tax residence of the Policyholder which shall apply.

In the event of the death of the Insured Person and when the Insured Person is also the Policyholder, the applicable tax regime shall be that of the Insured Person's country of tax residence on the day of his/her death and/or the law of the country of residence of the designated Beneficiary(ies), subject to international tax treaties.

If a Policyholder, Insured Person and/or designated Beneficiary(ies) transfers their tax residence to outside the Grand Duchy of Luxembourg during the Contract, they are recommended to seek specific information from a qualified tax adviser about the tax regime applicable to the Contract resulting from this change of residence.

THE POLICYHOLDER'S ATTENTION IS DRAWN TO THE FACT THAT

- this Notice only sets out, in general, on the basis of our understanding of the legislation on the date of its drafting, the main characteristics of the tax regime applicable to the Contract of which the Policyholder/Insured Person, the designated Beneficiary(ies) are tax residents in the Grand Duchy of Luxembourg,
- the characteristics of the tax regime applicable to the Contract may change during the life of the Policy,
- information on the main characteristics of the tax regime for the Contract (i) is given subject to changes in regulatory and legislative provisions and the doctrine of the Luxembourg tax authorities in force, and (ii) has no contractual value. This information is provided for information purposes only and does not constitute legal or tax advice,
- before signing the Insurance Proposal, and during the life of the Policy, the Company strongly recommends that the Policyholder obtains advice from a qualified tax adviser in order to be fully informed of the tax regime applicable to the Policy and to find out the solutions applicable to specific situations.

Except where agreed to the contrary, the terms with a capital letter have the meaning that is given to them in the General Conditions.

The Grand Duchy of Luxembourg's taxation applies if the Policyholder has his/her tax residence in the Grand Duchy of Luxembourg at the time when one of the following transactions takes place: subscription, partial or total withdrawal, maturity in case the Life Insured Person lives or contract settlement in case the Life Insured Person dies.

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ARTICLE 1 - TAXATION AND DEDUCTIBILITY OF PREMIUMS PAID

Premiums paid under a Contract are not subject to any tax.

The Contract proposed by the Company does not comply with the conditions provided for in Article 111 of the amended Luxembourg law of 4 December 1967 concerning income tax (L.I.R.), therefore, the premiums paid under the Contract are not deductible.

ARTICLE 2 - TAX TREATMENT OF WITHDRAWAL/MATURITY OF POLICY IN CASE THE LIFE INSURED PERSON LIVES

At the end of the Policy in the event that the Life Insured Person is still alive, only in the event that the Policyholder is a beneficiary in the event that the Life Insured Person is still alive, or in the event of a total or partial surrender of the Policy, the capital or the surrender value received by the Policyholder is exempt from income tax (Article 115, paragraph 17 L.I.R.).

However, a partial or total withdrawal carried out within six months of the effective date could lead to requalification of the Policy by the Luxembourg tax authorities and could lead to taxation at a progressive income tax rate.

ARTICLE 3 - TAXATION IN CASE OF THE DEATH OF THE LIFE INSURED PARTY

In the event of the death of the Insured Person, also Policyholder under the Contract and residing in Luxembourg on the day of his/her death, the sums paid to the designated Beneficiary(ies) are not subject to inheritance tax provided that the Beneficiary is:

- a direct line descendant or ascendant of the Insured Person (child, grandchild, great-grandchild, parent, grandparent, great-grandparent). This exemption is, however, limited to the legal share of the inheritance, i.e. the share obtained by the heir on the basis of the inheritance specified by law (article 24 of the amended Luxembourg law of 27 December 1817 on the collection of death duties as a preferential right of the Public Treasury). The so-called non-legal share is taxed either at 2.5% or 5% depending on the situation;

or

- the surviving spouse or partner bound by a declaration of partnership registered for at least three (3) years before the opening of the estate.

In all other cases, inheritance taxes may apply. Marginal tax rates vary from 6% to 48% in light of the family relationship and the amount collected.

In the event of the death of the Insured Person / Policyholder residing in Luxembourg, the Company is required to inform the Registration and Domains Administration of the existence of the Contract in accordance with Article 16 of the amended Luxembourg law of 28 January 1948 aimed at ensuring the correct and exact collection of registration and inheritance taxes.

ARTICLE 4 - CHARGING ANY TAX OR DUTY PURSUANT TO THE POLICY

Any tax or duty that may be applicable to the underlying assets of the Life Insurance Policy shall be deducted from the value achieved by the relevant underlying asset.

Any tax or duty to which the Policy may be subject (including following a future change in legislation) and for which charging by the Company is not prohibited shall be deducted from the benefits due pursuant to the Policy.

Any tax, with retroactive or non-retroactive effect, which is imposed on the Policy shall be borne exclusively by the Policyholder(s) or the Beneficiary(ies).

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