

Tax notice - Luxembourg

Main characteristics of the taxation of the capitalisation contract

FEBRUARY 2025

During the term of the Policy, the tax regime applicable to the Policy is that of the country in which the Policyholder who is a natural person or legal entity has a residence for tax purposes, on the day of the taxable event. The Luxembourg tax regime applies when the Policyholder, natural person or legal entity is resident for tax purposes in the Grand Duchy of Luxembourg. 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.

If a Policyholder changes their tax residence to outside the Grand Duchy of Luxembourg during the Policy, they are recommended to seek specific information from a qualified tax adviser about the tax regime applicable to the Policy 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 for which the Policyholder is a tax resident/has its registered office in the Grand Duchy of Luxembourg,
- the characteristics of the tax regime applicable to the Contract may change during the life of the Contract,
- 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) do not have any contractual value. This information is communicated as an informative guide and in no way constitutes legal or tax advice,
- the Company strongly recommends that the Policyholder, before taking out the capitalisation contract and during the execution of the Policy, obtain advice from a qualified tax adviser in order to have full knowledge of the tax regime for the Contract and to seek solutions to particular situations.

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

The taxation of the Grand Duchy of Luxembourg applies when the Policyholder is resident for tax purposes in the Grand Duchy of Luxembourg on completion of one of the following transactions: subscription, partial or total surrender, term of the Agreement.

ARTICLE 1 - Taxation of an Individual Person's capitalisation contract

ARTICLE 2 - Taxation of the capitalisation contract of a legal entity (subject to corporate tax)

ARTICLE 3 - Charging any tax or duty pursuant to the Contract

ARTICLE 1 - TAXATION OF AN INDIVIDUAL PERSON'S CAPITALISATION CONTRACT

ARTICLE 1.1 - TAXATION AND NON-DEDUCTIBILITY OF PREMIUMS PAID

Premiums paid under a capitalisation contract are not subject to any tax.

Premiums paid under a capitalisation contract which does not guarantee one of the risks listed in Article 111 (1) of the amended Luxembourg law of 4 December 1967 concerning income tax (L.I.R.) (risks in the event of life, death, accident, disability, sickness or civil liability) are not deductible for tax purposes.

ARTICLE 1.2 TAXATION AT THE TIME OF THE SURRENDER/ END OF THE CONTRACT

In the event of total or partial surrender of the Policy or at the end of the Policy, the surrender value affected by the Policyholder shall be subject to income tax only for the part exceeding the equivalent value of the premiums paid by the Policyholder.

A distinction must be made depending on the type of options offered for investment by the Policy.

ARTICLE 1.2.1 EURO-DENOMINATED FUND (if the contract offers Euro-denominated Fund as underlying asset)

The surrender value is equal to the sum of (i) the initial premium plus the additional premiums (the 'Premiums'), (ii) the guaranteed interest on the Premiums accrued but not yet paid and (iii) the earnings bonus not yet paid.

The countervalue of the Premiums does not constitute income for the purposes of Luxembourg tax law.

The portion of the surrender value representing guaranteed interest on the Premiums paid by the taxpayer must be categorised in Luxembourg as interest resulting from movable capital taxable in Luxembourg.

As regards the portion of the surrender value representing the earnings bonus not yet paid, this would probably have to be categorised as a capital gain.

Under article 99 of the L.I.R., capital gains are taxed where they are made on movable assets resulting among others from speculative operations. Constituting a speculative operation is the realisation of movable assets when the interval between acquisition or constitution (i.e. conclusion of the Policy) and realisation (i.e. surrender) is less than six (6) months. In such a situation, the earnings bonus not yet paid will be a profit from speculation (i.e. capital gain) subject to Luxembourg tax.

However, when the interval between acquisition or constitution (i.e. conclusion of the policy) and realisation (i.e. surrender) is greater than six (6) months, the profit would constitute a capital gain outside the scope of article 99 of the L.I.R. and thus generally not subject to Luxembourg tax.

ARTICLE 1.2.2 UNIT-LINKED UNDERLYING FUNDS

The surrender value is equal to the number of units held in respect of each Fund divested at the end/day of surrender, multiplied by the net asset value of each Fund, on the value date corresponding to the surrender transaction or at the end, as the case may be.

The difference between the surrender value and the initial premium plus additional premiums would generally release either a capital gain or a loss, which, under article 102bis paragraph 14 of the L.I.R., would be deductible from the positive income under the same article (i.e. the profits from speculation resulting from realisation of movable or immovable assets, when the interval between acquisition or constitution and realisation is less than six (6) months for movable assets and less than two (2) years for immovable assets).

The realised capital gain could be described:

- or as taxable speculation profit as defined above, if the surrender takes place within six (6) months of the conclusion of the Policy (not exempt in accordance with Article 115 paragraph 17 L.I.R.),
- or as a non-taxable capital gain, if the surrender takes place outside the six (6) months of the conclusion of the Policy.

ARTICLE 1.3 TAXATION IN CASE OF DEATH OF THE POLICYHOLDER

The beneficiary of the capitalisation policy is the Policyholder. In the event of the Policyholder's death, the Policy will be included in the Policyholder's estate and will not therefore be subject to inheritance tax provided the heir is:

- a direct descendant or ascendant of the Policyholder (child, grandchild, great-grandchild, parent, grandparent, great-grandparent). This exemption is, however, limited to the legal share, i.e. the share obtained by the heir on the basis of the inheritance specified by law (article 24 of the 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 a Luxembourg resident, 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 2 - TAXATION OF A CAPITALISATION CONTRACT BELONGING TO A LEGAL ENTITY

The Policyholder's attention is drawn to the fact that this Article 2 sets out solely, in general terms, the main characteristics of the tax regime applicable at the time of surrender of the Policy, which is a capitalisation policy not covered by articles 111 and 115 paragraph 17 of the L.I.R.

A distinction must be made depending on the type of options offered for investment by the Policy.

ARTICLE 2.1 EURO-DENOMINATED FUND (if the contract offers Euro-denominated Fund as underlying asset)

The Surrender Value is equal to the sum of the (i) Premiums, (ii) Interest and (iii) Capital Gains.

For the Policyholder, the portion of the surrender value corresponding to the Premiums is exempt, whereas the portion of the surrender value corresponding to the proceeds of the Policy (Interest and Capital Gains) constitutes taxable income for the Policyholder.

Pursuant to the principle of linking the tax balance sheet to the commercial balance sheet (Article 40 L.I.R.), the proceeds of the Policy are taxable in respect of the financial year in which they were recorded.

In general terms, the Policyholder's taxable profit is constituted by the positive difference between (i) the sum of the proceeds of the Policy and the other types of taxable income realised by the Policyholder during the same financial year and (ii) the tax-deductible operating expenses and any tax losses carried forward.

The taxable profit is subject to corporate income tax ('IRC and municipal business tax ('ICC') in accordance with the provisions of the L.I.R.

For 2025, the IRC is calculated as follows:

- When the taxable profit is above EUR 200,001: at the rate of 16%.
- When the taxable profit is between EUR 175,001 and EUR 200,000: EUR 26,250 plus a rate of 31% of income exceeding EUR 175,000 shall apply.
- Where the taxable profit does not exceed EUR 175,000: at the reduced rate of 14%.

The IRC is supplemented by a contribution of 7% for the employmen fund (for companies with a taxable profit of more than EUR 200,000, the IRC is increased by 1.12% (7% of 16%).

The ICC has a rate that varies according to the municipality where the Policyholder's head office is located. For 2023, the rate is 6.75 % for the city of Luxembourg.

For that reason, Policyholders established in Luxembourg City in 2025 shall be taxed at a global rate of:

- 23.87% if they achieve a taxable profit of more than EUR 200,001 or
- EUR 26,250 plus 37.75% of income exceeding EUR 175,000 if it realizes a taxable profit between EUR 175,001 and EUR 200,000
- 20.75% if it realizes a taxable profit not exceeding EUR 175,000.

ARTICLE 2.2 UNIT-LINKED UNDERLYING FUNDS

The surrender value is equal to the number of units held in respect of each Fund divested at the end/day of surrender, multiplied by the net asset value of each Fund, on the value date corresponding to the surrender transaction or at the end, as the case may be.

The difference between the surrender value and the initial premium plus the additional premiums releases either a taxable capital gain in accordance with the aforementioned rules or a tax-deductible loss for the Policyholder.

The applicable tax is the same as for Euro-denominated Fund.

ARTICLE 2.3 WEALTH TAX

Some Luxembourg legal entities are subject to wealth tax and the value of the capitalisation contract could fall under the determination of the entity's unit value for the purpose of determining its wealth tax.

The rates of wealth tax (IF) are as follows:

- 0,5% on the part of the net wealth less than or equal to EUR 500,000,000 on 1 January;
- 0.05% on the part of the net wealth greater than EUR 500,000,000 on 1 January.

According to Article 14 of the amended Act of 16 October 1934 on the valuation of assets and securities, the amount to be taken into account would be the surrender value of the capitalisation contract as of 1 January when it is known.

There is a minimum wealth tax payable based on the company's balance sheet total. The minimum IF may be EUR 535 for a balance sheet total of less than EUR 350,000 to EUR 32,100 for a balance sheet total exceeding EUR 30,000,000 in 2021.

ARTICLE 3 - TAXATION OF THE CAPITALISATION CONTRACT SUBSCRIBED THROUGH A LUXEMBOURG CIVIL COMPANY

A Luxembourg civil company is considered to be transparent from a Luxembourg tax point of view (Article 175 L.I.R.). In other words, a Luxembourg civil partnership is not subject to income tax, but it determines a tax result according to the tax rules applicable to its partners. This tax result is then taxed at the level of each partner.

For the applicable tax rules, we therefore refer to Article 1 above for an individual partner resident in Luxembourg and to Article 2 above for a legal person partner resident in Luxembourg.

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 capitalisation contract 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 applies to the Policy as well as the declarations relating to these taxes and duties shall be borne exclusively by the Policyholder or, as the case may be, by the Policyholder's legal successor.