



TAX INFORMATION NOTE – LUXEMBOURG

FOYER GROUP

Life Insurance Contract - Natural Person

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

The information herein is intended for natural persons fiscally resident in Luxembourg. The information herein is without prejudice to future changes in legislation during the life of the contract. It does not take into account the particular features 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.

The information included herein is applicable as of 1 September 2017, without prejudice to future changes to the fiscal treatment of life insurances. 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.

You or the beneficiary with respect to maturity or death benefits are solely responsible for declaring and paying any tax and duty, with retroactive effect or not, that may affect the contract.

WEALINS S.A. offers life insurance contracts for various countries and 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 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 Individuals

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 deductible¹ up to a 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 conditions² required for this deduction are as follows:

- The only qualifying risks are those of the taxpayer, spouse or civil partner linked by a partnership declaration, or children for whom child tax relief is allowed under Article 122 of the Income Tax Act.
- **So far as life assurance contracts delivering a benefit in case of survival on expiration and linked to an asset accumulation vehicle are concerned:**
 - the **minimum term** must be **ten years or longer**,
 - furthermore, such contracts must have a life cover element of at least 60% of total regular premiums expected to have been paid by the end of the contract which must provide for at least five annual premiums, or **at least 130% of 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 benefits upon expiry and surrender values of personally contracted endowment, invalidity or pure life contracts are all 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.

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

² 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.

3. Inheritance tax

Benefits received on the death of a Luxembourg policyholder/insured person are subject to inheritance tax in certain circumstances.

In accordance with Articles 16, 17 and 18 of the Deaths & Inheritances Act 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 domiciled in the Grand Duchy of Luxembourg, WEALINS S.A. will tell the Luxembourg Registration & Estates Office the name of the beneficiaries of the contract and the amount(s) of any benefit(s) paid.

Rates of tax applying to inheritance 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%
- from a spouse or civil partner under a legally-registered civil partnership entered into at least three years before the inheritance process commences, with children or other descendants in common: 0%
- from a spouse or civil partner under a legally-registered civil partnership entered into at least three years before the inheritance process commences, where there are no children or other descendants in common: 5%
- 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%
- from a great-uncle or great-aunt and grandnephews and grandnieces, or from an ancestor by adoption
 - on portions 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
Over EUR 10.000 but not more than EUR 20.000	1/10	Over EUR 380.000 but not more than EUR 500.000	13/10
Over EUR 20.000 but not more than EUR 30.000	2/10	Over EUR 500.000 but not more than EUR 620.000	14/10
Over EUR 30.000 but not more than EUR 40.000	3/10	Over EUR 620.000 but not more than EUR 750.000	15/10
Over EUR 40.000 but not more than EUR 50.000	4/10	Over EUR 750.000 but not more than EUR 870.000	16/10
Over EUR 50.000 but not more than EUR 75.000	5/10	Over EUR 870.000 but not more than EUR 1.000.000	17/10
Over EUR 75.000 but not more than EUR 100.000	6/10	Over EUR 1.000.000 but not more than EUR 1.250.000	18/10
Over EUR 100.000 but not more than EUR 150.000	7/10	Over EUR 1.250.000 but not more than EUR 1.500.000	19/10
Over EUR 150.000 but not more than EUR 200.000	8/10	Over EUR 1.500.000 but not more than EUR 1.750.000	20/10
Over EUR 200.000 but not more than EUR 250.000	9/10	Over EUR 1.750.000	22/10
Over 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 portion exceeding that prescribed by law for inheritance in the direct line).
- All inheritances and transfers on death from a spouse who leaves one or more children born of the marriage, or one or more descendants thereof.
- 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 process commences, who leaves one or more children born of the civil partnership or one or more descendants thereof.
- All inheritances and transfers on death from a deceased husband to his widow or from a deceased wife to her widower 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 process commences, consisting of a life interest (usufruct), 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 Individuals domiciled in Luxembourg was abolished on 1 January 2006.