

Tax obligations and disclosure requirements relating to box 3 life insurance policies

NETHERLANDS

Life insurance Box 3

➔ As a life insurance policyholder with our Luxembourg insurance company, you will want to know what your tax obligations are and how your policy is taxed. This document should provide you with some answers. This document is limited to capital insurances that are taxed in 'box 3' of the Dutch Income Tax. This document is not applicable to life annuity insurances or other insurances that are considered as additional pension for income tax purposes in The Netherlands. This documents is also not applicable to capital insurances that are linked to an owner-occupied home.

It contains:

- your disclosure requirements;
- information on the tax applicable when you take the policy out, and when you surrender it in part or in full;
- information on taxation during the term of the policy;
- information on taxation in the event of death.

1. Disclosure requirements

There are no disclosure requirements involved in taking out a life insurance policy in the Netherlands.

After taking out the life insurance policy, the subscribers needs to declare to value of the policy every year in 'box 3' of the Dutch Income Tax.

In the event of death, the beneficiary of the life insurance pay out shall declare the amounts received in his inheritance declaration.

2. Tax applicable upon taking out the policy or additional payments

Neither upon taking out the policy nor upon making additional payments does the policyholder have to pay any taxes.

Both premium and additional payment are not tax deductible.

3. Tax applicable during the term of the policy (box 3)

The value of the policy is taxed in 'box 3' of the Dutch Income Tax. Each year a flat rate tax of 30% is calculated on a notional income. The notional income depends on the total assets owned by the subscriber on January 1 of the taxable year (2017).

Net worth of assets	Notional income	Flat rate tax	Effective tax rate
Up to € 75,000	2,87%	30%	0,86%
€ 75,001 to € 975,000	4,60%	30%	1,38%
€ 975,001 and up	5,39%	30%	1,62%

For each tax payer an amount of € 25,000 is exempt from 'box 3' taxation. If 2 persons qualify as 'fiscal partner' of each other, they can add both of their exempt sums together.

4. Tax applicable on surrender or expiry of the policy

Upon surrender or expiry of the policy, the amount that is received is normally not taxed as such. However, the received amount will be taxed in 'box 3' of the Dutch Income Tax (just like other assets that the subscriber owns). The 'box 3' rates are stated in section 3 of this document.

5. Inheritance tax

If the deceased was obliged to pay the premiums of the insurance, the benefit is deemed to be part of the inheritance. The benefit is then subject to ordinary inheritance tax.

The inheritance tax varies from 10% to 40%, depending on the amount of that is inherited and the family relation with the deceased.

Disclaimer

This document was drawn up in March 2017 on the basis of information validated at that date for resident tax payers.

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