

# Tax obligations and disclosure requirements relating to life insurance policies

## Portugal

As a life insurance or capitalisation 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.

It contains:

- Your disclosure requirements;
- Information on the tax applicable when you surrender the policy in part or in full;
- Information on taxation in the event of death.

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### 1. Disclosure requirements

Appointment of a tax representative before the insurance supervision authority (*ASF – Autoridade de Supervisão de Seguros e Fundos de Pensões*) is no longer mandatory since 1st January, 2016.

From this date, Insurance companies acting in Portugal under FOS (Freedom of Services) will be able to report and comply with their tax obligations related to the insurance activity directly to ASF, through this supervision authority's platform available for market practitioners.

Baloise Vie Luxembourg S.A. has nominated a tax representative in Portugal.

Foreign insurance companies are not compelled to notify the Portuguese tax authorities when a Portuguese resident takes out a life insurance policy. However, the tax representative will handle with the payment of any taxes that may be due when paying the premiums (taxes payable to the Portuguese supervisory authority ASF and the National Medical Emergency Institute - INEM).

### 2. Tax applicable upon taking out the policy

A tax of 0.048 % is paid by the insurance company through its tax representative. If the contract includes additional death cover, the insurance company will pay the 2,5% INEM tax. This INEM tax should be levied only on the part of the premium related specifically with the death coverage.

INEM is levied on any life insurance policy in case of death, even if it is an investment product, as long as the insurance product has death coverage.

### 3. Tax applicable on the surrender, sale or transfer of the policy

The income corresponding to the difference between (i) the premiums paid and (ii) amounts paid as a redemption, advance payment or maturity of a life insurance policy are subject to IRS as an investment income, according to the following rules:

#### **Benefit in case of partial or total surrender or when the policy matures:**

Choice between tax at a flat rate of 28 % or at the marginal income tax rate.

#### **Taxable income will be:**

- (i) 100% if payment occurs within the first 5 years of the contract;
- (ii) 80% if payment occurs between the first 5 years and 8 years of the contract;
- (iii) 40% if payment occurs after 8 years of the contract.

**Gain declaration:**

Income generated by a surrender must be declared by the subscriber in his annual personal income tax return.

**4. Inheritance tax****Taxation in the event of death:**

No inheritance tax.

**Taxation without insurance policy:**

- The marginal income tax rate quickly reaches 52.5 %.
- There is no wealth tax.
- There is no inheritance tax.
- Income earned abroad is subject to tax at a flat rate of 28 %.

**Donation:**

- In a direct line, there is no donation tax.
- On an indirect line, the donation tax is 10 %.

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*This document was drawn up in January 2016 on the basis of information validated at that date.*

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