

Life Assurance - Repayment of exit taxes for non-resident policyholders

Part 26-05-03

This document should be read in conjunction with Chapter 5 of Part 26, TCA 1997

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Purpose

This manual sets out the entitlement of a non-resident individual, who was resident at the time a life policy was entered into, to a refund of life assurance exit tax suffered in certain circumstances.

Circumstances

Finance Act 2005 tied the entitlement to exemption from exit tax to the residence status of a policyholder at inception of the policy, rather than at the time of the chargeable event. A policyholder who became non-resident and non-ordinarily resident in the State, subsequent to commencing a life policy, could therefore not provide a declaration of non-residence or obtain a refund of any exit tax deducted, in respect of chargeable events occurring after the policyholder became non-resident and non-ordinarily resident.

Section 730E Taxes Consolidation Act (TCA) 1997 deals with declarations which must be made to a life assurance company in order for life policies to be exempt from the deduction of exit tax on the happening of a chargeable event.

Section 23 Finance Act 2015 amended the requirements around the timing of the declaration of non-residence for any policy commenced on or after 1 May 2006. That is, from 1 January 2016 any policy holder who is non-resident and non-ordinarily resident at the time of a chargeable event will be able to provide a declaration of non-residence at that time and avoid incurring the exit charge.

Repayment procedures have been put in place for any policy holder who:

- suffered exit tax on chargeable events occurring before 31 December 2015, **and**
- was Irish resident when his or her policy commenced on or after 1 May 2006, **and**
- became non-resident and non-ordinarily resident in the State after that date.