

Part 15 - Insurance Policies

Capital Acquisitions Tax

15 Part 15 - Insurance Policies - Sections 72 and 73 CATCA 2003

Section 72 provides that the proceeds of life assurance policies taken out expressly to pay inheritance tax and approved retirement fund tax due by the successors of the donor, are exempt from Capital Acquisitions Tax, provided the inheritance is taken on or after the death of the insured and not later than one year after the death. The policy proceeds are also excluded from aggregation with any other taxable gifts or inheritances, to the extent that they are used to pay inheritance tax due by the successor.

The relief applies to joint policies effected by spouses or civil partners to cover inheritance tax payable by the successors of the survivor of either spouse or civil partner and covers succession of property on the survivor's death (cesser of a life interest) or where an inheritance from the predeceased spouse or civil partner is only taken in the event of the insured not surviving his or her partner for up to 31 days. In such circumstances the policy proceeds may be used to pay tax due by the successors of the predeceased spouse or civil partner.

The proceeds of a qualifying policy in the sole name of a life tenant, taken under a deceased person's will, may also be used to pay inheritance tax arising on the cesser of the life interest.

Section 73 extends a similar relief to insurance policies taken out for payment of gift tax on inter vivos dispositions. A qualifying policy must conform to the corresponding principles applicable for inheritance tax policies set out in Section 72, and must also be payable on "an appointed date" which is more than 8 years from the date the policy is effected. This minimum time requirement is not necessary where the insured or his or her spouse or civil partner dies or becomes critically ill.

A qualifying Section 72 policy that has prematurely come to an end (for example due to early surrender or encashment or payment otherwise than on the death of the insured) may come within the relief if it meets the "appointed date" requirement.

The relief does not apply to tax liabilities arising on appointments of property from an inter vivos discretionary trust set up by the insured.

See Statement of Practice ([SP-CAT/1/04](#)) for full details and examples.