# Equitable Life Compensation Scheme

## Part 15-02-09

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# 1. Introduction

The Equitable Life Payment Scheme was set up by the UK Government to compensate Equitable Life policyholders who incurred “relative losses” as a consequence of regulatory failure in the UK.

In essence, a “relative loss” is the difference between the actual returns received or expected to be received from Equitable Life and the assumed returns that the policyholder would have received if they had invested the same amount in a similar product in a comparable company.

Details of the Scheme can be found with details of the products which give rise to the compensation on page 22 of the document and details of payees on page 23.

Compensation under the Scheme is in the form of once-off lump sums or income streams, depending on the type of policy held by the policyholder. Legislation was enacted in the UK [Statutory Instrument 2011 No. 1502 – The Taxation of Equitable Life (Payments Order) 2011] which provides statutory exemptions from UK income tax, capital gains tax, corporation tax and inheritance tax in respect of compensation payments under the Scheme.

There are no similar specific exemptions in Irish tax law.

# 2. Income Tax

Where an individual receives regular annual payments under the Scheme, such payments are chargeable to income tax under Case III of Schedule D.

# 3. Capital Gains Tax (CGT)

Compensation payments in the form of lump sum payments from the Scheme are regarded as capital sums derived from the policies. Gains accruing on the disposal of the policies by the original policyholders would be exempt from CGT (assuming such disposal was permissible). In light of this, gains in respect of compensation payments under the Scheme to original policyholders may also be treated as exempt from CGT.

# 4. Payments to Group Policyholders

Payments under the Scheme in respect of group policies are made to the trustees of the relevant pension scheme where the scheme is-

- a defined benefit (DB) scheme, or
- a defined contribution (DC) scheme, where Equitable Life has no records of the individual members of the scheme (in these circumstances, the trustee is

treated under the Scheme as a “paying agent” in respect of the individual members).

These payments are regarded under the Scheme as payments to-

- the trustee, in the case of a DB scheme (as it is the trustee, rather than members, who has suffered the loss), and
- the policyholders in the case of a DC scheme, where the payment is made to the trustee as “paying agent” in respect of the individual members.

Payments made to the trustee of a DC scheme as “paying agent” are chargeable to income tax on the individual members in the manner set out at section 2 above.