

Foreign life assurance and deferred annuities (S.594)

Part 19-05-02

This document should be read in conjunction with section 594
of the Taxes Consolidation Act 1997

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Introduction

Section 594 of the Taxes Consolidation Act 1997 (“TCA 1997”) provides that the exemption from Capital Gains Tax (“CGT”) given under section 593 in respect of the proceeds of a life assurance policy or a deferred annuity contract received by the original policyholder does not apply in the case of a policy issued, or a contract made, on or after 20 May 1993, where:

- (a) The insurer is not within the charge to Irish Corporation Tax, that is, it is not an Irish resident assurance company or a non-resident assurance company operating through a branch in the State, or
- (b) The policy or contract is issued or made by an International Financial Services Centre (IFSC) life assurance company and is made with or issued to, as the case may be, a person who did not continuously reside outside the State throughout the period of 6 months beginning on the date of issue or the date of contract, as the case may be.

Irish residents taking up foreign life assurance policies or deferred annuity contracts, on or after 20 May 1993, are fully chargeable to CGT on the profit of their investment.

2.1 Policies taken out prior to 20 May 1993

A policy or annuity taken out before 20 May 1993 is liable to CGT in respect of the growth in value from 20 March 2001.

In certain circumstances a life assurance policy or a contract for a deferred annuity on the life of any person, which issued or was made before 20 May, 1993, is treated as one issued or made after that date if there is a variation of the policy or contract on or after that date which enhances it or extends its term.

2.2 Computing gains under this section

The following apply when computing gains under this section. The main features of the section, insofar as they effect life assurance, are:

- (a) Gains are to be computed without indexation relief under section 556.
- (b) Relief for allowable losses is restricted so as to ensure that the chargeable gain arising on foreign life assurance policies and deferred annuity contracts and excluded policies issued by an IFSC life assurance company is not reduced by such losses.
- (c) The annual small gains exemption does not apply.

- (d) The rate of CGT is 40 per cent. However, from 1 January 2001 a different taxation regime applies in respect of policies issued from EU, EEA and treaty countries (**Part 26, Chapter 6 TCA 1997**).
- (e) Where a policy was issued or a contract was made before 20 May 1993, only so much of the gain on disposal as accrued on or after 20 March 2001 will be a chargeable gain.