

Private Wealth Portfolio

Information on Taxation

Tax regime applicable on Life Insurance Policies held by Portuguese Residents

The following summary is based on the laws presently in force and it was prepared solely for information purposes. Policyholders are therefore advised to consult their lawyers or tax advisers, who will be in a position to provide personalized advice in the light of their particular circumstances.

1. Reporting Obligations of Individuals

Annual Personal Income Tax Return

Portuguese resident individuals should file an annual PIT return (*Declaração Modelo 3*) reporting their income of the preceding tax year and other relevant information related to their specific tax situation.

Income derived from life insurance policies and obtained by Portuguese tax resident individuals is subject to PIT, as capital investment income (category E).

The total gross income of category E (see point 2 below) received by individual policyholders should be electronically declared in Annex J of the annual PIT return (*Declaração Modelo 3*) (www.portaldasfinancas.gov.pt) and the corresponding password should be previously requested.

The annual PIT return (*Declaração Modelo 3*) should be filed between 01 April and 30 June.

2. Personal Income Tax

Income derived from life insurance policies and obtained by Portuguese tax resident individuals is subject to PIT, as capital investment income (category E).

Income due by Utmost PanEurope dac, as a non-resident insurance entity rendering services in Portugal under the freedom to provide services, arising from life insurance policies (corresponding to the difference between redemption, advanced payment or maturity and premiums paid or amounts invested) is subject to a 28% final special tax (no withholding is due, considering that Utmost PanEurope dac is a non-resident entity without a permanent establishment in Portugal) and Utmost PanEurope dac will not act as or appoint a withholding tax agent in Portugal, unless the individuals decide to aggregate said income with their remaining taxable income, to be subject to taxation at the general progressive tax rates ranging between 14.5% and 48%, plus an additional surcharge of 2.5% applicable on income exceeding €80,000 and up to €250,000 and of 5% applicable on income exceeding €250,000.

Notwithstanding the above, provided that at least 35% of the insurance premiums contractually due were paid during the first half of the contract's life time, the following rules apply:

- i. Payments made under contracts in force for more than 5 years and less than 8 years - only 4/5 of the income received is subject to PIT; and
- ii. Payments made under contracts in force for more than 8 years - only 2/5 of the income received is subject to PIT.

3. Reporting Obligations of Legal Persons

Corporate Income Tax Return

Portuguese resident entities should file an annual CIT return (*Declaração Modelo 22*), by electronic means, i.e., through the Portuguese tax authorities website (www.portaldasfinancas.gov.pt) (the corresponding password should be previously requested), before the end of May of each year.¹

¹ In case the tax year does not end on December 31, the tax return should be submitted within five months following the end of the tax year.

4. Corporate Income Tax

For CIT purposes, the taxable base of Portuguese entities whose main activity relates to commerce, industry or agriculture, corresponds to profits or losses accounted for the relevant tax year, as adjusted in accordance with the CIT Code. As a general rule, income and expenses related to insurance operations are relevant for determining taxable income.²

The standard CIT rate applicable to resident corporate entities is 21%, eventually added of:

- i. a municipal surcharge (*'derrama municipal'*) of up to 1.5% over their taxable profits, and/or
- ii. a state surcharge (*'der rama estadual'*) of 3% on the part of their taxable profits that exceeds €1,500,000 up to €7,500,000, 5% between €7,500,000 up to €35,000,000, and 9% on the part of the taxable profits that exceeds €35,000,000.

5. Stamp Tax

Life insurance policies are exempt from Stamp Tax in Portugal.

6. Taxes (parafiscal charges)

A charge at a rate of 0.048% levied on the amount of the gross premiums received, including the first premium received should be due to the Portuguese Insurance Supervisory Authority (Autoridade de Supervisão de Seguros e Fundos de Pensões or **'ASF'**).

No charge should be due to National Institute of Medical Emergency charge (Instituto Nacional de Emergência Médica - **'INEM'**), considering that said charge is levied on the amount of premiums received under life insurance policies with a life assurance cover.³

7. Tax Regulations in Ireland

Under current Irish legislation investment gains and income from investment accumulate inside the Agreement without liability to Irish taxes. All benefits payable under the Agreement are paid without deduction of Irish tax once the Policyholder has completed the 'Declaration of Residence outside Ireland form'. Investment income from certain countries may be received net of withholding taxes which we may be unable to reclaim.

Utmost PanEurope may collect and report certain information to the Irish Revenue Commissioners who are required by Irish law to exchange it with other tax authorities.

Dividends and interests that may be payable in respect of securities held within the Dedicated Internal Fund are not subject to tax in Ireland. However, they may be subject to tax in the country in which the entity issuing the security is tax resident depending on the double tax treaty in place between Ireland and that country. The custodian may provide a service to apply the applicable double tax treaty between Ireland and the country of the issuer, if any, when withholding tax on dividend or interest payments. Should the custodian not provide this service, any dividend or interest payments will be taxed without the application of the double tax treaty.


² Expenses are only deductible for CIT purposes if they are deemed essential for generating taxable income or for the continuation of business. There are some restrictions on deduction of expenses related to insurance life policies subscribed by resident entities in favour of its employees.

³ According to Circular n° ISP. ° 233/87, for purposes of the charge due to INEM, only 'the products which establish the possibility of, in case of death, the beneficiaries receiving an amount that exceeds the capitalized amount should be considered as having a life assurance cover in case of death'.

CONTACT US


To find out more about Private Wealth Portfolio, please contact us.

 +353 (0)46 909 9700

 +353 (0)46 909 9849

 ccsfrontoffice@utmost.ie

 Utmost PanEurope dac
Navan Business Park
Athlumney
Navan
Co. Meath
C15 CCW8
Ireland

 utmost.ie

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Utmost Wealth Solutions is a brand name used by a number of Utmost companies. This item has been issued by Utmost PanEurope dac.

Utmost PanEurope dac is regulated by the Central Bank of Ireland.

Utmost PanEurope dac is a designated activity company registered in Ireland (number 311420), with a registered office at Navan Business Park, Athlumney, Navan, Co. Meath C15 CCW8, Ireland.

Utmost PanEurope dac is duly registered for the pursuit of the life insurance business in Portugal on a freedom to provide services basis, and is duly registered for such purposes with the Portuguese Insurance Supervisory Authority (Autoridade de Supervisão de Seguros e Fundos de Pensões or 'ASF') under the number 4693.