Standard Life

Company investments

Life assurance savings and investment policies

This document outlines the benefits of investing through a life assurance policy versus investing directly. These benefits apply to both lump sum and regular investments.

Investing through a life assurance policy:

- 25% exit tax

versus

Direct investment:

- 25% corporation tax each year on income
- Potential 20% close company surcharge
- Potential 33% capital gains tax (CGT) on sale of direct investments

	Life assurance investment policy	Direct investment
Tax on income	Gross roll up* applies to lump sum investments and savings policies issued after 1 January 2001. This means all income and gains in the policy are accumulated gross. There is a deemed disposal exit tax charge applied to any gain accumulated on each 8th anniversary and deducted from any gain realised on withdrawal, death, maturity or assignment. Since January 2012, exit tax is 25% where the policy owner is a company.	Where a company invests directly in a deposit, stocks, shares or property, any income from the investment (non trading income e.g. interest, dividends, rent) is taxed annually at 25% rate of Corporation Tax. The standard 12.5% Corporation Tax rate applies to trading profits.
Close company surcharge	Investment while in the bond is exempt from the close company surcharge**.	If the company is a close company, income may be subject to the close company surcharge of an additional 20%, if it is undistributed within 18 months after the end of the accounting period in which it arose.
Tax on withdrawal	The gain paid out of the bond should be exempt from the close company surcharge as long as it is not treated as income in the company accounts**.	Corporation tax may apply on any chargeable gains. The gain on disposal may or may not be reduced by allowable capital gain tax losses.
Diversification	Life assurance policies offer a wide range of investment options which allows companies to diversify within one policy.	A rebalancing of an equity portfolio could trigger a CGT liability (compared to rebalancing of a portfolio within a life assurance investment policy).
Administration	The life company is responsible for the deduction and payment of exit tax with the balance paid to the investor.	The company is responsible for the correct calculation, payment and reporting of tax.
Flexibility	Ability to invest regularly or on a lump sum basis.	Dependent on investment.

* Gross roll up is subject to any non-recoverable withholding tax
** Companies should consult with their own professional tax advisers to confirm if this applies to them.

Comparison of a company investment through a life policy versus a direct deposit – 6 year investment example

	Investment in life policy	Direct deposit
Investment	€250,000	€250,000
Assumed return/interest rate	2% per annum*	1% AER^
6 year gross return	€31,540 (after charges for life policy)	€15,380
Tax	€7,885 (Exit Tax)	€3,845 Total 6 years corporation tax €3,076 Total 6 years close company surcharge
Net return after 6 years	**€23,655**	**€8,459**
Net return (%) after 6 years	**9.46% (1.52% pa)**	**3.38% (0.56% pa)**

* Net of charges
^ AER is the annual equivalent rate and shows what the interest would be if compounded and paid each year.

Assumptions:
Investment in life policy: Assumed return of 2% per annum, net of 1% annual management charge. Gross allocation of 101%, net allocation of 100% after 1% life insurance levy is deducted. 25% exit tax paid on withdrawal.

Investment in direct deposit: assumes 25% corporation tax and 20% close company surcharge are calculated annually and deducted from other company funds.

Both examples assume interest rates and tax rules remain unchanged for the period.

These figures are for illustrative purposes only and are not guaranteed.

Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment.

Close companies

Most Irish resident companies are 'close' companies. A close company is controlled by five or fewer participators or is controlled by any number of participators who are directors. The definition of a close company includes a company where, on distribution of its full income, more than 50% goes to five or fewer participators or participators who are directors. A participator is a person having an interest in the income or capital of the company.

Laws and tax rules may change in the future. The information here is based on our understanding of the situation in February 2019. You should not base your decision to invest solely on the information in this document. You should seek professional tax and legal advice to satisfy yourself of your own tax position.

Visit **www.standardlife.ie** to find out more about us.

Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

(01) 639 7000 **www.standardlife.ie** technicalsolutions@standardlife.ie