

How UPE Operates for Italian Tax Resident Policyholders

What are UPE's obligations in terms of Italian tax?

UPE is a withholding tax agent in Italy. This means that when a UPE policyholder holds a policy that is subject to Italian taxes, UPE is responsible for:

- (i) Calculating any Italian Capital Gains Tax ("CGT") and Ordinary Stamp Duty ("OSD") due where a Trigger Event occurs;
- (ii) Deducting the appropriate Italian CGT and OSD from the proceeds paid out by UPE as a result of the trigger event;
- (iii) Making certain monthly and annual filings with the Italian tax authorities; and
- (iv) Paying Italian taxes over to the Italian tax authorities.

What is a Trigger Event in the context of Italian tax?

A Trigger Event includes the following:

- A full surrender of your policy
- A partial surrender of (partial withdrawal from) your policy
- A death claim in respect of your policy
- A change of ownership of your policy (in certain circumstances)
- A novation of your policy

How are Gains calculated for Italian CGT purposes?

The gain on a policy is defined as the difference, if positive, between the amount of premium paid and the Surrender Value of the policy. UPE will adjust the calculation for any partial surrenders and Italian CGT already paid.

For a partial surrender, the gain will be proportionate to the amount that would be due on full surrender.

What is the rate of Italian CGT?

The CGT rate to be applied to gains depends on the period during which the gain is made.

For gains made up to and including 31st December 2011, the rate is 12.5% of the gain.

For gains made up to and including 1st January 2012 to 1st July 2014 the rate is 20% of the gain.

For gains made from 1st July 2014 onwards, the rate is 26% of the gain.

What is the rate of Italian OSD?

OSD is calculated for the entire duration of the policy on the Investment Value as at 31 December of each year. The OSD liability is accrued until a Trigger Event occurs i.e. OSD is accrued throughout the life of the policy but only becomes payable when a trigger event occurs. The current rate of OSD is **0.20%**.

I have heard about Special Stamp Duty (“SSD”). What is this?

SSD is a type of Italian stamp duty that is paid annually by the Italian fiduciary companies. It will only be relevant for your policy if you hold your UPE policy through a fiduciary company.

Italian fiduciary companies in certain circumstances are obliged to pay SSD. Where SSD is applicable, SSD is calculated by the fiduciary on the investment value of the policy as at 31 December each year. The rate is **0.40%**. Note that SSD (where applicable) is an obligation of the fiduciary company and not an obligation of UPE.

However, where SSD has been paid, the amount of OSD accrued on the policy can be reduced.

What if I have a Trigger Event and there is no gain?

If no gain arises on a trigger event, no Italian CGT is payable. Italian OSD may still be payable.

Will I receive any information outlining the Italian taxes applied by UPE in respect of my policy?

Where you make a surrender on your policy, UPE will issue you with a letter detailing the amount of Italian CGT and OSD payable in respect of the surrender. UPE will deduct the Italian taxes from the amounts paid to you.

Who should I contact if I have further queries in relation to Italian tax?

Our client services team will be happy to assist where you have additional queries in relation to how UPE applies Italian tax on your policy. Please contact us on +353 1 4765927 Monday to Friday 9am to 5pm.

If your query relates to your own personal tax situation (for example, queries in relation to your personal Italian tax return or your tax residence status) you should contact your Italian tax advisor in the first instance.