

Life assurance policy or deferred annuity contract entered into or acquired by a company (S.595)

Part 19-05-03

This document should be read in conjunction with section 595
of the Taxes Consolidation Act 1997

Document last reviewed August 2023

Introduction

Section 595 of the Taxes Consolidation Act 1997 (“TCA 1997”) provides that where a company enters into a life assurance - based investment which suffers tax under the Income Less Expenses (I – E) regime (old regime), the return on that investment is to be charged to tax at the standard rate of Corporation Tax (“CT”). This charge is reduced by the credit for the tax at the standard rate of Income Tax (“IT”) paid by the life assurance company effectively on behalf of the corporate policyholder. The charge at the standard rate of CT applies only where the return on a life assurance policy is received as a return on an investment. Where the proceeds of a policy are paid on the death, disablement or illness of a party assured under the policy, no chargeable gain is deemed to accrue to the company. For the taxation of policyholders of policies issued on or after 1 January 2001 (new regime), see [Tax and Duty Manual Part 26-00-02](#).

3.1 Basis of taxation

Under the old domestic life assurance regime there is an annual tax at the standard rate of IT on the income and gains of the policyholders’ fund. For a policyholder, who is an individual, there is no further tax to pay on redemption of the policy. However, for a company, the proceeds on disposal of a life assurance policy is grossed up at the standard rate of IT, brought into account as a chargeable gain accruing to the company and included in profits, with a tax credit being given at the standard rate of IT.

Under the new regime there is an exit tax on redemption of a policy. The relevant policies affected are life assurance policies and deferred annuity contracts (other than foreign life assurance and deferred annuities) which are “new basis business”. Companies will suffer a similar exit tax as individuals on redemption of such policies.