TAX INFORMATION NOTES FOR POLICYHOLDERS RESIDENT IN SPAIN

HANSARD

This document provides additional information for the following Hansard Europe dac (the Company) products: Europa WealthManagement Plan, Signature Bond Plus and Flexible Portfolio Bond.

Hansard Europe dac's life assurance policies are available to expatriates of certain European Union countries resident in Spain. The Company's products are provided by way of freedom to provide services under the European Union Life Directives. The Company is regulated by the Central Bank of Ireland.

The purpose of this guide is to give you information about key tax issues relating to Hansard Europe dac's offshore bonds from the perspective of a Spanish tax resident individual policyholder. It is based upon Hansard Europe dac's understanding of the law and current Spanish Tax Authority practice as at November 2021 (both which are subject to change). This guide does not deal with the tax issues that may arise for a policyholder that is resident or otherwise taxable in a jurisdiction other than Spain. If you become tax resident in another territory during the term of your policy, the tax rules of that new territory will apply. Please seek proper tax advice from a professional advisor if you do change residency, or require any clarity of your own personal circumstances.

The rules relating to this area of taxation can be complex and this information is not intended to offer advice and as such Hansard Europe dac cannot accept any responsibility for any action taken or not taken as a result of the information in this guide.

1. Ireland

As part of Hansard Europe dac's reporting requirements you may be required to complete a Declaration of Residency outside the Republic of Ireland (EO0194O) to ensure payment can be made without the operation of Irish Tax. Your independent insurance intermediary will provide this where necessary.

Hansard Europe dac is a Dublin based Insurance Company therefore the underlying investment income and gains are not liable to tax in Ireland. However, there may be irrecoverable withholding taxes applied on income from investments in some territories.

2. Asset Choice

The information provided assumes that policyholders only select funds that are acceptable to the Spanish tax authorities for a unit linked life insurance policy. In the event that policyholders link to funds that are not acceptable to the Spanish tax authorities, a less favourable tax treatment will apply to the policy in the form of the annual accrual basis of tax assessment. In this event, the policyholder is responsible for declaring any gains annually and paying any taxes due; withholding tax is not deducted by the Company.

Our current understanding is that to qualify to be taxed as a life assurance policy, funds must be restricted to collective funds such as UCITS (Undertakings for Collective Investment in Transferable Securities). UCITS as defined by Directive 2009/65/CEE of 13 July 2009.

The Company accepts no responsibility for the tax suitability of the funds selected.

3. Withholding Tax on Realised Gains (Life Assurance Policy Taxation)

The Company is obliged to calculate the amount of tax payable on any realised gains arising from any withdrawals, full surrenders or maturities, and remit the tax to the Spanish tax authorities via our Tax Representative in Spain. The amount you receive will be net of any tax payable.

The gain or loss on the proceeds of a life assurance policy as a result of a withdrawal, full surrender or maturity in a particular tax year must be included in your next Personal Income Tax Return.

The current withholding rates for investment income and capital gains (including interest arising on life insurance policies) are 19% for Spanish tax residents.

Additionally, when the policyholder becomes a tax resident of another country, he/she has to provide the insurer with an official tax residence certificate issued by the Tax Authorities of the new country of residence. The policyholder must keep the insurer apprised of his/her tax status and residence and notify the company immediately upon any subsequent change in jurisdiction.

In the event that the insurer had to withhold tax, the withholding rates for EU residents would be the same as for Spanish residents. By contrast, 24% would be the withholding rate for the non EU residents and non EEA residents to be applied at the time of collection. We recommend that you seek proper tax advice from a professional advisor if you do change residency, or require any clarity of your own personal circumstances.

Please note the difference between "withholdings" (our obligation as insurer) and income tax (obligation of the policyholder). The rates above are the rates of withholding tax that HE dac must deduct from payments where a gain arises. They do not necessarily reflect your personal income tax rate.

4. Annual Wealth Tax

The tax is applicable to individuals whose net worth exceeds certain minimum amounts. It is advisable to obtain details on the current limits from your tax advisor or local tax office.

The surrender value of the insurance must be taken into account in the tax base of the wealth tax to be paid on December 31 of each year. However, those policies in which the policyholder does not have total surrender rights (due to an irrevocable appointment of beneficiaries) have to be reported by their mathematical reserves.

As it is our understanding that the application of the Wealth tax can vary from region to region in Spain we would advise our policyholders to seek their own independent tax advice from an authorised Spanish tax advisor. A law has been passed by the "Juntas Generales" of Biscay, Guipuzcoa, Alava and Navarra provinces. According to it, and in relation to the Wealth Tax, when there is an irrevocable beneficiary, the cash value that the policyholder (if resident in any of these provinces) has to declare is the surrender value which the beneficiary would receive at 31 December, of each year or the value of the mathematical reserves. In the case of annuities, the policyholder has to be informed about the capitalization value on the same date.

The Spanish tax residents who have assets abroad must submit form 720. This obligation does not apply only with regard to the values that the insurance company has already submitted through Form 189. Therefore, if a life assurance company has already submitted the details via Form 189 then the individual does not have to submit Form 720. We recommend that you seek proper tax advice from a professional tax advisor in order to know whether you have the obligation to declare it.

5. Death claims and inheritance tax

Inheritance tax is a complex tax in Spain, and differs across regions. In some Spanish regions there is a high deduction of the tax to be paid (e.g., Madrid has a 99% deduction) when the beneficiaries are the children or spouse of the policyholder. In addition to that, in the regions where there is not a Tax deduction, the tax percentage in death cases depends on several factors. It is important to note that inheritance tax is an obligation of the beneficiaries, not of the insurance company or the tax representative. Insurers only need the beneficiary to give them the "liquidación" (liquidation) return of the inheritance tax, duly signed by the Spanish Tax Authorities.

Due to a legal change in 2015, brought about by an ECJ's landmark ruling (the judgment of the Court of Justice of the European Union of 3 September 2014 C-127/12), non-Spanish residents who are EU or EEA residents will be taxed by the Autonomous Community (AC) tax rate of the region (AC) where the higher value property inherited/donated is located.

It is possible to pay this tax in several instalments. In order to get the proof of tax payment, the beneficiary can pay (or get a certificate from the Tax Authorities stating that he is exempt of this payment) the inheritance tax immediately after the death of the life insured person.

Important notes

This leaflet should be read in conjunction with the relevant Hansard Europe dac product literature.

The information provided in this leaflet is based on the Company's current understanding of legislation. No liability can be accepted for changes in the law, practice or tax regulations of any country.

Hansard Europe dac does not give advice on the suitability or otherwise of its products for individual policyholders. The Company's products are available only through independent insurance intermediaries and on the basis that the independent insurance intermediary is, in all respects, acting on behalf of the policyholders.

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Hansard Europe dac is regulated by the Central Bank of Ireland (www.centralbank.ie)