

Date: November 2008

Intermediary Name
Any Building
Any Road
Any Town
Any County

Gross Roll Up Policies Eighth Anniversary Deemed Disposal

Dear Broker,

We are writing to affected clients to inform them about the deemed encashment regime and to explain what Scottish Provident is required to do in respect of their gross roll up policies as laid out in the amendment to the Finance Act 2007.

I attach:

1. A sample of the questions and answers document being issued to clients.
2. Copy letter being issued to your client.

Should you require further assistance, please contact our Broker Support Centre on 01 639 9859, Monday to Friday, 9.00 am to 5.00 pm or e mail us at info@pglireland.net.

Yours faithfully,



David Griffin
Customer Service Manager

Questions and answers on gross roll up policies and the deemed encashment regime.

1 What changes were introduced in the Finance Acts of 2005, 2006 and 2007?

The gross roll up tax regime for life assurance policies, introduced in January 2001, states that life assurance policies have an exit tax deducted (at the standard rate of tax plus 6%, or 26%) on certain chargeable events e.g. encashment, maturity or assignment. Currently the exit tax rate is 23% (standard rate + 3%) but this is being increased with effect from 1st January 2009.

All Irish life assurance savings and investment policies taken out, on or after the 1st January 2001 were taxed on the gross roll up system i.e. investment returns grow tax free but an exit tax is deducted by the life assurance company from any investment gain when funds are exiting the policy on encashment, maturity or assignment.

The Amendments to the Finance Acts provide for a "deemed encashment" for the purposes of deducting exit tax on the **8th and every subsequent 8th anniversary** of savings and investment policies.

2 To whom is the deemed encashment regime relevant?

All policyholders with gross roll up policies will now be subject to a deemed encashment, for exit tax purposes, every 8 years. Exit tax must always be deducted from payments to policyholders with some exceptions:

- Non resident policyholders (Declaration of Residence outside Ireland for completion and return if applicable); and
- Certain resident entities as specified in the Finance Acts and only if the life assurance company is in possession of an appropriate declaration.

If you are not a resident in Ireland for tax purposes you **must** complete a declaration of non residence in Ireland or the tax will be deducted from your plan. This declaration can be found on our website at www.scotprov.ie under forms and documents or alternatively you can contact our customer helpline on 01 6382900.

3 Who may be entitled to reclaim the exit tax?

The following persons may be entitled to repayment of exit tax provided the conditions are satisfied: -

- Non residents who do not or are late in submitting a declaration of non residence.
- A permanently incapacitated individual who does not pay income tax for income arising from the investment of compensation payments in respect of personal injury claims.
- The trustees of a 'qualifying trust' where the life policy is held as part of the trust fund (funds raised for the benefit of incapacitated individual(s) through public subscriptions) of the qualifying trust, provided that income from the trust or investment returns from investment of the trust funds is the sole or main income of the incapacitated individual.
- A thalidomide victim who does not pay income tax in respect of income arising from the investment of compensation payments made by the Minister for Health and Children or by the Hilfswerk für behinderte Kinder foundation.

4 How does the deemed encashment regime affect my policy if I encash it at a later date?

Put simply, we make allowance for the 'deemed encashment' in the calculation of any further encashments. An example of a full encashment following a deemed encashment is illustrated below.

You invest €10,000 in a unit linked bond on the 1st January 2001.

You don't take any encashments from the policy

On the policy's 8th anniversary i.e. the 1st January 2009, its cash value is €18,000.

According to the Act we must:

- Tax the gain at 26% (this was increased from 23% in the most recent Budget)
- So Gain is €18,000 less €10,000 = €8,000
- €8,000 at 26% is €2,080
- This amount of €2,080 is deducted from the value of €18,000 and sent to the revenue, leaving you with 15,920 invested.

Say it is now Jan 2011

You decide to fully encash your bond. You've still taken no encashments and the tax rate is still 26%, and the value is now €22,000

What we do is:

- We increase the gross value of €22,000.00 by the amount of €2,080.00 previously deducted.
- €22,000.00 + €2,080.00 = €24,080.00
- The gain on the original investment of €10,000 is again taxed at 26%
- So €24,080.00 - €10,000.00 = €14,080
- The Gain of €14,080.00 is taxed at 26% - giving €3,660.80
- As you have already paid €2,080.00 at the 8th anniversary this amount is deducted from the figure of €3,660.80 giving you an additional tax liability of €1,580.80
- We pay you a total of €20,419.20 (€22,000.00 – €1,580.80, which is the same as €24,080.00 – €3,660.80)

5 What do I need to do now?

For the most policyholders you have to do nothing.

However if you are:

- A non resident you need to complete the declaration of non residency. If we know you are a non resident this declaration is attached. If not it is found on our website www.scotprov.ie under forms and documents.
- Classed under any of the points in number 3 above, you should contact your tax adviser or local tax office in the first instance.

6 If I have further queries who can I contact?

Please contact your tax adviser or local tax office if you have any tax queries.

Or contact your Independent Financial Adviser if you have any queries regarding:

- your policy;
- whether or not you need to complete the Declaration of Residence outside Ireland.

If you have further queries please contact our customer helpline on 01 6382900, Monday to Friday, 9.00 am to 5.00 pm or e mail info@pglireland.net.

Gross Roll Up Eighth Anniversary Deemed Disposal Client Listing, November 2008

Intermediary: Intermediary Name

Agency Code: 12345A

Policy Number	Policy Holder/s	Address	Deemed Date
123456701	John Sample & Mary Sample	Any House Any Street Any Village Any Town Any County	1 January 2009

Date: November 2008

Mr John Sample & Mrs Mary Sample
Any House
Any Street
Any Village
Any Town
Any County

Policy Holder: John Sample & Mary Sample.
Policy number: 123456701.

Dear Policyholder,

This letter is being sent to you to provide you with information about the deemed encashment regime and to explain what Scottish Provident is now required to do in respect of your gross roll up policy as laid out in the amendment to the Finance Act in 2007.

I attach a questions and answers document for your review which should answer any queries you have.

The tax deduction will be taken from your plan on **1 January 2009**.

Should you require further assistance please contact your independent intermediary or contact our customer helpline on 01 6382900, Monday to Friday, 9.00 am to 5.00 pm or e-mail us at info@pglireland.net.

Yours faithfully,



David Griffin
Customer Service Manager