GRAND DUCHY OF LUXEMBOURG · WEALTH STRUCTURING & SUCCESSION PLANNING

The Luxembourg life assurance policy

for Portuguese tax residents

Policyholder protection, freedom of management, tailored succession planning and international mobility: the four strengths of a policy taken out in Luxembourg, in full compliance with the Portuguese legal and tax framework.

2026 Edition

01 Policyholder protection
The security triangle

02 Investment and management flexibility

03 A tailored solution, tax and succession

04 International mobility

Patrimonium Insurance Brokerage

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ABOUT US

Luxembourg expertise at the service of your wealth

Patrimonium Insurance Brokerage is an independent insurance brokerage firm based in Luxembourg, founded in 1997 and authorised by the Commissariat aux Assurances since 1999. We advise a select private clientele across Europe on complex, cross-border wealth matters.

Relocating to Portugal is one of the projects we support most frequently, for French and Belgian residents who wish to transfer their tax residence without disrupting their wealth structure. The Luxembourg policy is precisely the instrument that makes such continuity possible.

> **OUR INDEPENDENCE**
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> Our shareholding is exclusively family-owned. No insurance group, no bank and no asset manager holds any stake in our firm. We select solutions solely on the basis of their suitability for our clients, in strict compliance with the European Insurance Distribution Directive (IDD). This independence is not a marketing claim: it lies at the heart of how we work.

Why Luxembourg

The Grand Duchy remains one of Europe's leading financial centres. Its political, economic and fiscal stability, together with one of the most demanding investor protection regimes in Europe, make it a key player in cross-border wealth structuring. Taking out a policy in Luxembourg confers no tax advantage: the policy remains fully subject to Portuguese taxation. What Luxembourg provides is a framework of security and freedom of management.

CONTENTS

01 Policyholder protection 3
The security triangle and the super privilege

02 Investment and management flexibility 4
Available investment vehicles and dedicated internal funds

03 A tailored solution, tax and succession 5
Taxation of surrenders, transfers on death and reporting obligations

04 International mobility 8
A policy that follows you within the European Union

01 · PROTECTION

Policyholder protection and the super privilege

The first strength of a Luxembourg policy lies in the protection of the policyholder's savings should the insurance company fail.

In Portugal, the assets backing the insurer's commitments sit on the company's balance sheet. In Luxembourg, they must be deposited with an approved custodian bank, in segregated accounts kept strictly separate from the insurer's own assets. This separation rests on a tripartite deposit agreement between the insurance company, the custodian bank and the Commissariat aux Assurances, which verifies compliance every quarter: this is the "security triangle".

The policyholder ranks as a first-rank creditor over the deposited assets: this is the "super privilege".

Should the company fail, the policyholder therefore ranks ahead of all other creditors, including the Luxembourg Treasury, the social security authorities and the insurer's own employees.

PORTUGAL / LUXEMBOURG AT A GLANCE

	PORTUGUESE INSURER	LUXEMBOURG INSURER
Holding of assets	Recorded on the insurance company's balance sheet	Deposited with an approved custodian bank, in segregated accounts
Supervision	Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF)	Commissariat aux Assurances: tripartite agreement and quarterly control
Policyholder's ranking	Preferential claim over the assets backing technical provisions	First-rank preferential claim over the representative assets
Investment currencies	Euro	Substantially broader multi-currency architecture

02 · MANAGEMENT

Investment and management flexibility

A considerably wider range of investment vehicles than a Portuguese policy allows, matched to your objectives, your wealth and the amount invested.

The dedicated internal fund (FID)

The dedicated internal fund allows a bespoke portfolio to be built within the policy: individual securities, UCITS, structured products, assets with limited liquidity and even unlisted securities. There are four categories, set by Luxembourg regulation according to the policyholder's securities wealth and the premium invested.

The FID is designed and managed by an approved management company. On taking out the policy, you choose your management company and your custodian bank from among the institutions approved and accepted by the insurance company.

KEY POINTS

- ✓ You benefit from genuine discretionary management, entrusted to a professional of your choosing.
- ✓ You gain access to a considerably broader universe of eligible assets.
- ✓ You choose your manager and your custodian bank, and may change either at any time.
- ✓ You benefit from a substantially broader multi-currency architecture.

OTHER AVAILABLE VEHICLES

VEHICLE	CHARACTERISTICS
External funds	Open architecture: UCITS and ETFs from the management companies referenced by the insurer.
Collective internal fund (FIC)	Collective vehicle managed to a defined mandate, pooled among policyholders sharing the same profile.
Specialised insurance fund (FAS)	The policyholder selects each asset, without a discretionary mandate. No premium or wealth condition.
Dedicated internal fund (FID)	Bespoke portfolio run by the approved management company of your choice.

Since 2026, a structured product may also be held directly, without going through a fund.

A tailored solution, tax and succession

Taking out a policy in Luxembourg means remaining fully within the Portuguese framework: the applicable taxation is identical to that of a Portuguese policy.

A resident of an EU Member State may take out a policy with an insurer established in another Member State under the freedom to provide services. This freedom forms part of the European single market and the free movement of services. The policy then remains subject to the law and taxation of the policyholder's country of residence.

TAX TREATMENT, TRANSACTION BY TRANSACTION

TRANSACTION	TAX TREATMENT IN PORTUGAL
Premium payment	Life assurance premiums are not subject to imposto do selo. A supervisory levy of 0.048% is payable by the insurance company on premiums relating to the Portuguese market.
Life of the policy	No taxation for as long as no surrender is made. The compounding of returns is fully deferred.
Switching	No taxation. Switches between vehicles within the policy are not a taxable event.
Partial or full surrender	Returns are taxed under category E at 28%, on a base reduced according to the age of the policy. Returns are reported in Anexo J of the Modelo 3 return, under the arrangements applicable to the Luxembourg insurer concerned.
Transfer on death	Claims arising from life assurance policies fall outside the scope of imposto do selo on gratuitous transfers, whoever the designated beneficiary may be.

The policyholder may alternatively elect for englobamento, that is, aggregation of the returns with income taxed at the progressive IRS rates. This election is only advantageous where total income is low, and it binds all income of the same category.

03 · FOCUS

Tapered taxation on surrender

This is the central strength of life assurance in Portugal: the older the policy, the smaller the taxable share of the returns.

The mechanism is set out in article 5.º(3) of the IRS Code. It is subject to a single condition: premiums paid during the first half of the policy term must represent at least 35% of total premiums paid. Where that condition is not met, the returns remain taxable in full, whatever the age of the policy.

TAXABLE SHARE AND EFFECTIVE RATE BY AGE OF THE POLICY AT SURRENDER

AGE AT SURRENDER	TAXABLE SHARE	EFFECTIVE RATE
Up to 5 years	**100%**	**28%**
5 to 8 years	**80%**	**22.4%**
Over 8 years	**40%**	**11.2%**

WHAT THIS MEANS IN PRACTICE

On a policy held beyond eight years, the effective tax on returns falls to 11.2%. The surrender is also entirely within your control: you decide the timing and the amount, and therefore the tax year. Staged surrenders, once the eight-year threshold has passed, rank among the most tax-efficient sources of income available to a Portuguese resident.

Only the portion of returns contained in the surrender is taxed, never the capital returned. The rates shown are those of mainland Portugal. The Autonomous Regions of Madeira and the Azores apply their own reduced rates, to be confirmed at the time of the transaction.

Transfers on death and reporting obligations

Portugal has no inheritance tax. Life assurance additionally benefits from an express statutory exclusion.

Classic inheritance tax has been abolished. Gratuitous transfers now fall under imposto do selo at 10%, from which the spouse or de facto partner, descendants and ascendants are exempt. Other heirs, such as siblings, nephews, nieces or unrelated persons, are liable to it.

Claims arising from life assurance policies are expressly placed outside the scope of imposto do selo on gratuitous transfers.

This exclusion, set out in article 1.º(5) of the Imposto do Selo Code, does not depend on the degree of kinship. Capital passing under the beneficiary clause therefore escapes the tax *even* where it is paid to a sibling, a nephew or a person with no family connection, whereas an ordinary transfer would bear 10%. To this are added the freedom to designate beneficiaries and the confidentiality of the clause, which takes effect outside the division of the estate.

REPORTING OBLIGATIONS

- ✓ There is no obligation to report the existence of the policy. Article 63.º-A(8) of the Lei Geral Tributária covers deposit accounts and securities accounts held with a non-resident financial institution: a life assurance policy does not fall within that category.
- ✓ Returns realised on a surrender are, by contrast, reported in Anexo J of the Modelo 3 return, under the arrangements applicable to the Luxembourg insurer concerned.
- ✓ The policy is reported to the Portuguese tax authority by the Luxembourg insurer under the automatic exchange of information. The arrangement is transparent: it simply carries no formality on your part.
- ✓ We provide you each year with the information required for these filings: premium history, policy valuation and a breakdown of the returns contained in each surrender.

International mobility

A policy designed to follow you, without disruption, before, during and after your move to Portugal.

The Luxembourg life assurance policy can be adapted so that the policyholder continues to enjoy the legal and tax advantages attached to life assurance when transferring residence within the European Union. A French or Belgian policy retained after the move often becomes unsuitable, or even disadvantageous; the Luxembourg policy adapts to the framework of the new country of residence, without requiring the portfolio to be restructured.

The regime applicable on a subsequent departure from Portugal should be examined case by case, according to the nature of the assets held and the destination country. The two watchwords of a successful move remain **preparation** and **planning**: the architecture of the policy should ideally be settled before the transfer of residence.

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