



Status: **legally binding**

Product Ruling

RL360 Insurance Company Limited – Personal Investment Management Service

❶ Relying on this Ruling

This publication (excluding appendix) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

If this Ruling applies to you, and you correctly rely on it, we will apply the law to you in the way set out in this Ruling. That is, you will not pay any more tax or penalties or interest in respect of the matters covered by this Ruling.

Terms of use of this Ruling

This Ruling has been given on the basis that the entity who applied for the Ruling, and their associates, will abide by strict terms of use. Any failure to comply with the terms of use may lead to the withdrawal of this Ruling.

Changes in the law

Product Rulings were introduced for the purpose of providing certainty about tax consequences for entities in schemes such as this. In keeping with that intention, the Commissioner suggests promoters and advisers ensure that participants are fully informed of any legislative changes after the Ruling has issued. Similarly, entities that are considering participating in the Scheme are advised to confirm with their tax adviser that changes in the law have not affected this Ruling since it was issued.

No guarantee of commercial success

The Commissioner does not sanction or guarantee this product. Further, the Commissioner gives no assurance that the product is commercially viable, that charges are reasonable, appropriate or represent industry norms, or that projected returns will be achieved or are reasonably based.

Potential participants must form their own view about the commercial and financial viability of the product. The Commissioner recommends a financial (or other) adviser be consulted for such information.

Table of Contents	Paragraph
What this Ruling is about	1
Who this Ruling applies to	4
<i>Requirements of the Superannuation Industry (Supervision) Act 1993</i>	6
Date of effect	7
Ruling	9
Assumptions	10
Scheme	11
Overview of scheme	13
Appendix – Explanation	29

Status: **legally binding**

What this Ruling is about

1. This Ruling sets out the income tax consequences for entities referred to in paragraph 4 of this Ruling in connection with a Personal Investment Management Service (Plan) issued by RL360 Insurance Company Limited (RL360) and subject to the Personal Investment Management Service Terms and Conditions (Terms and Conditions).
2. All legislative references in this Ruling are to the *Income Tax Assessment Act 1936* (ITAA 1936), unless otherwise indicated. Terms which are defined in the Terms and Conditions referred to in paragraph 11 of this Ruling have been capitalised.
3. This Ruling does not address:
 - the tax consequences arising in relation to a Plan held by an Owner that is not a resident of Australia for tax purposes during the period on or after 1 July 2024 and on or before 30 June 2027
 - the treatment of any fees or Payments incurred in connection with a Plan
 - the assessability (or otherwise) of amounts received under a Plan, other than under
 - section 26AH, and
 - the capital gains tax regime in Part 3-1 of the *Income Tax Assessment Act 1997* (ITAA 1997)
 - an Owner's entitlement (or otherwise) to a rebate under section 160AAB in relation to an assessable bonus received under a Plan
 - the capital gains tax consequences arising from the assignment of ownership of a Plan to another entity for consideration, and
 - whether an Owner makes forex realisation gains or losses under Division 775 of the ITAA 1997.

Who this Ruling applies to

4. This Ruling applies to you if you are:
 - (a) an entity that purchases a Plan subject to the Terms and Conditions (Owner) on or after 1 July 2024 and on or before 30 June 2027, and either
 - (i) are a resident of Australia for tax purposes at the time of purchase, or
 - (ii) subsequent to that purchase and during the period on or after 1 July 2024 and on or before 30 June 2027, became a resident of Australia for tax purposes
 - (b) an entity to which ownership of a Plan subject to the Terms and Conditions is assigned for no consideration (also an Owner) on or after 1 July 2024 and on or before 30 June 2027 and, at the time of, or subsequent to, that assignment and during the period on or after 1 July 2024 and on or before 30 June 2027, are a resident of Australia for tax purposes¹, or
 - (c) either an entity nominated as a beneficiary by the Owner or a deceased estate of the Owner in receipt of a death benefit.

¹ All references to 'Owner' in this Ruling are a reference to an Owner as described in both or either of subparagraphs 4(a) or (b) of this Ruling, unless otherwise indicated.

Status: **legally binding**

5. This Ruling does not apply to you if you are not an entity listed in paragraph 4 of this Ruling.

Requirements of the Superannuation Industry (Supervision) Act 1993

6. This Ruling does not address the provisions of the *Superannuation Industry (Supervision) Act 1993*. We give no assurance that the scheme is an appropriate investment for a superannuation fund. The trustees of superannuation funds are advised that no consideration has been given in this Ruling as to whether investment in this scheme may contravene the provisions of the *Superannuation Industry (Supervision) Act 1993*.

Date of effect

7. This Ruling applies from 1 July 2024 to entities specified in paragraph 4 of this Ruling.

8. However, the Ruling only applies and may be relied on to the extent that there is no change in the scheme or in the entity's involvement in the scheme. If the scheme carried out is materially different from the scheme described at paragraphs 11 to 28 of this Ruling, this Ruling cannot be relied upon and may be withdrawn or modified.

Ruling

9. Subject to paragraph 3 of this Ruling and the assumptions in paragraph 10 of this Ruling:

- (a) A Plan is an 'eligible policy' for the purposes of section 26AH.
- (b) Any portion of the proceeds for the withdrawal from the Plan or the cancellation of the Plan (surrender proceeds) received by an Owner and comprising an adjustment for earnings referable to the Assets in the Plan is an amount as or by way of a 'bonus' for the purposes of section 26AH, and is
 - (i) assessable under subsection 26AH(6) when received during the eligible period in relation to the Plan, and
 - (ii) not otherwise assessable as ordinary or statutory income under the ITAA 1936 or the ITAA 1997.
- (c) Where, having regard to the matters listed in paragraph 26AH(8)(b), the Commissioner is of the opinion that it would be unreasonable for subsection 26AH(6) to apply (as per subparagraph 9(b) of this Ruling) to any portion (or to part of any portion) of the surrender proceeds received by an Owner and which constitutes an amount as or by way of a bonus, subsection 26AH(6) will not apply to that amount (subsection 26AH(8)).
- (d) No portion of the surrender proceeds received by an Owner under the Plan other than as or by way of a bonus shall, for the purposes of subsection 26AH(6), be deemed pursuant to subsection 26AH(9) to have been received by the Owner under the Plan as or by way of a bonus.

Status: legally binding

- (e) Pursuant to subsection 26AH(5), an accretion in the Plan Value or Exit Value linked to an Owner is not regarded as having been received by the Owner for the purposes of assessment under subsection 26AH(6).
- (f) An Owner is not, for the purposes of assessment under subsection 26AH(6), taken to have received an amount under or in relation to an eligible policy pursuant to subsection 26AH(4) as a result of 'switching' the Assets in the Plan linked to them.
- (g) Where, during the eligible period in relation to a Plan an Owner receives an amount of consideration in respect of an assignment of that Plan, that consideration (or part of it, as the case may be) will, for the purposes of subsection 26AH(6), be deemed pursuant to subsection 26AH(9) to have been received by the Owner under the Plan as or by way of a bonus if the Commissioner is of the opinion that the consideration (or part of it) is attributable to a bonus that has accrued or has been declared in respect of the Plan or a bonus that can reasonably be expected to accrue in respect of the Plan (subsection 26AH(12)).
- (h) Pursuant to subparagraph 26AH(7)(a)(i), no portion of a death benefit paid under a Plan is assessable under subsection 26AH(6).
- (i) Where the Payment payable by an Owner in respect of a Plan in relation to an assurance year exceeds the Payment payable under that Plan in the immediately preceding assurance year by more than 25%, subsection 26AH(13) applies to deem the 10-year eligible period in respect of the Plan to have commenced at the beginning of the year in which the Payment was increased (rather than at the date of commencement of the period in respect of which the first Payment under the Plan was paid).
- (j) Table item 3 of subsection 118-300(1) of the ITAA 1997 disregards any capital gain or capital loss made by an Owner referred to in subparagraph 4(a) of this Ruling (where they are not the trustee of a complying superannuation entity) resulting from the payment to them under a Plan of the surrender proceeds or a death benefit.
- (k) Table item 4 of subsection 118-300(1) of the ITAA 1997 disregards any capital gain or capital loss made by an Owner referred to in subparagraph 4(b) of this Ruling resulting from the payment to them under a Plan of the surrender proceeds or a death benefit.
- (l) Any capital gain or capital loss made by the nominated beneficiary or the deceased estate of an Owner, as applicable, resulting from the payment to them under a Plan of the death benefit upon the death of the Life Assured (or last surviving Life Assured) is disregarded pursuant to table item 4 of subsection 118-300(1) of the ITAA 1997.
- (m) Provided the scheme ruled on is entered into and carried out as described in this Ruling, the anti-avoidance provisions in Part IVA will not apply to an entity referred to in paragraph 4 of this Ruling.

Status: **legally binding**

Assumptions

10. This Ruling is made on the basis of the following necessary assumptions:
- (a) A nominated beneficiary referred to in subparagraph 4(c) of this Ruling is an Australian resident for tax purposes at the time of receipt of a death benefit under the Plan.
 - (b) An Owner's deceased estate, referred to in subparagraph 4(c) of this Ruling, is an Australian-resident trust estate as defined in subsection 95(2) at the time of receipt of a death benefit under the Plan.
 - (c) An Owner referred to in subparagraph 4(a) of this Ruling is the original owner of the Plan they purchased.
 - (d) All dealings between any of the entities referred to in paragraph 4 of this Ruling and RL360 will be at arm's length.
 - (e) The scheme will be executed in the manner described in the Scheme section of this Ruling and in the Terms and Conditions referred to in paragraph 11 of this Ruling.

Scheme

11. The scheme is identified and described in the following:
- application for a product ruling as constituted by documents and information received on 12 December 2024, and
 - Personal Investment Management Service Terms and Conditions received on 12 December 2024.

Note: certain information has been provided on a commercial-in-confidence basis and will not be disclosed or released under freedom of information legislation.

12. For the purposes of describing the scheme, there are no other agreements (whether formal or informal, and whether or not legally enforceable) which an entity referred to in paragraph 4 of this Ruling, or any associate of such entity, will be a party to which are a part of the scheme.

Overview of scheme

13. RL360, registered in the Isle of Man, issues (among other products) Plans. Entities (Owners) capable of purchasing a Plan alone or jointly from RL360 may, or may not, be residents of Australia for tax purposes at the time of issue.

14. A Plan is an investment-linked life insurance policy which is made up of individual segments (known as Plan Segments). The number of Plan Segments making up the Plan can be between 1 and 999 (at the Owner's discretion), and will be 100 in the event that no choice is made.

15. Full details of the Plan, including the commitments and rights of both RL360 and an Owner, are contained in the Terms and Conditions which, together with the Owner's Application Form, Key Information Document and Plan Schedule, form the contract between RL360 and the Owner. The Terms and Conditions are interpreted in accordance with, and are governed by, the law of the Isle of Man.

Status: **legally binding**

Payments and Assets

16. The Owner makes an initial Payment at the time the Plan is set up and may make additional Payments at any time. All Payments are subject to a Minimum Amount.
17. Payments made by the Owner are divided by RL360 between the Cash Account and any Assets chosen by the Owner (or their Discretionary Manager) to be linked to their Plan. Any income or capital generated from the Assets linked to the Plan is credited to the Cash Account.
18. All Assets linked to the Plan, and the Cash Account, will be used by RL360 to determine the Owner's Plan Value (on a daily basis using the latest known closing prices for the Assets) and their Exit Value.
19. The Owner can request to change (switch) some or all of the Assets linked to their Plan.
20. While the Owner legally owns their Plan, they have no legal or beneficial interest in any of the Assets relating to the Plan, which remain the property of RL360.

Surrender of a Plan

21. The Owner can withdraw their money from their Plan at any time by written request to RL360 (provided the amount withdrawn exceeds the Minimum Amount and the Plan Value does not fall below the minimum allowed at the time), either on a regular basis (monthly, quarterly, half-yearly or yearly), or on a one-off basis. A withdrawal of money from an Owner's Plan can materialise as a consequence of the Owner's request to cancel a Plan Segment (provided the Plan Value does not fall below the minimum allowed at the time).
22. Withdrawals (whether or not resulting from the cancellation of a Plan Segment) are paid from the Cash Account held within the Owner's Plan. Where the amount held in the Cash Account is not enough to cover the withdrawal, RL360 will sell Assets linked to the Owner's Plan (as selected by the Owner) to the extent necessary to pay the withdrawal.
23. The Owner can also cancel their Plan at any time by written request to RL360. On receiving written notice of the Owner's request to cancel their Plan, RL360 will sell off the Assets linked to the Plan, add the sale amounts to the Cash Account to calculate the Exit Value of the Plan, and pay the Exit Value to the Owner. The Plan will come to an end upon payment of the Exit Value to the Owner.
24. Any surrender proceeds paid to the Owner on the withdrawal from the Plan or the cancellation of the Plan consists of a Payment either allocated to the Assets linked to the Plan or settled in the Cash Account, as adjusted for any earnings referable to the Assets.
25. The Owner has no right to payment of the surrender proceeds, other than on surrender of their Plan either in whole or in part.

Death benefit

26. The Plan is a whole-of-life assurance policy providing for a payment of a death benefit on the death of the Life Assured or, where there is more than one Life Assured under the Plan, on the death of the last surviving Life Assured. At the outset of the Plan, the Owner can choose between 1 and 6 Lives Assured, one of which must be younger than 61 when the Plan starts and one who may, or may not, be that of the Owner.

Status: **legally binding**

27. When the last surviving Life Assured has died, RL360 will sell off the Assets linked to the Plan, add the sale amounts to the Cash Account to calculate the death benefit, and pay the death benefit to the Owner. The value of the death benefit payable by RL360 is the lesser of 101% of the Exit Value or the Exit Value plus GBP10,000 (or currency equivalent).

28. The Plan will come to an end upon payment of the death benefit.

Commissioner of Taxation

9 April 2025

Status: **not legally binding**

Appendix – Explanation

❶ *This Explanation is provided as information to help you understand how the Commissioner's view has been reached. It does not form part of the binding public ruling.*

Table of Contents	Paragraph
Application of section 26AH to the Personal Investment Management Service	29
<i>The Personal Investment Management Service is an eligible policy</i>	30
<i>Treatment of benefits received under the Personal Investment Management Service</i>	35
<i>Effect of increased premiums on eligible period</i>	46
Capital gain or capital loss from payments under the Personal Investment Management Service disregarded	50

Application of section 26AH to the Personal Investment Management Service

29. All, or part of, amounts received as, or by way of, bonuses under certain life assurance policies (eligible policies) which otherwise would not be included in the assessable income of the recipient, are included in the assessable income of the recipient pursuant to subsection 26AH(6) when received within 10 years of the date on which the first or only premium paid under the policy was paid (eligible period).

The Personal Investment Management Service is an eligible policy

30. An eligible policy in respect of which section 26AH may apply is defined in subsection 26AH(1) to mean:

... a life assurance policy in relation to which the date of commencement of risk is after 27 August 1982, other than a funeral policy (as defined in the *Income Tax Assessment Act 1997*) issued on or after 1 January 2003.

31. The term 'life assurance policy' is defined in subsection 6(1) as having the meaning given to life insurance policy by the ITAA 1997. A life insurance policy is defined in subsection 995-1(1) of the ITAA 1997 as having the meaning given to the expression 'life policy' in section 9 of the *Life Insurance Act 1995* (LIA 1995).

32. A contract of insurance that provides for the payment of money on the death of a person and a contract (whether or not it is a contract of insurance) that constitutes an investment-linked contract both constitute a life policy under paragraphs 9(1)(a) and (g) of the LIA 1995.

33. Some of the more general features of an investment-linked policy are described in paragraphs 5 and 6 of Taxation Ruling IT 2346 *Income tax : bonuses paid on certain life assurance policies – section 26AH – interpretation and operation* as follows:

... A contract providing a death benefit, and an investment account the value of which is directly linked to the performance of a specific investment portfolio. The value of the policyholder's interest will rise and fall with the movements in the value of the portfolio. ...

Premiums in respect of an unbundled policy may be paid in a lump sum or annually, or the policyholder may elect to vary the amount of the premium by making additional payments under the policy at any time. A further feature of these types of policies is that they

Status: **not legally binding**

generally allow the policyholder to surrender a part of the policy at any time (a “partial surrender”).

34. A Plan issued to an Owner referred to in paragraph 4 of this Ruling is an eligible policy for the purposes of section 26AH as it:

- has a date of commencement of risk, being the date of commencement of the period in respect of which the first premium paid under the Plan is paid, which is after 27 August 1982
- is not a ‘funeral policy’, as defined in subsection 995-1(1) of the ITAA 1997, and
- is a life assurance policy by virtue of it constituting a life policy pursuant to paragraphs 9(1)(a) and (g) of the LIA 1995.

Treatment of benefits received under the Personal Investment Management Service

35. The term bonus is not defined for the purposes of section 26AH but is explained at paragraph 8 of IT 2346 in the context of ‘more traditional policies’ (for example, endowment policies) as a guaranteed addition to the amount insured, payable when the amount insured is payable and representing both a form of participation by the policyholder in the issuing company’s profits and a share in the surpluses derived by the issuing company during the period the policy is in force. Such a bonus, where received under an eligible policy that matures or is surrendered, forfeited or otherwise terminated within the eligible period of 10 years after commencement, falls within the scope of section 26AH.

36. The Plan, being an investment-linked policy, may be characterised as an unbundled life assurance contract (also referred to as an ‘unbundled policy’ in IT 2346). In the context of unbundled policies, paragraph 9 of IT 2346 explains:

In the case of unbundled policies, the concept of bonuses representing the profit or gain element passed on to the policyholder is maintained for the purposes of section 26AH. For example, where a policy is linked to the purchase and sale of investment units, the profit derived on the sale of those units is, when paid to the policyholder, regarded as a payment by way of a bonus.

37. The portion of the surrender proceeds comprising an adjustment for earnings referable to the Assets and paid by RL360 from the balance of the Cash Account maintained for each Owner that owns a Plan, is considered to be a bonus. This amount provides the Owner with participation in the profits of RL360, as derived from the Assets selected for investment by the Owner (but owned by RL360) during the period the Owner’s Plan is in force.

38. Payments of a bonus by RL360 from the balance of the Cash Account maintained under a Plan are therefore subject to section 26AH and are not assessable under any other provision of the ITAA 1936 or the ITAA 1997. Specifically, a bonus received under a Plan is included as assessable income of an Owner pursuant to subsection 26AH(6) to the following extent:

- in full, where it is received during the first 8 years of the eligible period
- two-thirds of the amount received, where it is received during the ninth year of the eligible period
- one-third of the amount received, where it is received during the 10th year of the eligible period, and
- nil, where it is received after the 10th year of the eligible period.

Status: **not legally binding**

39. To ensure that bonuses or other amounts in the nature of bonuses are not subject to tax unless the total amount received by the policyholder under an eligible policy (that is, amounts previously received (including any amounts of bonus) and the surrender value at the time of forfeiture, surrender or other termination) exceeds the premiums paid under that eligible policy, subsection 26AH(8) provides (subject to any other matters the Commissioner considers relevant) a discretion for the Commissioner to exclude from assessable income the whole, or part of, an amount received as, or by way of, a bonus by reason of the forfeiture, surrender or other termination of an eligible policy, and which would otherwise be included in assessable income by the application of subsection 26AH(6). (See paragraph 10 of IT 2346.)

40. Where a policyholder receives an amount under an eligible policy within the eligible period other than as, or by way of, a bonus, that amount is assessable under subsection 26AH(6) as if it had been received as a bonus to the extent that, in the Commissioner's opinion, it represents a bonus that has accrued or been declared, or a bonus that can reasonably be expected to accrue (see subsection 26AH(9)). No portion of the surrender proceeds received by an Owner under a Plan other than as or by way of a bonus (as referred to in subparagraph 9(b) of this Ruling) shall be deemed pursuant to subsection 26AH(9) to have been received by the Owner as if it had been received as or by way of a bonus.

41. Subject to subsection 26AH(5), subsection 26AH(4) operates to ensure that where an amount payable under an eligible policy is reinvested or otherwise dealt with on behalf of or at the direction of the policyholder, they are taken to have received that amount under or in relation to that policy. Subsection 26AH(6) does not, however, apply to bonuses that are merely notionally credited during the life of the policy but cannot actually be received until it ends. In this regard, subsection 26AH(5) provides that subsection 26AH(4) does not apply to an amount in relation to an eligible policy that is reinvested or otherwise dealt with on behalf of or at the direction of the policyholder so as to increase the surrender or maturity value that might reasonably be expected to be received under the policy.

42. An accretion in the Plan Value or Exit Value of the Plan linked to an Owner, constitutes a bonus that is merely accrued so as to increase the amount ultimately payable to the Owner on part or total surrender of their Plan, and pursuant to subsection 26AH(5) is not regarded as having been received by the Owner for the purposes of assessment under subsection 26AH(6).

43. A facility which allows policyholders of investment-linked policies to reclassify or vary the class or classes of assets supporting the policy is known as switching. The rights or entitlements of the policyholder under the policy remain unchanged following exercise of the switching option, except that the future value of the policy will be calculated by reference to different assets, and subsection 26AH(4) does not apply in the manner explained in paragraph 41 of this Ruling. (See Taxation Determination TD 94/82 *Income tax: does section 26AH of the Income Tax Assessment Act 1936 apply when investment options are 'switched' under an eligible policy?*) Switches of the Assets linked to the Plan of an Owner involves the mere variation in the calculation base of the Plan such that subsection 26AH(4) does not apply, for the purposes of assessment under subsection 26AH(6), to take the Owner to have received an amount under or in relation to their Plan.

44. Where, during the eligible period of an eligible policy, a policyholder receives an amount of consideration in respect of the assignment of that eligible policy, that amount is assessable under subsection 26AH(6) as if it had been received as a bonus to the extent that, in our opinion, it is attributable to a bonus that has accrued or been declared, or a bonus that can reasonably be expected to accrue (subsections 26AH(9) and (12)). Any consideration received by an Owner in respect of an assignment of their Plan during its

Status: **not legally binding**

eligible period will, for the purposes of subsection 26AH(6), be deemed pursuant to subsection 26AH(9) to have been received by the Owner as or by way of a bonus to the extent that the consideration received is attributable to a bonus.

45. Pursuant to subparagraph 26AH(7)(a)(i), subsection 26AH(6) does not apply to assess an amount received under an eligible policy where the amount is received in consequence of the death of the person on whose life the policy was effected. Any amount as, or by way of, a bonus received under a Plan (as a portion of the death benefit) in consequence of the death of the Life Assured (or last surviving Life Assured) is therefore not assessable under subsection 26AH(6).

Effect of increased premiums on eligible period

46. As an anti-avoidance measure, subsection 26AH(13) provides for a substituted date of commencement to apply if premiums increase by a certain amount from year to year. Where the premium payable under an eligible policy in relation to an assurance year exceeds by more than 25% the premium payable under the policy in the immediately preceding assurance year, the policy is deemed to have commenced at the beginning of the year in which the premium was increased. The effect of subsection 26AH(13) is to cause the 10-year eligible period in respect of an eligible policy to run from the commencement of that new period rather than from the date upon which the risk was first insured.

47. Where the premium payable is at the policyholder's discretion, the premium payable in relation to an assurance year is the total amount paid on the policy during that year (paragraph 19 of IT 2346). In relation to a Plan, the amount invested across any assurance year (if any) is at the discretion of the Owner (subject to Minimum Amounts). Therefore, in relation to the Plan, the Payment payable for an assurance year is the total Payments paid in an assurance year.

48. Where the Payment payable by an Owner in respect of a Plan in relation to an assurance year exceeds the Payment payable under that Plan in the immediately preceding assurance year by more than 25%, the 10-year eligible period in respect of the Plan is deemed by application of subsection 26AH(13) to have commenced at the beginning of the year in which the Payment was increased, rather than at the date of commencement of the period in respect of which the first Payment under the Plan was paid.

49. Where the Payment payable by an Owner in respect of a Plan in relation to each assurance year does not exceed the Payment payable under that Plan in the immediately preceding assurance year by more than 25%, the 10-year eligible period in respect of the Plan, for the purposes of the application of subsection 26AH(6), continues to run from the date of commencement of the period in respect of which the first Payment under the Plan was paid.

Capital gain or capital loss from payments under the Personal Investment Management Service disregarded

50. Under subsection 108-5(1) of the ITAA 1997, a CGT asset is any kind of property or a legal or equitable right that is not property. The contractual rights of an Owner and, as applicable, an Owner's nominated beneficiary or deceased estate under a Plan, are legally enforceable rights and therefore a CGT asset according to the definition in subsection 108-5(1).

Status: **not legally binding**

51. Where RL360 makes a payment of the surrender proceeds in satisfaction of an Owner's contractual rights under a Plan, their ownership of those rights is discharged or satisfied. Similarly, where RL360 makes a payment of a death benefit in satisfaction of an Owner's, a nominated beneficiary's or an Owner's deceased estate's contractual rights under a Plan, as applicable, their ownership of those rights is discharged or satisfied. This discharge or satisfaction of the contractual rights gives rise to CGT event C2 (paragraph 104-25(1)(b) of the ITAA 1997).

52. The Owner, their nominated beneficiary or their deceased estate, as applicable, makes a capital gain from this CGT event if their capital proceeds from the ending of the ownership of their asset are more than the asset's cost base or, alternatively, a capital loss if those capital proceeds are less than the asset's reduced cost base (subsection 104-25(3) of the ITAA 1997).

53. Section 118-300 of the ITAA 1997 exempts certain capital gains and losses made in respect of a policy of insurance on the life of an individual. The meaning to be given to the expression 'policy of insurance on the life of an individual' includes, but is not limited to, life insurance policies within the common law meaning of that term. It can apply to other life insurance policies as defined in subsection 995-1(1) of the ITAA 1997 but only to the extent that those policies provide for a sum of money to be paid if an event happens that results in the death of an individual (*Taxation Determination TD 2007/4 Income tax: capital gains tax: is a 'policy of insurance on the life of an individual' in section 118-300 of the Income Tax Assessment Act 1997 limited to a life insurance policy within the common law meaning of that expression?*).

54. Table item 3 of subsection 118-300(1) of the ITAA 1997 provides that a capital gain or capital loss made from a CGT event happening in relation to a CGT asset that is an interest in rights under a policy of insurance on the life of an individual is disregarded where that CGT event happens to the original owner of the policy (other than the trustee of a complying superannuation entity).

55. As an entity to which the Plan is first issued, an Owner referred to in subparagraph 4(a) of this Ruling is regarded as an original owner of a policy of insurance on the life of an individual. Accordingly, that Owner (where they are not the trustee of a complying superannuation entity²) is entitled under table item 3 of subsection 118-300(1) of the ITAA 1997 to disregard any capital gain or capital loss they make under section 104-25 of the ITAA 1997 from the receipt of a payment by RL360 of either the surrender proceeds or a death benefit.

56. Table item 4 of subsection 118-300(1) of the ITAA 1997 provides that a capital gain or capital loss made from a CGT event happening in relation to a CGT asset that is an interest in rights under a policy of insurance on the life of an individual is disregarded where that CGT event happens to an entity that acquired the interest in the policy for no consideration.

57. On the assignment of ownership of a Plan for no consideration to an Owner referred to in subparagraph 4(b) of this Ruling, that Owner acquires an interest in the Plan for no consideration. An Owner referred to in subparagraph 4(b) of this Ruling is therefore entitled under table item 4 of subsection 118-300(1) of the ITAA 1997 to disregard any capital gain or capital loss they make under section 104-25 of the ITAA 1997 from the receipt of a payment by RL360 of either the surrender proceeds or a death benefit.

² Any capital gain or capital loss an Owner that is the trustee of a complying superannuation entity makes under section 104-25 of the ITAA 1997 from the receipt of a payment of either the surrender proceeds or death benefit is disregarded pursuant to table item 5 of subsection 118-300(1) of the ITAA 1997.

Status: **not legally binding**

58. On the death of the Life Assured (or last surviving Life Assured), the Owner's nominated beneficiary or deceased estate, as applicable, may acquire an interest in the Plan for no consideration. Such a beneficiary or deceased estate, as applicable, is therefore entitled under table item 4 of subsection 118-300(1) of the ITAA 1997 to disregard any capital gain or capital loss they make under section 104-25 of the ITAA 1997 from the receipt of a payment of a death benefit by RL360.

Status: **not legally binding**

References

Related Rulings/Determinations:

IT 2346; TD 94/82; TD 2007/4

- ITAA 1936 95(2)
- ITAA 1936 160AAB
- ITAA 1936 Pt IVA
- ITAA 1997 Pt 3-1
- ITAA 1997 104-25
- ITAA 1997 104-25(1)(b)
- ITAA 1997 104-25(3)
- ITAA 1997 108-5(1)
- ITAA 1997 118-300
- ITAA 1997 118-300(1)
- ITAA 1997 Div 775
- ITAA 1997 995-1(1)
- Life Insurance Act 1995 9
- Life Insurance Act 1995 9(1)(a)
- Life Insurance Act 1995 9(1)(g)
- SISA 1993

Legislative references:

- ITAA 1936 6(1)
 - ITAA 1936 26AH
 - ITAA 1936 26AH(1)
 - ITAA 1936 26AH(4)
 - ITAA 1936 26AH(5)
 - ITAA 1936 26AH(6)
 - ITAA 1936 26AH(7)(a)(i)
 - ITAA 1936 26AH(8)
 - ITAA 1936 26AH(8)(b)
 - ITAA 1936 26AH(9)
 - ITAA 1936 26AH(12)
 - ITAA 1936 26AH(13)
-

ATO references

NO: 1-156SU25H

ISSN: 2205-6114

BSL: PW

ATOlaw topic Income tax ~~ Assessable income ~~ Other types of income ~~ Life insurance bonuses and policies

© AUSTRALIAN TAXATION OFFICE FOR THE COMMONWEALTH OF AUSTRALIA

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).