


PR 2026/5 - Zurich Life Insurance (Hong Kong) Limited - Swiss Fortune Universal Life Plan and Swiss Fortune (Premier) Universal Life Insurance Plan

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Status: **legally binding**

Product Ruling

Zurich Life Insurance (Hong Kong) Limited – Swiss Fortune Universal Life Plan and Swiss Fortune (Premier) Universal Life Insurance Plan

📌 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.

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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 the following Policies¹:
 - a Swiss Fortune Universal Life Plan (SFULP), issued by Zurich Life Insurance (Hong Kong) Limited (Zurich) under the Swiss Fortune Universal Life Plan Product Brochure and subject to the Swiss Fortune Universal Life Plan Policy Provisions, or
 - a Swiss Fortune (Premier) Universal Life Insurance Plan (SFPULIP), issued by Zurich under the Swiss Fortune (Premier) Universal Life Insurance Plan Product Brochure and subject to the Swiss Fortune (Premier) Universal Life Insurance Plan Policy Provisions.
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 Policy Provisions² 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 Policy held by a Policyholder³ that is not a resident of Australia for tax purposes during the period on or after 1 July 2025 and on or before 30 June 2028
 - the treatment of any fees or charges, including the premium, incurred in connection with a Policy
 - the assessability (or otherwise) of the Death Benefit, the proceeds of surrender or maturity of the Policy, or the proceeds of withdrawal from the Policy, other than under
 - section 26AH, and
 - the capital gains tax regime in Part 3-1 of the *Income Tax Assessment Act 1997* (ITAA 1997)
 - a Policyholder's entitlement (or otherwise) to a rebate under section 160AAB in relation to an assessable bonus received under a Policy
 - the capital gains tax consequences arising from the assignment of ownership of a Policy to another entity for consideration, and
 - whether the Policyholder makes forex realisation gains or losses under Division 775 of the ITAA 1997.

¹ All references to 'Policy' and 'Policies' in this Ruling are a reference to both or either of the Swiss Fortune Universal Life Plan or the Swiss Fortune (Premier) Universal Life Insurance Plan.

² All references to 'Policy Provisions' in this Ruling are a reference to both or either of the Swiss Fortune Universal Life Plan Policy Provisions or the Swiss Fortune (Premier) Universal Life Insurance Plan Policy Provisions.

³ All references to 'Policyholder' in this Ruling are a reference to the holder of either a SFULP or a SFPULIP.

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Who this Ruling applies to

4. This Ruling applies to you if you are:
- (a) an entity (including a natural person) that purchases a Policy subject to the Policy Provisions (Policyholder) on or after 1 July 2025 and on or before 30 June 2028, 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 2025 and on or before 30 June 2028, became a resident of Australia for tax purposes
 - (b) an entity (including a natural person) to which ownership of a Policy subject to the Policy Provisions is assigned for no consideration (also as Policyholder) on or after 1 July 2025 and on or before 30 June 2028 and, at the time of, or subsequent to, that assignment and during the period on or after 1 July 2025 and on or before 30 June 2028, are a resident of Australia for tax purposes⁴, or
 - (c) either an entity nominated as a Beneficiary by the Policyholder or the deceased estate of the Policyholder in receipt of the Death Benefit.
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 June 2025 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 32 of this Ruling, this Ruling cannot be relied upon and may be withdrawn or modified.

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

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Ruling

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

- (a) The Policy is an 'eligible policy' for the purposes of section 26AH.
- (b) Any portion of the proceeds received for the surrender or maturity of the Policy or a withdrawal from the Policy (surrender proceeds) by a Policyholder and comprising a Loyalty Bonus 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 Policy, and
 - (ii) is not otherwise assessable as ordinary or statutory income under the ITAA 1936 or the ITAA 1997.
- (c) Any portion of the surrender proceeds received by a Policyholder and comprising crediting interest shall, for the purposes of subsection 26AH(6), be deemed pursuant to subsection 26AH(9) to have been received by the Policyholder under the Policy as or by way of a bonus, and is
 - (i) assessable under subsection 26AH(6) when received during the eligible period in relation to the Policy, and
 - (ii) is not otherwise assessable as ordinary or statutory income under the ITAA 1936 or the ITAA 1997.
- (d) 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 subparagraphs 9(b) or (c) of this Ruling) to any portion (or to part of any portion) of the surrender proceeds received by a Policyholder and which constitutes an amount as or by way of a bonus, subsection 26AH(6) will not apply to that amount (subsection 26AH(8)).
- (e) Pursuant to subsection 26AH(5), an accretion in the Policyholder's Account Value is not regarded as having been received by the Policyholder for the purposes of assessment under subsection 26AH(6).
- (f) Where, during the eligible period in relation to a Policy a Policyholder receives an amount of consideration in respect of an assignment of that Policy, 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 Policyholder under the Policy 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 Policy, or a bonus that can reasonably be expected to accrue in respect of the Policy (subsection 26AH(12)).
- (g) Pursuant to subparagraph 26AH(7)(a)(i), no portion of a Death Benefit paid under a Policy is assessable under subsection 26AH(6).
- (h) Where the premium payable by a Policyholder in respect of a Policy in relation to an assurance year exceeds the premium payable under that Policy 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 Policy to have commenced at the beginning of the year in which the

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- premium was increased (rather than at the date of commencement of the period in respect of which the first premium under the Policy was paid).
- (i) Table item 3 of subsection 118-300(1) of the ITAA 1997 disregards any capital gain or capital loss made by a Policyholder referred to in subparagraph 4(a) of this Ruling resulting from the payment to them under a Policy of the surrender proceeds or a Death Benefit.
 - (j) Table item 4 of subsection 118-300(1) of the ITAA 1997 disregards any capital gain or capital loss made by a Policyholder referred to in subparagraph 4(b) of this Ruling resulting from the payment to them under a Policy of the surrender proceeds or a Death Benefit.
 - (k) Any capital gain or capital loss made by the nominated Beneficiary or the deceased estate of a Policyholder, as applicable, resulting from the payment to them under a Policy of the Death Benefit upon the death of the Life Insured (or any Contingent Life Insured) is disregarded pursuant to table item 4 of subsection 118-300(1) of the ITAA 1997.
 - (l) 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.

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 a Policy.
 - (b) A Policyholder'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 a Policy.
 - (c) A Policyholder referred to in subparagraph 4(a) of this Ruling is the original owner of the Policy they purchased.
 - (d) All dealings between any of the entities referred to in paragraph 4 of this Ruling and Zurich will be at arm's length.
 - (e) The scheme will be executed in the manner described in the Scheme section of this Ruling and the scheme documentation 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 8 October 2025 and 9 October 2025
 - Swiss Fortune Universal Life Plan Product Brochure received on 9 October 2025
 - Swiss Fortune Universal Life Plan Policy Provisions received on 9 October 2025

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- Swiss Fortune (Premier) Universal Life Insurance Plan Product Brochure received on 9 October 2025, and
- Swiss Fortune (Premier) Universal Life Insurance Plan Policy Provisions received on 9 October 2025.

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. Zurich is registered in Hong Kong and issues, among other products, the Policy. Policyholders capable of purchasing a Policy from Zurich may, or may not, be residents of Australia for tax purposes at the time of issue.

14. Subject to Zurich's approval, the Policyholder of the SFPULIP (where that Policyholder is an individual) may nominate a person as the Contingent Policyholder who will become the new Policyholder of the Policy if the original Policyholder dies or suffers from terminal illness or another specified condition. Subject to Zurich's approval and while the Policy (either the SFULP or the SFPULIP) is in force, the Policyholder (including any Contingent Policyholder under the SFPULIP) may change.

15. The Policy is defined as a universal life insurance policy. Full details of a Policy, including the commitments and rights of both Zurich and the Policyholder, are contained in the applicable Policy Provisions which, together with the Policy Schedule and application form constitute the Policy between Zurich and the Policyholder. The Policy is governed and construed in accordance with the laws of the Hong Kong Special Administrative Region.

16. The Policyholder makes an application for a Policy and begins to pay regular premiums monthly or annually. The regular premiums must not be less than the Minimum Regular Premium determined by Zurich and, subject to paragraph 17 of this Ruling, are payable throughout the Premium Payment Term. The Premium Payment Term is any of 2, 5 or 10 years, as selected by the Policyholder.

17. Where the Premium Payment Term is 5 or 10 years and subject to Zurich's approval (which will not be received during the Minimum Surrender Period), the:

- amount of regular premium payable may be reduced (without falling below the Minimum Regular Premium), and
- regular premium payments may temporarily pause (referred to as a 'premium holiday').

18. Zurich will set up and maintain an account under the Policy (Account) to which the Account Value is accrued. The Account Value of the Policy is determined as follows:

1. total premium paid
2. subtract yearly management charge
3. subtract any premium charge⁵

⁵ Premium charges only apply in relation to the SFULP.

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4. subtract policy administration fee
5. subtract any partial withdrawal charge or nominal fee
6. subtract any partial and regular withdrawal
7. add any crediting interest
8. add any Loyalty Bonus.

19. The premium received by Zurich (less applicable fees and charges) will be invested by Zurich in an investment portfolio determined by Zurich. After the first year the Policy is in force, crediting interest shall be credited monthly to the Account Value of the Policy at the prevailing Crediting Interest Rate determined by Zurich based on the performance of its investments. That is, the Crediting Interest Rate declared to the Policyholder each month will broadly reflect the performance of Zurich's investments, but will never be negative (the minimum Crediting Interest Rate is 0%).

20. A Loyalty Bonus will also be credited to the Account Value of the Policyholder's Policy within one month after either the 10th Policy anniversary (where the Premium Payment Term is 2 or 5 years) or the 15th Policy anniversary (where the Premium Payment Term is 10 years) and again every 5th Policy anniversary thereafter until the end of the Policy Term. The amount of each Loyalty Bonus is equal to the fixed Loyalty Bonus rate of 2%, multiplied by the average of the Account Value at the end of each policy month for the previous 5 years.

21. The Policyholder may submit a request for surrender of their Policy or the partial or regular withdrawal from their Policy in writing to Zurich. A partial withdrawal request will only be allowed and processed where it is made after the Minimum Surrender Period and:

- the Account Value is at least equal to the partial withdrawal amount
- the partial withdrawal amount is at least US\$1,000, and
- the Surrender Value, as if a surrender request is made at the time immediately after the partial withdrawal is made, is at least US\$10,000.

22. Where the Premium Payment Term is 2 years, the Minimum Surrender Period is 2 years from the date the first regular premium under the Policy was due, and where the Premium Payment Term is 5 or 10 years, the Minimum Surrender Period is 3 years from the date the first regular premium under the Policy was due.

23. A request for regular monthly withdrawals will only be allowed and processed where it is made after the Surrender Charge Period and:

- the Account Value is at least equal to the regular withdrawal amount
- regular withdrawal amount is at least US\$500 per month, and
- the Surrender Value, as if a surrender request is made at the time immediately after each regular withdrawal is made, is at least US\$10,000.

24. Where the Premium Payment Term is 2 or 5 years, the Surrender Charge Period is 5 years from the date the first regular premium under the Policy was due, and where the Premium Payment Term is 10 years, the Surrender Charge Period is 10 years from the date the first regular premium under the Policy was due.

25. A request for surrender of the Policy may be made at any time while the Policy is in force. The Surrender Value paid by Zurich to the Policyholder upon the surrender of the Policy is zero if the policy is surrendered within the Minimum Surrender Period or, otherwise, equal to the Account Value less any applicable surrender charge.

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26. If the Policy reaches the earlier of the Policy Maturity Date or the end of the policy month immediately after the 100th birthday of the Life Insured, Zurich will pay the Policyholder a maturity benefit provided that the Death Benefit and Surrender Value have not been paid or become payable. The maturity benefit is a lump sum equal to the Account Value at the time the Policyholder's entitlement to the payment is triggered.

27. The Life Insured designated by the Policyholder under the Policy may or may not be that of the Policyholder. The Policyholder may, subject to Zurich's approval, assign a Contingent Life Insured to become the new Life Insured upon the death of the original Life Insured. The Death Benefit becomes due upon the death of the Life Insured (whether that be an original Life Insured where there is no Contingent Life Insured, or a Contingent Life Insured, as applicable), and is payable to any one or more persons or entities designated by the Policyholder as a Beneficiary under the Policy or, in the absence of a nominated or surviving Beneficiary at the time of the death of the Life Insured, to the Policyholder or the Policyholder's estate, as applicable.

28. Where the Death Benefit becomes due within the Premium Payment Term under the SFULP, the Death Benefit payable by Zurich (in accordance with the Death Benefit settlement option instructed by the Policyholder) is equal to the higher of:

- 101% of the Account Value, and
- 100% of the total premium paid by the Policyholder, less any accumulated partial withdrawal amounts paid to the Policyholder, and less any indebtedness owing under the Policy.

29. Where the Death Benefit becomes due after the Premium Payment Term under the SFULP, the Death Benefit payable by Zurich (in accordance with the Death Benefit settlement option instructed by the Policyholder) is 100% of the Account Value.

30. Where the Premium Payment Term under the SFPULIP is 2 years and the Death Benefit becomes payable by Zurich (in accordance with the Death Benefit settlement option instructed by the Policyholder):

- within the first 5 Policy years, the Death Benefit is equal to the higher of 101% of the Account Value and 100% of the total premium paid by the Policyholder, less any accumulated partial withdrawal amounts paid to the Policyholder, and less any indebtedness owing under the Policy, or
- after the first 5 Policy years, the Death Benefit is 101% of the Account Value.

31. Where the Premium Payment Term under the SFPULIP is 5 or 10 years and the Death Benefit becomes payable by Zurich (in accordance with the Death Benefit settlement option instructed by the Policyholder):

- within the Premium Payment Term, the Death Benefit is equal to the higher of 101% of the Account Value and 100% of the total premium paid by the Policyholder, less any accumulated partial withdrawal amounts paid to the Policyholder, and less any indebtedness owing under the Policy, or
- after the Premium Payment Term, the Death Benefit is 101% of the Account Value.

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32. The Policy is non-participating and will not participate or share in the profits of Zurich.

Commissioner of Taxation

27 May 2026

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Appendix – Explanation

ⓘ *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.*

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Application of section 26AH to the Policy

33. 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 Policy is an eligible policy

34. 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.

35. 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).

36. A contract of insurance that provides for the payment of money on the death of a person constitutes a life policy under paragraph 9(1)(a) of the LIA 1995.

37. A Policy issued to a Policyholder 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 Policy 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 paragraph 9(1)(a) of the LIA 1995.

Treatment of benefits received under the Policy

38. The term bonus is not defined for the purposes of section 26AH but is explained at paragraph 8 of Taxation Ruling IT 2346 *Income tax : bonuses paid on certain life*

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assurance policies – section 26AH – interpretation and operation 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.

39. 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)).

40. The portion of the surrender proceeds comprising crediting interest and paid by Zurich to a Policyholder is considered, for the purposes of subsection 26AH(6), to be received by the Policyholder as a bonus. This amount provides the Policyholder with participation in the profits of Zurich during the period the Policyholder’s Policy is in force.

41. Payments of a bonus by Zurich (be it the crediting interest or the Loyalty Bonus) to the Policyholder 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 Policy is included as assessable income of a Policyholder 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.

42. 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 proceeds at the time of forfeiture, surrender or other termination) exceeds the premium 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).

43. 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.

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44. An accretion in the Policyholder's Account Value constitutes a bonus that is merely accrued, so as to increase the amount ultimately payable to the Policyholder on withdrawal from or surrender or maturity of their Policy, and pursuant to subsection 26AH(5) is not regarded as having been received by the Policyholder for the purposes of assessment under subsection 26AH(6).

45. 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 a Policyholder in respect of an assignment of their Policy during its eligible period will, for the purposes of subsection 26AH(6), be deemed pursuant to subsection 26AH(9) to have been received by the Policyholder as or by way of a bonus to the extent that the consideration received is attributable to a bonus.

46. 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 Policy (as a portion of the Death Benefit) in consequence of the death of the Life Insured is therefore not assessable under subsection 26AH(6).

Effect of increased premiums on eligible period

47. 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.

48. 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 Policy, the amount invested across any assurance year (if any) is at the discretion of the Policyholder. Therefore, in relation to the Policy, the premium payable for an assurance year is the total premiums paid in an assurance year.

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

50. Where the premium payable by a Policyholder in respect of a Policy in relation to each assurance year does not exceed the premium payable under that Policy in the immediately preceding assurance year by more than 25%, the 10-year eligible period in respect of the Policy, for the purposes of the application of subsection 26AH(6), continues

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to run from the date of commencement of the period in respect of which the first premium under the Policy was paid.

Capital gain or capital loss from payments under the Policy disregarded

51. 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 a Policyholder and, as applicable, a Policyholder's nominated Beneficiary or deceased estate under a Policy are legally enforceable rights and therefore a CGT asset according to the definition in subsection 108-5(1) of the ITAA 1997.

52. Where Zurich makes a payment of the surrender proceeds in satisfaction of a Policyholder's contractual rights under a Policy, their ownership of those rights is discharged or satisfied. Similarly, where Zurich makes a payment of a Death Benefit in satisfaction of a Policyholder's, a nominated Beneficiary's or a Policyholder's deceased estate's contractual rights under a Policy, 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).

53. The Policyholder, 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).

54. 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?*).

55. 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).

56. As an individual to whom a Policy is first issued, a Policyholder 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 Policyholder 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 Zurich of either the surrender proceeds or (where the Policyholder is not the Life Insured and there is no nominated or surviving Beneficiary) a Death Benefit.

57. 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.

Status: **not legally binding**

58. On the assignment of ownership of a Policy for no consideration to a Policyholder referred to in subparagraph 4(b) of this Ruling, that Policyholder acquires an interest in the Policy for no consideration. A Policyholder 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 Zurich of either the surrender proceeds or (where the Policyholder is not the Life Insured and there is no nominated or surviving Beneficiary) a Death Benefit.

59. On the death of the Life Insured (or any Contingent Life Insured), the Policyholder's nominated Beneficiary or deceased estate, as applicable, may acquire an interest in a Policy for no consideration. Under these circumstances, the Beneficiary or the deceased estate, as applicable, is 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 Zurich.

Status: **not legally binding**

References

Related rulings and determinations:

IT 2346; TD 2007/4

Legislative references:

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