

A Guide to

# SEB Life International Wealth Portfolio – Portugal

SEB Life International

## About SEB Life International

SEB Life International Assurance DAC (“SEB Life International”) is a leading international life assurance company, incorporated and regulated in Ireland. SEB Life International is a wholly owned subsidiary of SEB Life and Pension Holding AB which is part of the SEB Group.

## The Wealth Portfolio

The Wealth Portfolio is a single premium unit-linked life assurance policy issued by SEB Life International and written under Norwegian law. The policy may be suitable for those looking to access a wide range of domestic and international investments in a single administratively simple structure. The product offers a death benefit of 101% of the policy value.

The product is available to both corporate entities and individuals.

## Wealth Portfolio for Residents of Portugal

The Wealth Portfolio is a single premium life assurance policy issued by SEB Life International and written under Portuguese law. The product can be tailor-made to the client's specific needs and is suitable for those looking to access a wide range of international investments. The product offers a death benefit of 101% of the policy value.

The Wealth Portfolio is designed for investors who wish to invest a lump-sum of €250,000 or more (or currency equivalent) and who wish to have their investment managed by a specialist Asset Manager. Policies may be denominated in EUR, GBP or SEK.

The product offers the flexibility of choosing to have one or two Policyholders and Life Assured for each policy, depending on the client's needs. The Wealth Portfolio can be surrendered at any time (subject to the liquidity of the underlying linked assets).

The policy is suitable for long term residents of Portugal as well as those moving to Portugal on a non-habitual resident (NHR) basis, whether working or retired.

### A wide range of investment possibilities

The asset management can be done on a discretionary or advisory basis using the services of an Asset Manager selected from our panel of managers.

The policy can be linked to a wide range of international investments, see SEB Life International's permitted assets guidelines. The types of assets available include international and domestic equity and debt instruments, mutual funds that are available from a range of jurisdictions and selected non-standard and alternative investments. The underlying assets linked to the policy are always registered in the name of SEB Life International.

### Investment dividends

SEB Life International is the registered legal and beneficial owner of all policy assets. As a result, it is possible for policyholders to achieve a reduced rate of withholding tax on dividend payments from international companies and investments. Policyholders do not need to take any specific action to benefit from available reductions. Actual rates applying will vary by asset, jurisdiction of investment and international taxation treaties.

### Payment of policy benefits

On a single life policy, in the event of death of the policyholder/life assured, the proceeds of the policy (101% of the policy value) would normally become payable to the nominated beneficiaries. If no beneficiaries have been nominated, the proceeds are paid to the estate of the policyholder.

In the event of death of a life assured that is different to the policyholder, the proceeds would be paid to the policyholder or the nominated beneficiaries (if different from the policyholder). The policyholder can nominate as

many beneficiaries and in the proportions desired (certain administrative conditions apply).

If a policyholder has nominated a beneficiary/beneficiaries and the policyholder dies but the life assured is still living, the beneficiary/beneficiaries will receive the right of ownership to the policy.

### Policy Valuations

Valuations are available via our website and are updated daily. SEB Life International also issues an annual valuation to the policyholder for ease of tax reporting. (The Policyholder is responsible for reporting and payment of any taxes due.)

### Pledges

Policyholders can pledge the Wealth Portfolio as security for a loan. The legal title of the policy remains with the policyholder but the policyholder (or his estate in the event of death) is generally not entitled to receive any payments from the policy unless or until the pledge is released by the lender.

### Policy Tax Summary

Withdrawals, income payments and surrender of life assurance policies by residents of Portugal are taxed in accordance with Article 72 (5) of the Personal Income Tax (PIT) Code- capital investment income (Category E). Tax is charged on the difference between the premiums paid and the current value of those premiums at the date of withdrawal i.e. the profit element only.

The tax is normally applied at a single rate of 28%. However, where at least 35% of the premiums are paid during the first half of the policy (as is the case for most single premium contracts), the tax payable on policies may be reduced if the withdrawals are deferred as follows:

Period of years after Policy commencement	% of taxable income exempted
< 5	0%
5 – 8	20%
8 +	60%

The effective rate of tax on profits depends on the time the investment has been held as follows:

Years Policy held	Effective % Rate on growth
Less than 5 years	28%
Between 5 and 8 years	22.4%
More than 8 years	11.2%

Policyholders are obliged to include this element of the proceeds from their policy in their personal tax return.

If no withdrawals take place while the policyholder is a tax resident in Portugal, no tax is levied on the future policy withdrawals in Portugal.

## Other taxes

### No Wealth Tax

There is no Wealth Tax in Portugal and no wealth disclosure requirements.

### No Succession / Inheritance Tax / Gift Tax / Stamp Duty

Inheritance and Gift tax was abolished from 1 January 2004 in Portugal. It was replaced by Stamp Duty; however, life assurance contracts are exempt from Stamp Duty. Therefore, the legal beneficiaries of a life assurance policy will not be liable to tax in Portugal on the amounts they receive.

As a result, the Wealth Portfolio from SEB Life International can be a very effective tax-planning tool.

### Taxes applicable at establishment of the contract

For information, the following Charges must be paid at the establishment of the contract. SEB Life International will pay these charges directly and the policyholder has no action to take:

- National Emergency Institute (Instituto Nacional de Emergências Médica - INEM) is levied at a rate of 2.5% of the Portuguese located risk element of the contract.
- Charge due to the Portuguese Insurance Supervisory Authority (ASF) at a rate of 0.048% on premiums received.

### A note on Tax Residency

Generally, a policyholder is considered tax resident in Portugal if they:

- spend more than 183 days (continuously or not) in Portugal during a tax year (calendar year);

or

- have their habitual abode in Portugal on 31 December of that year and occupy it as their permanent residence;

or

Other more detailed rules are applied when assessing residence.

Gains retained within the Wealth Portfolio for residents of Portugal are not subject to tax until a benefit is taken.

Note: As the Investment is subject to tax in Portugal, it is not possible to apply for exemption of taxation under the "Non-Habitual Resident" (NHR) regime. However, exempt income can be invested in the Wealth Portfolio to derive future benefit, so the Wealth Portfolio is a valuable planning and investment tool whether the policyholder is a non-habitual resident or not.

## Overall Benefits of Insurance vs direct investment

- On direct investments, arising income must be declared and taxed annually. Insurance policies allow for the full deferral of taxation and reporting until encashment.
- For direct investments, it is only possible to offset capital gains and losses arising from the disposal of movable assets. Insurance allows offsetting of gains and losses of different types of income and gains within the policy. Policy costs are also offset against policy investment gains.
- Income arising on direct investments are fully taxable whereas generous reductions apply to Insurance depending on the period the Insurance is held (see above).
- No PIT is payable in the event of death of the life assured.
- Policy allow for the Nomination of Beneficiaries to allow efficient transfer of the benefit, which (unless passing under a will or intestacy) does not generally form part of the deceased estate, in the event of death.

### Case Study

Mr Svensson has relocated to Portugal for future retirement and has invested his foreign pension in a Wealth Portfolio from SEB Life International. He invests a lump sum of €500,000 and it remains fully invested for 10 years as he will work part-time in Portugal in the meantime. He has no annual declarations or payments to make during the period. When he retires finally, the value has increased to €1m. He decides to take 5% of the value thereafter allowing him an income by way of drawdown of €50,000 per annum - half of which is treated as a return of capital.

Income received	€50,000
Element treated as capital (50%)	€25,000
<b>Taxable amount</b>	<b>€25,000</b>
Tax payable @ 11.2%	€2,800
Net Pension	€47,200
Marginal rate of tax	5.6%

### Further Information

Normally, premiums paid must be received by the insurance company and should be paid by electronic transfer. In-specie or in-kind premiums (e.g. previous owned assets) are not accepted under local law.

Trusts are not recognised under Portuguese Law.



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