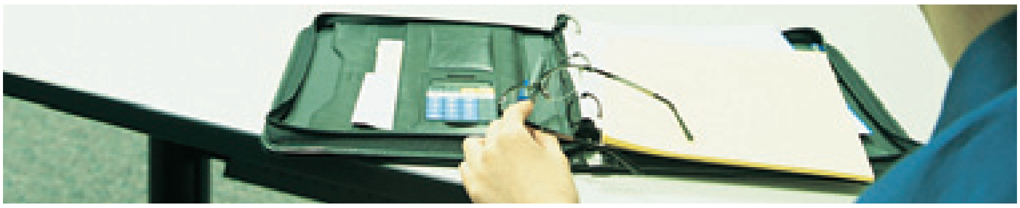
ZURICH

For further information please contact your financial adviser



International Wealth Account

At a glance guide to UK personal taxation

The International Wealth Account (IWA) is a non-income producing asset, and therefore any gains or income derived from the underlying assets of the plan are not taxable on the planholder (until a chargeable event occurs).

Income tax

In addition to this, Zurich International Life can invest your payment in offshore funds managed by external fund managers who will pay virtually no tax on these investments. The incidence of tax within these funds is restricted to small amounts of unreclaimable withholding tax, deducted at source in the country of origin of the underlying investments.

Should onshore funds be selected through the IWA, then the underlying taxation of the fund may differ.

A personal liability to income tax may arise upon the occurrence of a chargeable event. Any liability will be charged to basic as well as higher rate income tax. This is dealt with below.

Capital gains tax (CGT)

Disposals of an IWA by an individual will not normally create a CGT liability. Any increase in value on disposal will be charged to income tax under the chargeable events legislation. This is further explained below.

Where a UK resident investor has disposed of assets to fund the purchase of an IWA the disposal of such assets may trigger a CGT liability.

Switches between investments underlying the plan will be free of UK CGT.

Simple example of calculation of tax payable

Total premium	GBP200,000
Encashed for	GBP350,000
Held for	10 years
Basic rate tax	20%
Higher rate tax	40%

UK resident last 4 years. No previous withdrawals.

Step 1 – non residence relief

$$\text{Gain} \times \frac{\text{Days UK resident}}{\text{Days bond held}}$$

$$\text{GBP150,000} \times \frac{4 \times 365}{10 \times 365} = \text{GBP60,000}$$

Step 2 – top slice gain

$$\text{Slice} = \frac{\text{Gain}}{\text{No. years resident}}$$

$$\text{Slice} = \frac{\text{GBP60,000}}{4} = \text{GBP15,000}$$

Step 3 – add slice to income

Assume GBP3,454 at basic rate, the remainder at higher rate.

GBP3,454 x 20%	GBP691
GBP11,546 x 40%	GBP4,618
Tax on slice	GBP5,309
Tax on gain GBP5,309 x 4	GBP21,236
Effective tax on gain	$\frac{\text{GBP21,236}}{\text{GBP60,000}}$
Effective rate of taxation while UK resident	35.39%
Effective rate of taxation while not UK tax resident	nil

Inheritance tax (IHT)

UK IHT is levied at death on a UK domiciled person's estate (world-wide assets) and certain transfers of assets they have made in their lifetime. Personal investments in an IWA will normally fall within a UK domiciled person's estate for IHT purposes.

Chargeable events

Simplified, and in relation to an International Wealth Account, a chargeable event is defined under s.540 ICTA 1988 as:

- death of the last life insured (if applicable)
- surrender or partial surrender of the plan
- assignment for money or money's worth

5% allowance rule

In this regard the IWA receives the same treatment as onshore bonds. The planholder may partially encash up to 5% of the total contributions each plan year without an immediate liability to tax. Any allowance not utilised may be carried forward on a cumulative basis for use in future years, subject to a maximum relief of 100% of contributions in total.

Top slicing relief

Top slicing has the effect of reducing the amount of gain or excess which is taxed at the higher rate of income tax. This will only apply to those clients who are normally not higher rate tax payers, but gains made on encashment of an IWA pushes them into the higher-rate tax bracket.

Non residence relief

If a planholder has been non-UK resident while owning an IWA and subsequently becomes UK resident, then they will be able to claim 'time apportionment' relief. This means that any final chargeable gains made under the IWA will be reduced by a fraction relating to the number of days the planholder has been non-UK resident and the number of days the plan has been held.

It should be noted that this relief is not available where an IWA has at any time been owned by non-UK trustees, or from 17 March 1998, a 'foreign entity' which includes non-UK resident companies.

Personal Portfolio bonds

It is important to note that the IWA does not fall within the Inland Revenue's definition of Personal Portfolio bonds and therefore will not be taxed under the 15% deemed gain regime introduced in the Finance Act 1998.

Partial encashments

These can be carried out in two distinct ways; by the encashment of individual policies within the cluster of 100 mini-policies, or by partial encashment from each policy within the cluster. For taxation purposes each individual policy is treated separately as explained above. Each method of partial encashment will have a differing result on the tax levied on any gain. You are strongly advised to take specialist advice before proceeding with a partial encashment.

Important information

For full details of the International Wealth Account policy please refer to the product brochure and the plan terms and conditions, copies of which are available upon request.

Zurich International Life Limited is fully authorised under the Isle of Man Insurance Act 1986 which ensures that the company has sound and professional management and provision has been made to protect planholders.

Holders of plans issued by Zurich International Life Limited will be protected by the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991 if the company should be unable to meet its liabilities. Planholders will not be protected by the United Kingdom Financial Services Compensation Scheme.

The tax and legislative information contained in this document is based on Zurich International Life's understanding as of April 2004 and may change in the future. Zurich International Life Limited is unable to provide individual tax guidance and recommend that you always seek professional tax advice. We may be required to provide copies of Chargeable Event Certificates for UK resident planholders to the UK Inland Revenue in certain circumstances.

This information is only a summary and may be subject to change without notice. It was obtained from what we believe to be reliable sources. However, its accuracy and completeness cannot be guaranteed. Neither Zurich International Life Limited nor any associated companies or representatives, can accept responsibility for any errors or omissions.

Zurich International Life is only able to give information on the products of Zurich International Life Limited.

Zurich International Life is a business name of Zurich International Life Limited.

Calls may be recorded to help improve the quality of our service.

Issued by Zurich International Life Limited. Zurich International Life Limited provides life assurance and investment products and is authorised by the Isle of Man Government Insurance and Pensions Authority.

Registered in the Isle of Man number 20126.

Registered office: 43–51 Athol Street, Douglas, Isle of Man, IM99 1EF, British Isles.
Telephone +44 1624 662266 Telefax +44 1624 662038

www.zurichintlife.com

Approved by Zurich International Solutions Limited, UK Life Centre, Station Road, Swindon, Wiltshire, SN1 1EL, United Kingdom.

Zurich International Solutions Limited is authorised and regulated by the Financial Services Authority for insurance mediation activities.

Zurich International Life Limited is part of the Zurich Financial Services Group which has representation in more than 50 countries.

MSP8640 04/05 KC

ZURICH