

OECD kills the zero cash value benefit • Sorry Mr. insurance saleman, but the CRS defines surrender value to be reported for against policyholders as the total cash value, even if the policyholder promises on their mother's life that he cannot touch the cash value with a ten-foot barge pole.

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Despite overwhelming evidence, salesmen have an uyielding belief but wrong

• Some ignorant insurers have an unwavering conviction, that a null value should be reported for policyholders of zero cash value policies. • I mean, that's what it says on the tin, right? On top of this, they have legal opinions backing up this strong belief. Err no, the legal opinions are outdated and not worth the paper it's written on.

• Nicknames aside, a zero cash value policy does not have any cash value for CRS. Sure, Zero Cash Value policies may be useful to escape wealth tax. However, for CRS the Cash Value must be reported to help uncover possible undeclared assets placed with cross-border Financial Institutions.

How do these clowns strip out the cash value? They rely on reporting of Passive NFE trusts which do not report on debt interest. They loan out from the policy to the clients new trust.

If the trust was an FI, it would report the debt interest holder.

Right, so the insurer reduced the policy cash-value to zero. Now the bozos believe they do not have to report on the policy.

Stay focused clowns

access rights

CRS FAQ page 6

• This report recommends insurers put down the bong and focus on the OECD's words regarding irrevocable insurance policies. Unfortunately, insurers obtusely continue a superficial thought process that the surrender value of a zero cash value policy is null. • That may be the terminology insurers use, but it's certainly not the view of the OECD. • Insurers are incorrectly reporting a null value for CRS on zero cash value policies or not at all. • The value that should be reported is either (i) the cash value, or (ii) the surrender value which is the cash value determined without reduction for any surrender charge. • Kindly note, that according to the OECD, the surrender charge does NOT take into account the 100% policy charge that the policyholder voluntarily elects to incur when renouncing his rights to access the cash value. • The cash value does not evaporate into the ether when surrendering rights to access it.

OECD definition of Cash Value • The cash value of a policy is the savings portion of an insurance policy. The CRS obliges that insurers must report insurance contracts that have a cash value. CRS Financial Accounts page 52 paragraph 8 - The term "Cash Value Insurance Contract" means an Insurance Contract that has a Cash Value. The term "Cash Value" means the

greater of (i) the amount that the policyholder is entitled to receive upon surrender or termination of the contract (determined without reduction for any surrender charge or policy loan), and (ii) the amount the policyholder can borrow under or with regard to the contract. Cash value does not evaporate into the ether when renouncing

• The OECD crushed this fallacious line of thought, clarifying in a recent FAQ update, that an insurance policy remains a cash-value policy even if the policyholder renounces his rights to access the cash value.

policies whereby the policyholder voluntarily renounces their rights to access the savings

portion. Insurers adamantly opined that a zero cash-value policy fell outside the scope of the CRS as they were not cash-value insurance contracts. Duh, kind of obvious, eh? • Just because one decides on their cognizance to surrender their rights to access the cash value, does not mean the cash value evaporates into the ether. • Gasp, worse for the insurer is that the FAQ mandates the reportable account holder of a zero cash value policy is the policyholder.

Account Holders with respect to Cash Value Insurance

Contracts. With respect to a Cash Value Insurance Contract,

are persons that have the right to access the Cash Value and

treated as Account Holders for CRS purposes if they have

renounced such rights? Such persons are to be considered

Account Holders with respect to the Cash Value Insurance

Contract in all instances, unless they have finally, fully and

irrevocably renounced both the right to access the Cash

the right to change the beneficiaries of the contract still to be

• To avoid the definition of cash value contracts, insurers established zero cash value

Value and the right to change the beneficiaries of the Cash Value Insurance Contract. In cases where, taking into account the above paragraph, no person can access the Cash Value or change the beneficiaries, the Account Holder is any person named as the owner of the contract and any person with a vested entitlement to payment under the terms of the

contract. 3.2.3. CRS avoidance scheme on "Zero Cash Value Insurance Policies "or **Irrevocable Insurance Policies** • It is reported that Insurance Companies providing CRS avoidance schemes using "Zero Cash Value Insurance Policies" or "Irrevocable Insurance Policies" intended to ensure that

a nil value is reported. Meanwhile the insurers facilitate their policyholders to gain access

• This would be a misinterpretation of the term "Cash Value" under the AEOI Standard as,

according to definition of "Cash Value" (Subparagraph C(8) of Article VIII of the

"Instructions"), it is the greater of (i) the amount that the policyholder is entitled to

to the value of the policy's assets via third-party loans.

receive upon surrender or termination of the contract (determined without eduction for any surrender charge or policy loan), and (ii) the amount the policyholder can borrow under or with regard to the contract. Therefore, the amount that can be borrowed in relation to the contract should be treated as the "Cash Value" and reported accordingly. • Information for further clarification of irrevocable insurance policies being in scope of CRS can be found at the CRS-related Frequently Asked Questions (FAQ) which updated by OECD in February 2019. The answer to Question 12 of Part C of Section VIII states that persons renouncing the right to access the Cash Value and the right to change the beneficiaries are to be considered Account Holders of the Cash Value Insurance Contract in all instances, unless they have finally, fully and irrevocably renounced such rights. The notion reveals that Irrevocable Insurance Policies are considered Cash Value Insurance Contracts. To comply with the foregoing, FIs have to take into account the requirements referred to above to ensure the proper adoption of the definitions of "Cash Value Insurance Contract" and "Cash Value" while complying with their CRS obliga

Futile trying to escape the CRS FAQ impact with a null value surrender value

• The CRS allows insurers to report either (a) cash value, i.e. the savings portion, or (b) surrender value, which is the cash value determined without reduction for any surrender charge (see CRS page 52 paragraph 8). • So guess which one insurers are reporting? Youve got it (b) the surrender value. However, they make a wrong supposition on what a surrender value is according to the OECD. Hint,

it's not the surrender value the insurer thinks it is.

Insurers don't understand what the CRS surrender value is for zero cash value policies

• Instead of reporting the cash value, insurers resort to reporting the surrender value, especially insurers in Mauritius. • However, insurers incorrectly interpret the surrender value as null for zero cash value. Sounds right, doesn't it? • No, no, no, this is superficial thinking of the worst kind. The reported surrender value must be the cash value without the reduction of the policyholder's self-elected 100%

value determined without reduction for any surrender charge.

Definitive proof that the OECD does not recognize renounced rights to access cash value leads to a null cash value • OECD CRS page 52 paragraph 8 states a cash value policy is the amount the policyholder

surrender charge - see CRS page 52 paragraph 8 that the surrender value is the cash

is entitled to receive upon surrender or termination of the insurance contract determined without reduction for any surrender charge. • The OECD FAQ update on zero cash value policies is clear that these zero cash value policies remain a cash value policy even if the policyholder renounces his rights to access the cash value.

• The OECD does not view the surrender value as null if the policyholder voluntarily elects

Logic checkl

to renounce his rights to access the cash value.

• If the OECD did instead regard the surrender value of a zero cash value policy to be null, then the OECD would never regard a zero cash value policy as being a cash value policy. • The cash value does not magically disappear into the ether just because the policyholder agrees that he won't access the savings portion.

Conclusion

on zero cash value policies.

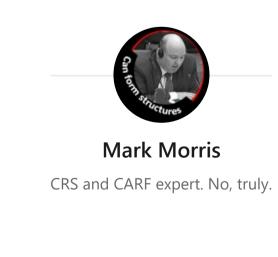
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• Regarding zero cash value policies, insurers must report either the (i) cash value or (ii) surrender value which is the cash value without reduction of the voluntarily agreed 100% surrender charge. • In fact, if you get it, the cash value is the surrender value for CRS purposes. It is not null.

Obstinate insurers who continue to justify reporting a null value for zero cash value

• They should get lawyers to update the flawed opinion based on the OECD FAQ update

policies because "we have legal opinions from 4 continents" are headed for tough times.



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