

Major reforms of French investments taxation



Wealth Tax

Major changes in wealth tax means company loan accounts are no longer deductible for non-residents.

Our solution:

Refinance your property and create a profit as well as saving the tax.



Capital Gains

If you are thinking of selling

Tapering relief has been amended with new thresholds to 30 years.

Our solution:

A personal review of your situation.



Trusts

A new law taxes assets at 0.50% and penalties of up to 5% can be applied for non disclosure .

Our solution:

Advise those with French assets owned directly or indirectly by a trust.



Estate Duty

Over a value of € 1.8 million, the duty can be as high as 45%.

Our solution:

Review your estate planning.



Exit Tax

A new Exit Tax applies from March for expatriating Tax French residents on unrealized gains.

Our solution:

Speak to us to find out more.

To know more on any of the above subjects our advisors are available to help you. In the meantime, take a look overleaf at the main details of the changes...

Major reforms of French investments taxation... What it is necessary to retain!

Wealth Tax (ISF — Impôt de Solidarité sur la Fortune)	<p>Wealth tax 2011 Only taxpayers possessing assets over M€ 1.3 have an obligation to declare and to pay Wealth Tax (on September 30th, 2011).</p> <p>Wealth tax 2012 As from 2012, a new tax threshold at two levels is established, applicable from the first euro:</p> <ul style="list-style-type: none"> • 0.25% for assets between M€ 1.3 and M€ 3. • 0.5% above.
Capital Gains	<p>Capital gains on property</p> <ul style="list-style-type: none"> • Until now during the sale of the property, the owners benefited from a 10% allowance per year beyond the fifth year of ownership, (that meant a total exemption of the capital gain tax at the end of 15 years). The exemption will be substantially reduced and the period for relief extended which is currently in debate in the National Assembly. According to the last version of the bill (not definitive), the tapering relief has been reduced to 2% for every year of detention after the fifth year, 4% from the eighteenth year to the twenty-fourth year, and finally 8% afterwards, which is a total exemption after thirty years of ownership. This new method of calculation will come into effect for the transfers realized as from February 1st, 2012, except for the case of private individuals of certain cases of restructuring for where the reform would apply as from August 25th, 2011. • The taxable capital gain resulting from the sale of a holiday home, a rented property or land remains taxable at the 19% rate plus 12.30% of social charges (13.5% as from 2012), which is a total at present of 31.30% subject to any appropriate relief. <p>Capital gains of transfer of securities realized in 2011 The tax rate of these capital gains is fixed to 19% plus 12.30% of social charges, that is 31.30% in total (social charges being 13.50% as from 2012, the global rate of taxation will be then 32.50%).</p>
Estate Duty	<ul style="list-style-type: none"> • The increase of 5% of these duties on the last two thresholds for a taxable estate is effective since July 31st, 2011: partially taxable 40% (after allowances) between € 902,838 and € 1,805,677; and 45% beyond € 1,805,677. • The reestablishment of the allowance for a donation has been extended from 6 to 10 years. • The reductions of duty concerning a donation according to the age of the donor rescinded.
Trusts	<ul style="list-style-type: none"> • The duties of a gift or demise are due as from July, 2011 on all free transfers to via a trust, of which the rates could reach up to 60%. • An annual taxation 0.50% based on the market value of the assets of the trust is chargeable to the settlor or the beneficiaries being physical persons, in the absence of a declaration of the Wealth tax. • There is an obligation to declare the creation of the trust at the time of its constitution, or any modification or dissolution/liquidation, on January 1st of every year. The neglect to declare wealth tax of the trust is sanctioned by a € 10,000 fine or by 5% of the value of the assets of the trust whichever is the greater.
Life Insurance	<ul style="list-style-type: none"> • A 25% withholding tax is applied to the sums paid because of any death from July 29th, 2011 if the distributed value paid to every beneficiary is superior to € 902,838. The amount inferior remains taxable at the rate of 20% after taking into account the € 152,500 allowance to the beneficiary. • Life insurance policies taken out abroad before becoming tax resident are no longer exempt from these taxes.
Exit Taxation	<ul style="list-style-type: none"> • Taxation of the latent capital gains for the taxpayers transferring their fiscal residence outside France: <ul style="list-style-type: none"> - On securities and any of earn-out deals, except OPCVM. - When the participation represents more than 1 % of the capital of the company or when its valuation is superior to M€ 1.3. - Calculated on the value of the shares on the day before the transfer of the tax domicile. • The rate of the taxation is that of capital gains on shares increased by social charges, that is currently 31.3%. • This taxation is applicable for the departures outside of France as from March 3rd, 2011.