



The French Finance Bill 2011

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With effect from 1st January 2012 there will be some new legislation in France. For people acquiring property and investments away from their home country or taking up residence elsewhere from their usual place of residence, even if temporary then this information may be of some relevance, particularly where there is some connection to France.

The new French regime on the taxation of trusts includes a new wealth tax with onerous and sometimes described as "draconian" reporting obligations on us as trustees.

While we are not advisers, we understand the changes to be as summarised in this article. Also enclosed is a link to a recent article written by Frederic Mege of Lawrence Graham LLP in Monaco, which is soon to be augmented by an update following consultation with the French fiscal authorities.

Wealth tax. The new tax means that as from 1st January 2012, any assets held in a trust, including an fully discretionary and irrevocable trust, are taxable at a rate of 0.5% per annum on a settlor (or on the beneficiaries following the death of the settlor) if the settlor or at least one beneficiary are French resident or the trust fund contains assets situated in France. Two main exclusions are (i) trusts established by French residents whose beneficiaries are all recognised charities, and (ii) trusts settled by French residents specifically for retirement purposes.

Reporting requirements. As from 1st January 2012 stringent reporting requirements are to be imposed on trustees regardless of their residence, with heavy penalties for non-compliance.

If the settlor or at least one of the trust beneficiaries is resident in France or if the trust fund contains relevant French assets, then we must disclose this and various other details to the French Tax Administration each year, to be provided by 15th June with payment of the tax.

Failure to comply with the reporting requirements will give rise to a penalty equal to the higher of €10,000 or 5% of the fair value of the trust fund.

Since the tax liability and any penalties will be in respect of an individual's position of residence or location of assets then we will be allocating such liability, if any to the relevant trust fund and any costs of compliance relating to this.

Advice. In light of the above, it is essential that advice be urgently sought which may include some restructuring, in which case we intend to work with local lawyers such as Mourant Ozannes who have helped us to prepare this information, and French advisers such as Lawrence Graham LLP.

Naturally Vistra we will be pleased to arrange this advice.

[Link to STEP article - See P76](#)

Note: This article is only intended to give a summary and general overview of the matter. It is not intended to be comprehensive and does not constitute, and should not be taken to be, legal or tax advice.