



Changes to the Inheritance Law in France

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by Isabelle Want

I keep getting lots of questions regarding the change of inheritance law that happened back in August and even though I've already written an article on this in June, I feel it would be useful to cover it again. I am also holding seminars (see information below) to which you are all welcome.

The change of law happened on 17th of August 2015. It is good news but it's not all plain sailing as French tax still applies... so let's have a look at the implication and solutions.

17th August 2015

Most of you must have heard that from the 17th of August this year (2015), you are able to choose the law of your native European country with regards to inheritance law. It basically means that you will not now be subject to the minimum percentage you are obliged to give to your children. This percentage depends on how many children you have.

If you have one child, it is 1/2 of your asset, two, it is 2/3 of your assets and 3 or more is 3/4 of your assets.

If you don't have any children, it does not change anything! As under French law, you can leave your assets to whoever you want (for that, you simply need to make a will in France - be careful of inheritance tax).

In order to be entitled to the change of inheritance law, you need to make a will in France stating you want to adopt your native law as you are not a French citizen.

Your will in the UK will not be recognised in France, as a will in France needs to be handwritten. It only costs around 80€ to do it via a French notaire (so why bother doing it yourself?) Yes, you can do it yourself. It just needs to be dated, handwritten and signed, but it is better if it is in French.

French Tax

Assets involved: If you are a French resident (more than 6 months per year in France), all your assets in France and all your movable assets worldwide are subject to French inheritance tax. That means that your savings in the UK are subject to French tax as they are movable, but if you have a property in the UK, it will be subject to UK inheritance law and tax.

If you have a holiday home in France, then only your house in France will come under French tax and your bank account in France will be subject to UK law and tax.

In France, your estate is comprised of assets minus your debt. It is the job of the notaire to ascertain your estate and check any outstanding debts. It is possible to inherit debts.

	Allowance	Tax/Death duties
Children/Parents	100,000	5 to 20% (mostly 20)
Brothers/Sisters	15,932	35 to 45%
Nephews/nieces	7,967	55%
Others	1,594	60%

Taxes: Here comes the worst bit.... And please note that the changes that will be applied in 2015 will NOT change this.

In the UK, the allowance is for your total assets, here in France, the allowance is for the person that inherits and the amount is depending on their relation to you.

The good news is there are no death duties between spouse, Pacs partners or French registered charities. The bad news is 60% tax between partners (not married or Pacs). So if you have bought a house on Tontine and are not married or Pacs, the survivor of the two will have to pay 60% tax on the half of the house he or she will inherit.

The same problem will occur if you have children from a previous marriage. With the change of law, you can disinherit your children in order to give everything to your new wife on your death, hoping

she will then pass on what is left to your children (from the previous marriage). But as those children are not hers, they will inherit from her with 60% tax.

If you only have one child, the 100,000€ does not go far enough in my view, as your property could easily be worth double that.

Example: You are married with 2 children, your house is worth 250,000€ and your savings 100,000€. You have made a will and when you die, everything goes to your wife and then your children. Your wife has no tax to pay but when your wife eventually dies, your children will inherit 175,000€ each. The allowance is 100,000€ each, so they will have to pay 75,000 x 20% = 15,000€ tax each.

Example 2: You have no children and decide to leave your assets to your 2 nephews. They are entitled to 7,967€ each tax free and have to pay 55% tax on everything above this amount.

Solutions

Donation: A good way to avoid the tax/death duties is to donate your assets to your children as you are still alive. You can give as much as the allowance (100,000 per child) every 15 years and once you have made the donation you can't die for 15 years! You can give the Nue propriete to your children and keep the usufruit which enables you to give more as the value of the Nue propriete is a % of the value of the assets you donate. It's a bit complicated so contact me for that one!

Assurance Vie: This is the most popular solution amongst French people to avoid tax in regards to the savings. This is a normal investment composed of secure earnings (around 2.5%), shares or bonds but it has the particularity of being able to name beneficiaries of your choice. For the money you invest before you are 70 years old, the allowance is 152,500€ per beneficiary (on top of the allowances given by French tax) and the beneficiaries will only pay 20% tax on what is above 152,500€. Otherwise, the allowance is 30,500€ for all the money you put in after you are 70 years old and what is above is added to the assets inherited. This is a huge tax saving when leaving legacies to unrelated beneficiaries such as friends or step children who would normally pay 60% tax. But it's also quite good if you think your children could be liable to tax as the 100,000€ allowance per child might not be enough.

There are also other advantages to this saving in regards to income tax (but that is another subject). Obviously if you are interested in an assurance vie, contact me as it is my speciality.

I think I have covered most of it. Pretty complicated I know but help is at hand, advice is free with me. I can do a study of your situation by simulating your death and calculating the tax if any and then we can see what solution is best for you.

I am organising seminars on French inheritance law (the law itself, the changes, the tax and solutions available) on the following dates:

- Melleran (salle inter-génération, place de l'église 79190 Melleran) on Tuesday the 17th of November at 10am.
- Aunac (Salle des fetes, place de la Mairie 16460 Aunac) on Tuesday the 24th of November at 10am.
- La Rochefoucauld (Salle des associations, rue Thibaud 16110 La Rochefoucauld) on Wednesday the 18th of November at 10am.
- Confolens (lecture theatre, communauté de communes du Confolentais, 6 rue Fontaine des Jardins, 16500 Confolens) on Thursday the 19th of November at 2pm.

Please send me an email or phone 05 45 31 01 61 to book a place as we have limited places for insurance purposes. Alternatively, email or phone me to make a private appointment (it is free).

Don't hesitate either to contact me for any other subjects such as inheritance law, tax, savings, funeral cover or quote on any insurances. And check out our web site www.bh-assurances.fr for my previous articles on the 'Practical Pages' of the English site.

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