



Not All Assurance-Vie Are Equal

by Bradley Warden, Partner, Blevins Franks



Will your investment structures provide the benefits you expect them to?

Assurance-Vie are an effective savings vehicle in France, used by many French nationals to save considerable tax. They are successfully used by expatriates for tax and succession planning, but I often come across people who have policies which are not suitable for French residents and do not provide the expected benefits.

There are many different types of Assurance-Vie (life policies, endowments, insurance bonds etc). They can be based in various jurisdictions, and both the type and jurisdiction can make a difference to the advantages they offer.

Assurance-Vie provide various tax advantages. One of them is that the longer you own the policy, the less tax you pay. Once you have held the policy over four years you can pay tax at a fixed rate of 15% instead of the income tax rates up to 45%. After eight years this tax is just 7.5%, and the first €4,600 (€9,200 for a couple) of growth withdrawn is tax free. But this only applies to EU policies, and so not to Isle of Man and Channel Island policies. You could also have difficulties getting the necessary information for your tax return from non-EU arrangements.

If you set up a policy before age 70, on your death each beneficiary receives an extra €152,000 tax free allowance on distributions from your Assurance-Vie. They only pay 20% tax on the excess (31.25% for amounts over €700,000). These considerable savings are only possible if your policy allows you to nominate beneficiaries. Many policies in the Isle of Man and even UK and Ireland do not provide a defined beneficiary clause, so you miss out on these tax breaks and your heirs could pay significantly more tax.

Another issue to be aware of with UK policies is that you pay tax within the funds that cannot be reclaimed, and you could have problems getting information for your tax return.

Many people have been sold policies which are not suitable for France, usually by UK advisers, and end up paying much more tax than necessary. Most UK advisers do not have the in-depth and up-to-date knowledge of the French tax regime needed.

So take local advice, and check if your existing arrangements are set up in the most efficient manner to gain the full tax and succession benefits, and ensure they comply with the requirements of the French authorities. Do not miss out on considerable tax advantages.

Summarised tax information is based upon our understanding of current laws and practices which may change. Individuals should seek personalised advice.

“Are my investments suitable for me as a French resident? Am I paying more tax than necessary?”

Talk to the people who know.

The French tax regime provides opportunities for tax efficient investing, but there are many pitfalls. Using the wrong arrangements could have major tax and succession consequences. Blevins Franks has in-depth knowledge of the local tax system and using it your advantage, and would be happy to review your existing investment structures.

contact us now on

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