

# Tax information for Policyholders in France

## ➤ Introduction

When you take out a bond with us while tax resident in France, certain payments made to you from your bond may be subject to French tax. This document provides a brief outline of various French taxes which may apply to you.

This is not intended to be a comprehensive guide to the French tax system and should not be relied upon to determine your tax liabilities in France. Tax payable will depend on your individual circumstances and we recommend that you seek professional tax advice prior to making any financial decisions.

The information below is based on our understanding of French tax legislation as at September 2016 and is subject to change at any given time.





## ➤ Tax Residency

Tax residency arises in France where:

1. You have your permanent home (i.e. habitual home for you and/or your family) in France;
2. You spend at least 183 days during a calendar year in France (or even less if you spend more time in France than in any other country);
3. You perform your professional activity in France (except if the professional activity is of an auxiliary nature); or
4. France is the base for your financial interests.

The tax year runs from 1 January to 31 December.

There are two distinct categories of tax residency in France which may apply to you. These are (i) the "inbound assignee" regime, and (ii) the standard personal income tax.

### **(i) Inbound assignee regime**

From 1 January 2008, expatriate employees who take up positions of employment in France, becoming French tax resident in the process, may benefit from a 50% reduction on the amount of personal income tax payable on the proceeds of their bond.

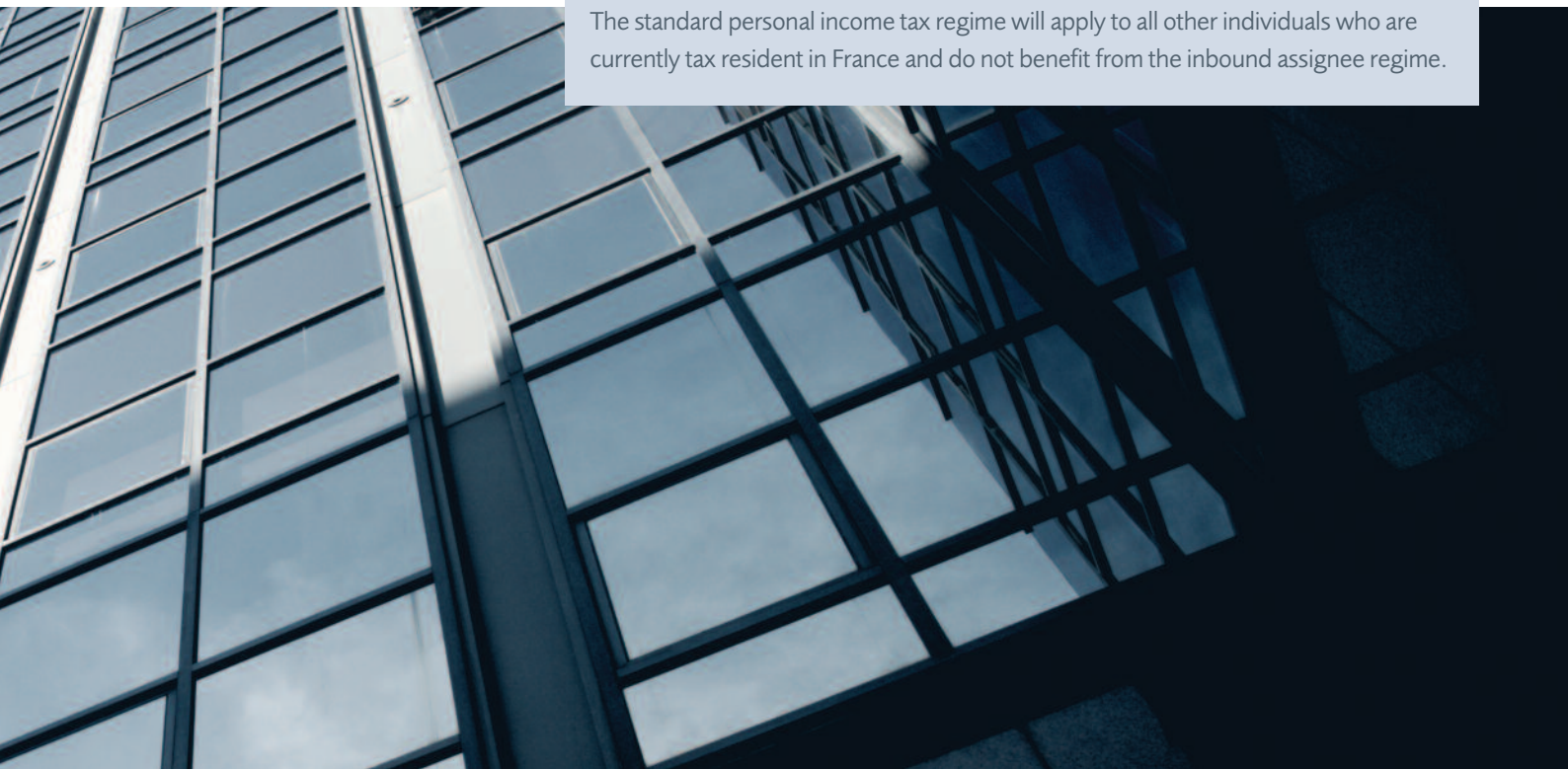
This partial exemption does not apply to any social security taxes which may be payable on your bond. You may only avail of the inbound assignee regime for a maximum of five (5) tax years and must also comply with various conditions including the following:

1. Your move to France occurs as a consequence of an employment contract.
2. You have not been resident in France in the five (5) years immediately prior to taking up the position of employment.
3. The work is actually performed in France.
4. The employment contract is carried out for a French entity.
5. The bond is encashed outside France.

Benefits under the inbound assignee regime should be claimed in your personal income tax return. If you do ask us to operate withholding taxes on payments from your bond, you will be entitled to reclaim any overpayment of personal income tax directly from the French tax authorities.

### **(ii) Personal income tax**

The standard personal income tax regime will apply to all other individuals who are currently tax resident in France and do not benefit from the inbound assignee regime.



## ➤ Tax payable

### 1. Surrender Payments

There are two (2) types of taxes which may apply where you receive regular withdrawals, partial and full surrenders from your bond. These are (i) personal income tax ("IT") and (ii) social security taxes ("SST").

The life version of our International Prudence Bond constitutes an "assurance vie" product and therefore benefits from the advantageous tax regime in France (i.e. the prélèvement libératoire forfaitaire ("PLF")).

Under the PLF regime, you may choose between the following options:

- You may receive all payments from your bond gross and self-account for any applicable tax; or
- You may request that we withhold tax on the investment gain on any surrenders and withdrawals from your bond at the rates set out below and remit the proceeds directly to the French tax authorities.

Rate	Age of Bond	Tax Rate
1	Less than 4 years	35%
2	Between 4 and 8 years	15%
3	More than 8 years	7.5% (subject to annual exemption limit of €4,600 for a single person and €9,200 for a couple on the gains on the investment).

You are free to change your mind as to which of these taxation options apply to your bond at any stage provided that you notify us in writing to our Administration Centre in Dublin.

In addition to each of the above rates, SST is payable at a flat rate of 15.5%. SST is payable on the investment gain made by your bond on the date of the payment from your bond.

If you subsequently inform us that you are tax resident in another country, we will cease to withhold IT and SST provided that we receive a written declaration from your local French tax office confirming that you are no longer resident in France for tax purposes.

Capital losses arising from the disposal of assets in France may not be offset against future capital gains from the disposal of the same category of assets.

If you do not wish to avail of the PLF regime, you may receive payments from your bond gross and self-account for any applicable tax under the common personal income tax regime.

## 2. Withholding Taxes on Death (Life only)

Please note that the information in this section applies only to the life version of our International Prudence Bond. There are two (2) taxes which may apply on the death of the last surviving life assured (the "**Relevant Death**"). These are (i) withholding tax on death and (ii) SST (as previously defined in the Surrender Payments section).

SST applies at a flat rate of 15.5% on the investment gain made by your bond at the time of the Relevant Death. We shall apply the SST once we have been authorised to do so by either the Policyholder or the Beneficiary, as relevant.

Withholding tax on death may be payable where you choose to nominate a beneficiary. The taxable amount is based on the value of the bond at the time of the Relevant Death. After the deduction of SST, the amount of Withholding tax is scaled. Amounts up to €152,500 are exempt, between €152,501 and €852,500 withholding tax is applied at a rate of 20% and applied at a rate of 31.25% for any amount above €852,500.

In addition there are several exemptions from withholding tax on death which include:

- Payments to a surviving spouse (or partner if you have concluded a civil partnership).
- Payments to a surviving sibling in certain circumstances.
- Payments made to a nominated beneficiary which relate to premiums provided by policyholders over 70 years of age.

A beneficiary nomination can be made in your application or subsequently in writing to our Administration Centre. Provided that the beneficiary has not formally accepted his or her nomination, you may cancel or replace your nomination by notifying us at any time in writing. Regardless of which manner you choose to nominate a beneficiary, we will pay the death benefit to the person(s) identified in the most recent nomination we receive in writing to our Administration Centre.

If you choose not to nominate a beneficiary, or to subsequently revoke a nomination, then the persons legally entitled to the death benefits will be the legal representatives identified in your will or in accordance with intestacy rules. We strongly advise that you seek professional legal advice prior to nominating a beneficiary in France.

If you subsequently inform us that you are tax resident in another country, then we will cease to withhold taxes provided that we receive a written declaration from your local French tax office confirming that you are no longer resident in France for tax purposes.

However we are obliged to continue operating withholding tax on death if, at the date of death, the policyholder was French tax resident or if the beneficiary is French tax resident at the date of death and has been resident at least 6 years during the 10 years preceding the death. SST is payable on death if the policyholder was resident in France at the date of death.

## Contact us

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Full terms and conditions of Prudential International products are available on request.



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