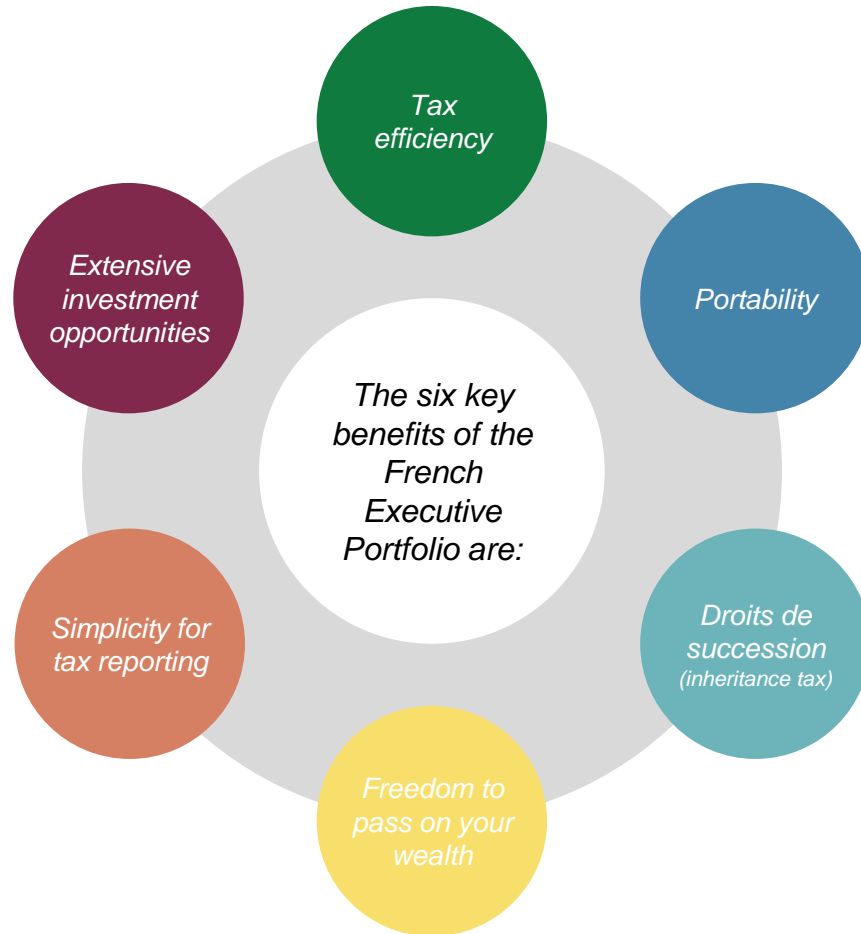


The French Executive Portfolio

For who, when and why

Quilter
International

For FEIFA members only



Agenda

- Investment options
- Portability
- Wealth transfer benefits
- Tax benefits
- Product strengths
- Comparisons:
 - Investment platforms
 - Non EU assurance vie



What are the investment options?

The French Executive Portfolio allows you to choose between two investment options:

SelfSelect - Investment Strategy

A wide range of PRIIPs* compliant assets as well as stocks, shares and bonds

(a fund adviser can be appointed)

Discretionary Asset Management - Investment Strategy

Where management and custody is currently provided by one of Brooks McDonald, Rathbones, Tilney or Quilter Cheviot

** PRIIPs refers to Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs)*

Portability - UK

- In UK tax terms the French Executive Portfolio is a 'personal portfolio bond'
- Can be endorsed to be UK friendly 'portfolio bond'
 - Dispose of 'offensive' assets;
 - Restrict policy terms so none can be purchased; and
 - Before the policy anniversary after becoming a UK tax resident.

Wealth transfer – with a French will

- Under inheritance law in France, the amount set aside as the reserve is as follows:
 - If there is one child, they receive 50% of the estate.
 - With two children, they receive 66.6% of the estate between them.
 - With three or more children, they receive 75% of the estate between them.
- If there are no children, then the spouse can claim 25% of the estate
- The remainder is freely disposable
- Can be renounced by a child before a parents death

Wealth transfer – with an England & Wales will

- EU Succession Regulation 650/2012 – Brussels IV: effective 17/8/2015
- Nationals from other countries can elect home country law to apply if resident in France
- So, English nationals living in France can make a will designating English law to settle their French estate (but this must not contravene public policy – article 35)
- Beware that interpretation may differ between notaires
- **This does not override French inheritance tax**

Wealth transfer – with assurance vie

- Beneficiaries can be freely chosen with a policy nomination

OR

- A 'life interest' can be given to another party called the usufruit (normally the spouse) and thereafter the 'remaindermen' called the nue-propietere using a **démembrement**
- Here, the proceeds are transferred to the 'life interest' on the policyholders death. For tax purposes, according to the age of the life interest, a % is considered to have transferred to them, the remaining % to the 'remaindermen'
- If the remaindermen inherit less than their share, this can be reclaimed form the estate of the life interest

Personal taxation - investments

- Effective 27/9/2017, the **PFU (Prelevement Forfaitaire Unique)** was introduced for savings and investments (including interest, dividends, capital gains for share or funds and assurance vie)
- This represents a flat tax on gains of 30%, comprising:
 - 17.2% social charge
 - 12.8% personal income tax
- Progressive rates can be chosen as an alternative
- **Reporting and payment on account is required through form 2778 following a taxable event by 15th of the month following the event**

The taxpayers could additionally be subject to an exceptional contribution on high income (ECHI) at a rate ranging from 3% to 4% i.e. if the global taxable income called revenu fiscal de reference exceeds €250,000 for single, divorced and widowed individuals or €500,000 for married, or PACS (civil union) filing jointly

Personal taxation – lifetime reporting

- Flat tax (PFU) OR progressive rates are chosen by the policyholder.

If flat tax is chosen:

- The policyholder can give Quilter International Ireland the tax mandate to pay and report, simplifying the policyholders reporting.
- Where the policyholder requires to be taxed progressively, Quilter International Ireland can be given the tax mandate or not. If given, the policyholder will need to reclaim/pay any tax underpaid/overpaid.

Personal taxation – Quilter International Ireland Assurance Vie - PFU

| | <i>Tax rate applied</i> | |
|---------------------------------------|--|--|
| | Premiums below the premium threshold €152,000 | Any part of a premium above the premium threshold of €152,000 |
| Contracts < eight years | 17.2% social tax plus 12.8% income tax | 17.2% social tax plus 12.8% income tax |
| Contracts > eight years | 17.2% social tax plus 7.5% income tax | 17.2% social tax plus 12.8% income tax |

- The reduction after year 8 applies up to a premium threshold of €152k per person (across all AV)
- A lower rate of social charges at 7.5% applies if the policyholder is resident in France and holds the EU S1 certificate, whereby they are covered by the health system of another EU or EEA country. If Quilter International Ireland have a tax mandate we will deduct tax as specified in the table. The French Tax resident is able to reclaim any overpaid tax in their Annual Tax return.
- After the eighth contractual year, the policyholder may benefit from an annual tax allowance of €4,600 for a single person, divorced person or widowed person or €9,200 for a married couple or civil pact (PACS) partners subject to joint taxation. (Applies to taxpayers with a “revenu fiscal de reference” lower than €25,000 (for single, divorced and widow individuals) or €50,000 (for couples subject to a joint taxation).

Assurance Vie taxation upon death

- 17.2% social tax applies to profit

Assurance Vie taxation upon death

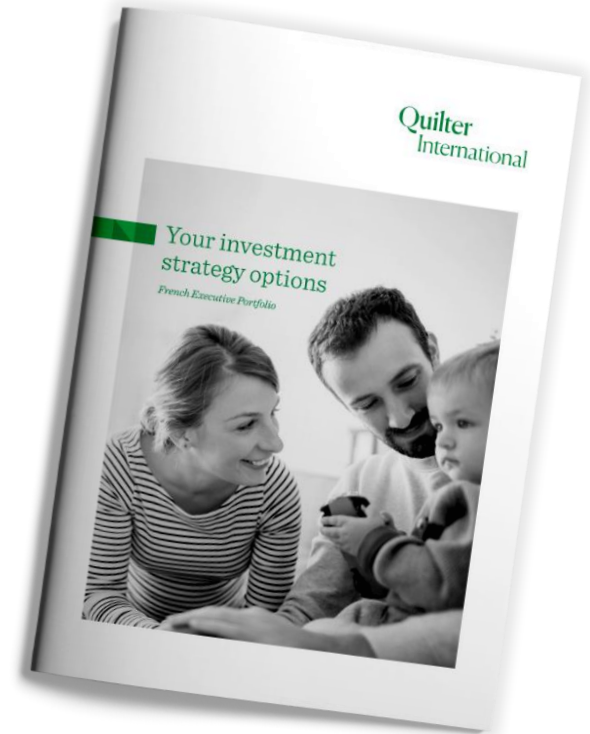
- 17.2% social tax applies to profit
- Inheritance tax

| <i>Premium Payment Date</i> | |
|--|--|
| <i>Before 70th birthday</i> | <i>After 70th birthday</i> |
| Exemption of up to €152,500 for each beneficiary; then for an amount over €152,500 to €700,000 taxable at 20%; then anything over €700,000 taxable at 31.25% | Transfer duty upon death on the proportion of Premiums over and above €30,500 tax liability is calculated on the basis of the family relationship as per the table above |

| <i>To direct descendants</i> | <i>Rate</i> |
|------------------------------|-------------|
| Up to €8,072 | 5% |
| €8,072 – €12,109 | 10% |
| €12,109 – €15,932 | 15% |
| €15,932 – €552,324 | 20% |
| €552,324 – €902,838 | 30% |
| €902,838 – €1,805,677 | 40% |
| Excess over €1,805,677 | 45% |
| <i>Between siblings</i> | <i>Rate</i> |
| €0 – €24,430 | 35% |
| Excess over €24,430 | 45% |
| <i>Between others</i> | <i>Rate</i> |
| More remote relatives | 55%-60% |
| <i>Third parties</i> | 60% |

Product features

- No investment diversification requirements through Ireland
- Can move between different DAMs and to/from SelfSelect
- No overdrawn transaction account, dealing or TT fees
- Indemnified initial commission i.e. a 'B' charging structure



Investment platforms i.e. funds and shares not AV wrapped

- PFU option
- Owner may or may not have to report themselves

<https://www.quilterinternational.com/articles/tax-information-for-france/>

Investment platforms i.e. funds and shares not AV wrapped

- PFU option
- Owner may or may not have to report themselves

BUT DO NOT OFFER

- Tax deferral
- Lower rates of PFU after 8 years
- The AV allowance of €4600 pp after 8 years
- Freedom for heirs to be chosen
- €152,500 for each heir free of IHT for premiums before 70

<https://www.quilterinternational.com/articles/tax-information-for-france/>

Likely taxation of non-EU AV insurance bonds

- Tax deferral
- PFU option

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Likely taxation of non-EU AV insurance bonds

- Tax deferral
- PFU option

BUT DO NOT OFFER

- Tax mandate to insurer
- Lower rates of PFU after 8 years
- The AV allowance of €4600 pp after 8 years
- Freedom for heirs to be chosen
- €152,500 for each heir free of IHT for premiums before 70

<https://www.quilterinternational.com/articles/tax-information-for-france/>



Any questions

Company information

This presentation is based on Quilter International's interpretation of the law and tax practice as at October 2020. While this interpretation is believed to be correct, Quilter International can give no guarantee in this respect or that tax reliefs and the tax treatment of investment funds will remain the same in the future. The value of any tax reliefs will depend on individual financial circumstances.

The value of investments can go down as well as up and investors may get back less than they invested.

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