

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 current understanding of French tax legislation as at March 2024 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 centre of your economic interests.

The tax year runs from 1 January to 31 December.

Please note, if a conflict of tax residence arises between France and another country this should be resolved by applying the relevant double taxation treaty. If you have any questions in relation to your tax residence status, we recommend that you seek independent professional tax advice.

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 gain realised upon the withdrawal from the bonds.

This partial exemption does not apply to any social income surtaxes which may be payable on your bond. You may only avail of the inbound assignee regime for a maximum of five (5) tax years where you moved to France before 6 July 2016. If you moved to France on 6 July 2016 or later, the inbound assignee regime can be availed of for a maximum of eight (8) tax years. In addition, the following conditions also apply:

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 income surtaxes ("SIS").

The life version of our International Prudence Bond constitutes an "assurance vie" product.

As of 1 January 2018, the taxable gains are subject to withholding taxes under the Prélèvement Forfaitaire Unique ("PFU") regime. Please refer to Table 1 below for the current PFU income tax rates. If you have appointed us to withhold the taxes (IT and SIS) and pay on your behalf, you will receive the taxable gain net of taxes under the PFU regime. Upon filing your annual tax return you can then choose whether you wish to be taxed at the Prélèvement Forfaitaire Unique ("PFU") rates or at the progressive barème scale tax rates.

Regarding gains that relate to premiums paid prior to 27 September 2017, you can opt for the Prélèvement Forfaitaire Libératoire regime ("PFL Regime"). Please refer to Table 2 below for PFL income tax rates. Where, instead, you do not elect for this regime, you must self-account for income tax at the progressive income tax rates on your annual income tax return.

Furthermore, as there are different rules depending on when the premium was made, a hybrid scenario could arise where you make a top up payment to a plan that you invested in before 27 September 2017.

An allowance of €4,600 for a single taxpayer and €9,200 for a married couple may be available on the taxable gain for bonds held over 8 years.

Table 1 (Premiums paid since 27 September 2017)

Age of Bond	PFU Tax Rate
During the first 8 years	12.8%
Over 8 years (less than 150,000)	7.5%
Over 8 years (portion above 150,000)	12.8%*

*Explanatory notes for premiums paid since 27 September 2017.

In the event of a withdrawal or surrender, the company will withhold income tax under the PFU regime, only where we have received the necessary authorisation from you to do so. The amount of tax withheld by the company will depend on the duration of the contract, as follows:

- Contract of less than 8 years: Flat income tax at a rate of 12.8%;
- Contract of over 8 years: Flat income tax at a rate of 7.5%.

Please be aware that where the duration of your contract is over 8 years and the premiums paid exceed 150,000 the applicable rate of income tax is 12.8%, instead of 7.5%. Please note however, that the company will only withhold income tax at 7.5%. You will be responsible for any additional tax due when filing your annual income tax return.

Table 2 (premiums paid before 27 September 2017)

Age of Bond	PFL Tax Rate
Up to 4 years	35%
Between 4 years and 8 years	15%
Over 8 years	7.5%

Note: In the event of a withdrawal or surrender, the company will withhold income tax under the PFL regime, only where we have received the necessary authorisation from you to do so.

In addition to each of the above income tax rates, SIS is payable at a flat rate of 17.2%. SIS 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, IT and SIS should no longer be chargeable, 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/withdrawal of a Bond may only be offset against future capital gains from the disposal/withdrawal of the same category of assets, within the first five years of the disposal/withdrawal. However, capital losses on the depreciation of the value of Assurance Vie contracts cannot be offset against future or realised gains in the same category of assets.

Other Reporting Obligations

Each year, French tax residents should report all of their foreign life insurance policies, as well as their foreign bank accounts, in a specific annex to be filed with the annual income tax return (even if there is no withdrawal or surrender made during the taxable year). The non-compliance with the above reporting requirement may lead to penalties."

Examples

1. Plan set up before 27 September 2017 with a top up post 27 September 2017:

1(a) Partial Surrender

Assume that the plan is 5 years old and the policyholder has mandated for taxes to be withheld on the total proceeds.

	Initial Premium (Pre 27 September 2017)	Top Up Premium (Post 27 September 2017)	
	Subject to taxes under PFL regime	Subject to taxes under PFU regime	Total
	€	€	€
Amount Invested	30,000	20,000	50,000
Surrender Value as at 1 January 2019	45,000	25,000	70,000
Taxable Gain (Surrender Value – Premium)	15,000	5,000	20,000
Partial Surrender Amount 1 January 2019:			3,000
Taxable Gain on Partial Surrender:			
Taxable Gain x ((Partial Surrender Amount)/ Surrender Value)	643	214	857
Taxes Due: PFL Regime (32.2%) / PFU Regime (30%):	207	64	271
Amount Paid to Policyholder (€3,000 – €271):			2,729

1(b) Full Surrender

Assume that the plan is 5 years old and the policyholder has mandated for taxes to be withheld on the total proceeds.

	Initial Premium (Pre 27 September 2017)	Top Up Premium (Post 27 September 2017)	
	Subject to taxes under PFL regime	Subject to taxes under PFU regime	Total
	€	€	€
Amount Invested	30,000	20,000	50,000
Surrender Value as at 1 January 2019	45,000	25,000	70,000
Taxable Gain (Surrender Value – Premium)	15,000	5,000	20,000
Taxes Due: PFL Regime (32.2%) / PFU Regime (30%):	4,830	1,500	6,330
Amount Paid to Policyholder (€70,000 – €6,330):			63,670

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) SIS (as previously defined in the Surrender Payments section).

SIS applies at a flat rate of 17.2% on the investment gain made on your bond at the time of the Relevant Death. We shall apply the SIS once we have been authorised to do so by the Beneficiary.

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. There are specific rules of taxation depending mainly on the age of the policyholder. After the deduction of SIS, the amount of withholding tax is scaled, on the amount due to a beneficiary related to premiums paid before the 70th anniversary of the policyholder: 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.

Consequently, the amount due to the beneficiary, which correspond to premiums paid after the policyholder’s 70th birthday are not subject to this specific withholding but are subject to inheritance tax (after a rebate of €30,500).

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.

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.

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If you choose not to nominate a beneficiary, or to subsequently revoke a nomination, the beneficiary cannot be identified or is deceased, 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.

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 six years during the 10 years preceding the death.

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