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FRENCH INHERITANCE TAX PLANNING: BEWARE OF ARTIFICIAL TAX AVOIDANCE – RELATED LIFETIME GIFTS

Source: Tax Office Instruction 15th November 2011. L-13-8-11

In what the French tax office has concluded was an artificial transaction amounting to an abuse of entitlement, 2 lifetime gifts of the same asset were made on the same day: the first transfer was from husband to wife, the second was from the wife to her grandchild, (who had no blood line relation to the husband).

The tax office applied the provisions open to them to avoid abuses of tax entitlement, taking the view that this double gift had the sole purposes of avoiding lifetime French Inheritamce tax rates of 60% which would have been payable had the gift been reralised directly from husband to grandchild.

The Comite de l'Abus de Droit Fiscal (French equivalent to the UK tax office commissioners) reached the same conclusion.

The outcome of this decision was taxation of the gift at a tax rate of 60% PLUS an 80% penalty charge. The total tax bill therefore in the end exceeds the value of the gift!

For information on Charles Hamer's Anglo-French Inheritance Tax Planning Services and how we can help you devolve your French interests without incurring an excessive tax burden in this and other areas please visit our webpage http://www.charleshamer.co.uk/french-inheritance.aspx or email me, Mark Gould, mark@charleshamer.co.uk and ask for our Inheritance Tax planning information pack"