

INHERITANCE TAX

As you may be aware, on 22 August 2007 a number of changes were made to French Inheritance Tax, and this French Law Update gives an overview of the main points especially for buyers or owners of French property:
Allowance for surviving spouse

- Transfers to the surviving spouse following the death of their surviving spouse will now be exempt from French inheritance tax.
- Take careful note that at present this only applies on death of the spouse and does not apply to transfers or gifts between living spouses.
- For those lifetime transfers or gifts, the allowance remains at 76,000€.

Allowances for surviving partner in a PACS

- Transfers to the surviving partner in a PACS (Pacte civil de solidarité – a type of agreement for an unmarried couple, including same sex couples) following the death of their partner will now be exempt from French inheritance tax.
- Also, bringing PACS into line with the “surviving spouse” exemption above, the exemption only applies on death of the partner and not for lifetime transfer or gifts between living partners.
- However, for such lifetime transfers or gifts, the allowance for partners to a PACS has been raised from 57,000€ to 76,000€ (this matches the similar allowance for spouses, above).

Allowances for Children

- The allowance for each inheriting child of the deceased has been raised from 50,000€ to 150,000€; after this threshold scales of tax bands will apply to the transfer.
- That said, the initial global relief of 50,000€ that used to apply to the part of the estate allocated to the spouse, parents and children has been abolished.
- Take careful note that the new 150,000€ allowance only applies where the child who inherits is a child of the deceased; this means, for example, that a child born to the deceased’s spouse from a previous relationship would not qualify.
- In such a case, reliefs and taxes may apply and will usually be on the basis that there is no blood relationship with the deceased; accordingly, the lowest initial bands and highest rates will usually apply.

NB – Whilst this update is designed to be informative, it is necessarily brief and is no substitute for legal advice tailored to your individual circumstances and plans. Accordingly, you must not rely on it to assist your specific decision making - you should always seek specific advice from a duly qualified French Law practitioner relating to your own particular situation.