

Who has the magic formula to reduce my wealth tax?

Jean-Michel
REIMS

How is it possible to reduce wealth tax without waving of a magic wand?

By taking advantage of some investment opportunities, such as:

① Investing in Wealth Tax funds, FIPs [Local Investment Funds] or FCPIs [Innovation Investment Funds]

You have the choice between FIPs or dedicated FCPIs. This type of investment is suitable for those tax payers who wish to insure against risks by investing, via a holding company, in several SMEs [small and medium sized enterprises], rather than in only one company.

Investing in a French approved Innovation funds presents a lot of tax advantages:

- Income tax

25 % tax refund on investment up to € 12,000 for one person or € 24,000 for a couple.

Shares must be kept at least 5 years; benefits are not subjected to income tax after this period of time.

- Wealth tax

35% tax refund on investment. The tax reduction is limited up to a limit of €20,000. You can also mix the two tax refund scheme and obtain a global tax reduction of 42.5% of the Innovation investment.

Shares must be kept at least 5 years; benefits are not subjected to income taxes after this period of time.

The deadline to obtain these tax reductions is the beginning of **June 2009**.

② Requesting a refund of the tax which exceeds 50% of your income [‘bouclier fiscal’ – Sarkozy’s ‘tax package’]

Sarkozy’s tax package allows direct taxation to be limited [income tax, wealth tax, habitation tax and land taxes on your principal residence] as well as the 11% social contributions applied to 50% of your income [taxable and non-taxable].

Let’s give an illustration to show what this means .../...

Illustration of the 'Bouclier fiscal'...

	Income Taxed normally		Income taxed through life insurance	
	€ 10,000,000	€ 50,000,000	€ 10,000,000	€ 50,000,000
Assets for ISF	€ 10,000,000	€ 50,000,000	€ 10,000,000	€ 50,000,000
Income	€ 300,000	€ 1,000,000		
Draw down from life insurance			€ 300,000	€ 1,000,000
Taxable part			€ 22,509	€ 75,020
Income tax	€ 150,000	€ 500,000	€ 10,600	€ 35,335
Tax saved through the insurance life			€ 139,400	€ 464,665
Wealth tax	€ 114,850	€ 825,820	€ 114,850	€ 825,820
Normal tax	€ 264,850	€ 1,325,820	€ 125,450	€ 861,155
Max tax due to the bouclier fiscal	€ 150,000	€ 500,000	€ 11,254	€ 37,510
Tax saved through the 'Bouclier fiscal'	€ 114,850	€ 825,820	€ 114,196	€ 823,646
Tax saved	€ 114,850	€ 825,820	€ 253,596	€ 1,288,311

This illustration is a very large generalisation. There are specific rules that need to be taken into account and therefore advised on.

We can note that the use of the French approved life insurance scheme can be very efficient for tax saving. It means that the global tax: income tax – all the social taxes [CSG/CRDS/prélèvement social] – land taxes concerning the principle residence ['taxe foncière' and 'taxe d'habitation'] can not exceed 50% of the total income.

From estate planning point of view, the insurance life policy is free of any inheritance taxes if the client has subscribed it before becoming French tax resident.

This scheme is very interesting for tax residents but does not apply for non residents.

In conclusion, note that the two schemes [Wealth Tax funds and 'bouclier fiscal'] can be complementary.

Our advisors are at your disposal to carry out a tax audit, advise you on the best path to follow, propose a selection of high-performing products...

Contact: Christophe, +33 (0)4 93 65 32 23, info@antco.com

Anthony&Cie

Financial Planning

Anthony & Cie
T: +33 (0)4 93 65 32 23
F: +33 (0)4 93 65 42 45
473 route des Dolines, Villantipolis 11
06560 Valbonne Sophia Antipolis

Anthony & Cie Paris
T: +33 (0)1 53 43 01 01
F: +33 (0)1 40 07 03 30
9 rue d'Anjou
75008 Paris

info@antco.com
www.antco.com

Anthony & Cie - Sole proprietorship with limited liability €15,244.90 - N° SIRET 353 037 849 00067 - N° CIF A004300 - N° Orias 07 002 168
Anthony & Cie Paris - Limited company at €5,000 - N° SIRET 452 821 085 00043 - N° CIF A204500 - N° Orias 07 005 404

Insurance broker registered with Orias [www.orias.fr]

Financial guarantee: Covea Risks, 19, 21, allées de l'Europe, 92616 Clichy Cedex

Activity: financial services adviser - Registration number in Sophia Antipolis: 2052023656VB - Registration number in Paris: 2073451705MY

Financial Investment Advisor

Member of the CIP [Independent Financial Advisors] and the French CGPC Association [Certified Financial Planners]