

French Taxes on Trusts

All French residents linked to a trust - whether as settlors, beneficiaries or trustees - are subject to specific French trust tax rules.

FRENCH TRUST DECLARATIONS

Trusts must be declared each year in any of the following cases:

- the settlor is French resident
- any beneficiary is French resident
- any trustee is French resident
- any asset is "located in France"

with a fine of 20000€ or 12.5% of the total trust assets for non-declaration (and the authorities can go back up to 10 years).

The declaration must be made (in French) using form *2181 TRUST 2* and submitted by June 15 (extended to August 31 for non-resident settlors & beneficiaries).

The key items include:

- * Name & address, place & date of birth for the settlor (or "deemed settlor") and each beneficiary
- * Name & address of the trustee and of the trust
- * The clauses of the trust: in particular regarding irrevocable/discretionary and allocation rules
- * Detailed list of asset values (only French assets if no settlor or beneficiary is resident in France)
- * Payment of the 1.5% "fixed levy" where appropriate as mentioned below

Part of this information is fed into a French Tax Register (*Registre des Trusts*) listing the names of the settlor, beneficiaries and trustees of each trust. Access to this register is restricted, but includes all tax and customs officials, lawyers, bankers, accountants, notaires, bailiffs, ...

In addition, the creation, modification (including distributions of capital and/or income), or closing of trusts must be declared using form *2181 TRUST 1* within ONE MONTH of the event.

The key items include:

- * Name & address, place & date of birth for the settlor (or “deemed settlor”) and each beneficiary
- * Name & address of the trustee and of the trust
- * The clauses of the trust: in particular regarding irrevocable/discretionary and allocation rules
- * The event (the decree specifies details such as capital/income distributed and address of recipient)

ANNUAL FRENCH TAXES ON TRUSTS

A fixed levy (*prélèvement spécifique*) of 1.5% (equivalent to the top rate of ISF/IFI) is due each year on all such trust assets.

The trustee, settlor and all beneficiaries are jointly liable for this tax.

The fixed levy is avoided if:

- all the relevant trust assets are included in the [Wealth tax](#) (IFI) declaration(s) of the settlor and/or beneficiary
- or all the relevant trust assets have been correctly declared on the above trust form but neither settlor nor beneficiaries are subject to IFI

The French tax authorities provided specific instructions on how trust assets should be declared for ISF ([PAT - Impôt de solidarité sur la fortune - Biens ou droits mis en Trust](#)). In particular, if the settlor is deceased, the assets are considered as being split equally between all relevant beneficiaries unless the Trust Deed indicates a specific allocation. Since the introduction of IFI (as from 2018) only property-related assets need to be included.

The usual wealth tax reductions and exemptions (including the 5-year exemption on non-French assets for newcomers to France - see [Wealth tax exemption](#)) are only available for trust assets if correctly declared. Explaining to the authorities that trust beneficiaries are excluded from ISF/IFI due to the 5-year exemption is complex but necessary. We work with French lawyers who will complete all the necessary forms and prepare the appropriate correspondence for you.

FRENCH TAX ON DISTRIBUTIONS & LEGACIES FROM TRUSTS

Income from a trust received by a French resident is taxed as foreign financial income (revenus de valeurs mobilières étrangères) whatever the true underlying nature of the assets (see [BOI-RPPM-RCM-10-30-10-10-20160304](#) - section IIC). For further information on the tax rates that will be applied, please refer to [French Income Tax](#).

Income that rolls up inside a trust without being distributed is not normally subject to any French tax liability.

[French gift and inheritance taxes](#) arise on the death of the settlor if

- the settlor is French resident at the time of death, or
- any trust assets are "situated" in France.

If at the date of death, the specific share of assets due to a beneficiary is clearly identifiable, then the usual allowances and reduced "family rates" are applied - based on the relationship between the settlor and the beneficiary.

The trust assets are combined for tax purposes with any other assets that may be received by each beneficiary - so tax-free allowances may already have been used up before being applied to trust assets.

If at the date of death, there is a share of assets "globally due to descendants of the settlor", then the rate of 45% will be applied to those assets

In all other cases (eg assets remaining in the trust without specifically being attributed to family), then the rate of 60% will apply.

The rate of 60% will also apply to

- all trusts registered in "non co-operative" states
- all trusts established (anywhere) since 11 May 2011 by a French-resident settlor