Since 2011, various regulations have been enacted in France to regulate trusts and to prevent tax avoidance by individual taxpayers. These regulations, often referred to as the “French mini-FATCA (Foreign Account Tax Compliance Act) for trusts,” include various components. Most notably they are:

- A set of reporting obligations for trustees of trusts with a French nexus (i.e., French tax resident settlors, beneficiaries or trustees or assets or rights located in France). Each failure to comply is subject to a penalty of €20,000.
- A sui generis 1.5% tax assessed on the market value of all the assets and rights in the trust. This tax potentially applies in the case of non-compliance with the French real property wealth tax (Impôt sur la Fortune Immobilière or IFI) requirements and/or the above trust reporting obligations.
- A trust register accessible to qualified parties.

Some of the features of these regulations have been specifically designed to address the avoidance of the French net wealth tax, among other taxes due by individuals.

As from 1 January 2018, the substitution of the French wealth tax (Impôt sur la Fortune or ISF) by the IFI introduced changes with some uncertainties relating to the scope of the annual reporting as highlighted in EY Global Tax Alert, French Finance Bill for 2018 impacts trust reporting rules, dated 26 January 2018.
Indeed, the annual reporting obligation should be limited to the reporting of the market value as of 1 January of the current year of the assets which are in the scope of the IFI.

The Finance Bill for 2019 reconsidered the scope of the annual reporting, taking into consideration the current trend of reporting tax obligations and transparency.

Accordingly, the Finance Bill for 2019 specifies that the trustees should report annually the market value on 1 January of the year of the following:

- For non-French tax residents: All assets and rights located in France and capitalized income placed in the trust (and not only the assets in the scope of the IFI). Furthermore, the former exemption for financial investment is no longer applicable, consequently such investment falls within the scope of reporting.
- For French tax residents: all assets and rights located in France or outside France and capitalized income placed in the trust (and not only the assets in the scope of the IFI).

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