

France and Italy

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France is the country in which life insurance has the most prominent place in wealth planning. The *assurance-vie* is the most popular form of long-term saving of French households, enjoying advantages under French law that have no equivalent in Switzerland or Germany. For premiums paid before the policyholder's 70th birthday, each beneficiary receives an allowance of 152,500 euros, beyond which the benefits are subject to a special levy at 20 per cent up to a further threshold and at 31.25 per cent above it. For premiums paid after the 70th birthday, the premiums exceeding a global allowance of 30,500 euros are subject to inheritance tax, while the gains are exempt. Spouses and civil partners are exempt from both regimes.¹

Gains on surrender are taxed under a regime that favours policies held for more than eight years. After that period, the policyholder benefits from an annual allowance, with the gains taxed at reduced rates on the portion of the policy corresponding to premiums up to 150,000 euros. Social levies are added. French residents use Luxembourg policies extensively because they combine the French tax regime with the triangle of security, the investment freedom of the dedicated fund and a choice of currencies. The French tax administration and the courts have accepted the Luxembourg *contrat* as an *assurance-vie* for tax purposes, provided that its conditions comply with French law. Policies held abroad must be declared annually.²

Italy grants life insurance benefits paid on death an exemption from inheritance tax and from income tax on the death component. The investment gains are taxed on surrender or maturity at the rate for financial income of 26 per cent, with a reduced rate for the portion attributable to government bonds. Italian residents holding foreign policies are subject to an annual tax on the value of the policy and to reporting obligations, unless the insurer acts as a tax representative in Italy. Italian courts and the tax administration have questioned whether policies that are essentially investment products deserve the inheritance tax exemption. In its case law,

the Corte di Cassazione has distinguished between policies with a genuine insurance character and financial products in insurance form.³

1 Notes

1. Art. 990 I CGI (levy on benefits from premiums paid before age 70, allowance of 152,500 euros per beneficiary, rates of 20 and 31.25 per cent) and Art. 757 B CGI (inheritance tax on premiums paid after age 70 exceeding 30,500 euros). Thresholds and rates to be verified. ↩
2. Art. 125-0 A CGI (taxation of gains on life insurance policies, allowance of 4,600 or 9,200 euros after eight years, reduced rate on premiums up to 150,000 euros); Art. 1649 AA CGI (declaration of policies concluded with foreign insurers). Rates of social levies, including recent increases, to be verified. Status to be verified. ↩
3. On Italian law, see Art. 12 of the Consolidated Act on Inheritance and Gift Tax (Legislative Decree No 346/1990), Art. 34 of Presidential Decree No 601/1973, the rules on the taxation of financial income and the annual tax on foreign financial products, and the case law of the Corte di Cassazione on unit-linked policies. To be verified. ↩

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