



INFORMATION SHEET FOR CLIENTS*

REAL ESTATE WEALTH TAX (IFI)

Last updated February 2024

I. GENERAL DESCRIPTION OF IFI

The "impôt sur la fortune immobilière" (IFI) is a French declaration-based, progressive tax that is payable annually on real estate assets held by individuals with real estate assets in excess of EUR 1,300,000.00. It was introduced on 1 January 2018, replacing the "impôt sur la fortune" (ISF).

IFI must be declared by taxpayers at the same time as income tax using a dedicated form.

1) SCOPE OF APPLICATION

a. Who is liable?

- **Policyholders who are natural persons**, based on their place of residence as defined in point c. below;
- **Policyholders who are legal persons**, based on the place of residence of their shareholders as defined in point c. below (if the shareholders' place of residence is not known, the widest territorial scope shall apply).

b. Insurance products affected

The insurance products affected are life insurance and capital accumulation products taken out by French tax residents and non-French tax residents that include real estate assets located in France and/or outside France, depending on the place of residence as defined in point c. below.

c. Place of residence (territoriality)

- **French tax residents**: with regard to their real estate assets located in France and outside France.
- **Non-French tax residents**: with regard to real estate assets located in France and shares in companies up to the portion representing these same real estate assets.
- **The impatriate regime**: French tax residents who have not been resident in France for tax purposes for the 5 years preceding the year in which they transfer their place of residence to France are subject to the IFI only in relation to their real estate assets located in France. This provision applies to every year in which the taxpayer remains resident in France for tax purposes and until 31 December of the 5th year after moving to France.

2) TAX BASE OF IFI

Net value as at 1 January of real estate assets:

- All immovable property and real estate rights owned by the taxpayer and members of the taxpayer's household (direct ownership) on 1 January of the tax year.
- Units or shares in companies and undertakings established in France or outside France up to the portion of their value representing immovable property or real estate rights held, directly or indirectly, by the company or undertaking.

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With regard to life insurance and capitalisation policies:

The surrender value of life insurance policies and capital accumulation policies that may be surrendered expressed in units of account and/or units of internal funds is included in the policyholder's assets up to the portion of their value that represents units of account and/or units of internal funds comprising the real estate assets referred to in a and b above.

II. FOCUS ON LIFE INSURANCE AND IFI

1) SCOPE OF APPLICATION

Under the French General Tax Code (CGI), the surrender value of life insurance policies that may be surrendered and of capital accumulation bonds or policies expressed in units of account and/or units of internal funds is subject to IFI as part of the policyholder's assets up to the portion of their value that represents units of account and/or units of internal funds comprising taxable assets.

This therefore applies, during the savings phase, to policies that may be surrendered (whether insurance or capital accumulation products) with regard to the unit-linked/internal fund portion.

Only the assets invested in units of account and/or units in internal funds are taken into account when calculating the surrender value of insurance policies or capital accumulation policies, up to the amount of taxable assets, regardless of the age of the policyholder or the date on which the policy was taken out.

The General Fund is therefore excluded.

2) INFORMATION PROVIDED BY CARDIF LUX VIE

a. Principles

In order to enable the taxpayer to declare the portion of the surrender value of insurance contracts and capital accumulation bonds or contracts expressed in units of account and/or units of internal funds that is taxable pursuant to the provisions of Article 972 of the CGI, Cardif Lux Vie provides its clients with the following information once it has been made aware of it:

- "The type and number of life insurance policies that may be surrendered and of capital accumulation bonds or policies, of which at least one unit of account [and/or units of internal funds] comprises taxable assets;"
- "For each policy or bond in question, the surrender value and portion of this value representing **taxable assets** that comprise units of account [and/or units of internal funds]."

To this end, at the beginning of each year, Cardif Lux Vie requests (from the management companies of its internal funds and from the management companies of the undertakings for collective investment in which it directly holds units or shares) information on the portion of the value of the units or shares representing immovable property or real estate rights, held directly or indirectly, which are taxable. In this way the portion of the value representing taxable immovable property or real estate rights can be identified.

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The information received is then communicated to our clients every May.

Any units of account and/or units of Internal Funds for which immovable property or real estate rights that may be subject to the IFI have been detected are communicated to clients, who may, on the basis of their own personal situation, consider an exception or exclusion (see Annex, for information only).

As the information received by Cardif Lux Vie comes from the management companies of the internal funds or undertakings for collective investment, it cannot be ruled out that, despite the care taken, an asset might have been overlooked.

It is the responsibility of clients to declare all assets falling within the scope of the IFI as communicated by us or as known from other sources.

Clients are advised to consult their tax expert to ensure that they comply with their tax reporting obligations and to determine whether any exceptions apply.

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ANNEX* - CLIENT INFORMATION

DETERMINING THE TAXABLE SURRENDER VALUE

PRINCIPLE

The taxable value of life assurance and capital accumulation policies corresponds to the portion of the value of the units of account and/or units of Internal Funds representing taxable real estate or real estate rights.

EXCEPTIONS

N.B.: Exceptions are not managed by Cardif Lux Vie's communications and must be assessed and dealt with at client level, so that the client can determine, based on knowledge of their own situation, whether or not an exclusion applies.

Taxable assets are determined taking into account the limitations set out in Articles 965, 972 bis and 972 ter of the CGI:

- Article 965 of the CGI: Exclusion of property used for operational activity
- 972 bis: Conditions to be fulfilled in order to exclude certain UCI
- 972 ter: Conditions to be fulfilled to exclude SIIC
- **965: Exclusion of property used for operational activity:**
 - Under certain conditions, certain real estate assets or rights **are excluded** if they are **used in the industrial, commercial, craft, agricultural or professional activities** of the company or undertaking that owns them or in those of a third-party company or undertaking (CGI, Art. 965, 2., a and b). It is therefore possible to disregard property assets that relate to the operational activity of the company that owns them or of a member company of its group.
 - In addition, certain units or shares in companies or undertakings **are excluded** from the tax base due to **the level of the taxpayer's shareholding** in these companies or undertakings . Units or shares in companies or undertakings in which the taxpayer and members of the taxpayer's household hold, directly or indirectly, **less than 10% of the capital and voting rights** are therefore excluded. This applies to companies and undertakings that carry on an industrial, commercial, craft, agricultural or professional activity (CGI, 965, 2.), i.e. operational activities.

The exclusion as referred to in Article 965 of the CGI must be assessed and dealt with at client level, so that the client can determine, based on knowledge of their own situation, whether or not an exclusion could apply.

Cardif Lux Vie, the management companies and the issuers of securities do not have the information required to determine whether this exclusion condition is fulfilled or not.

1- According to the third to fifth paragraphs of 2. of Article 965 of the French General Tax Code (CGI).

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- **Exclusion conditions applicable to undertakings for collective investment (UCI):**
With regard to 972 bis: if the assets of the unit of account and/or unit of the Internal Funds are UCIs (with or without legal personality), **they are excluded subject to the following conditions:**

- **the taxpayer must hold**, alone or jointly with other members of the tax household, **less than 10% of the rights in the UCI:** For the purposes of determining the 10% holding threshold, the direct and indirect holdings of the taxpayer and members of the tax household are combined. Account is also taken of the percentage of capital held in UCIs constituted in corporate form or of units in mutual funds corresponding to the rights of the unitholder in the co-ownership.

This exclusion condition must be assessed and dealt with at client level, so that the client can determine, based on knowledge of their own situation, whether or not this exclusion could apply.

Cardif Lux Vie, the companies and the issuers of securities do not have the information required to determine whether this exclusion condition is fulfilled or not.

- **less than 20% of the assets of the UCI are composed, directly or indirectly, of taxable real estate or real estate rights:** To assess this criterion, taxable real estate and real estate rights held directly by the undertaking are taken into account, as well as those held in companies or undertakings in which the UCI holds units or shares. The value of real estate and real estate rights held indirectly by the UCI is determined in accordance with the rules set by Article 965 of the CGI (see paragraph above).

This exclusion condition must be assessed and dealt with by the management companies or securities issuers and communicated to Cardif Lux Vie, which will pass on the information to clients.

- **the undertaking for collective investment must correspond to one of the undertakings included in the exhaustive list in Article 972 bis of the CGI:**
 1. undertaking for collective investment in transferable securities referred to in Article L. 214-2 of the Monetary and Financial Code (CoMoFi).
 2. general-purpose investment fund referred to in Article L. 214-24-24 of the CoMoFi, private equity fund referred to in Article L. 214-27 of the CoMoFi, alternative fund of funds referred to in Article L. 214-139 of the CoMoFi, general-purpose professional fund referred to in Article L. 214-143 of the CoMoFi, declared fund referred to in Article L. 214-152 of the CoMoFi, or employee savings fund referred to in Article L. 214-163 of the CoMoFi. However, funds in one of these categories that reserve the right to subscribe to or acquire their units or shares in accordance with article L. 214-26-1 of the CoMoFi are excluded.
 3. closed-end investment company referred to in Article L. 214-127 of the CoMoFi and a financial institution referred to in Article L. 214-166-1 of the CoMoFi.

The exclusion applies under the same conditions to foreign UCI with the same characteristics as those included in the exhaustive list above, provided that they are established in a Member State of the European Union, in another State party to the Agreement on the European Economic Area that has concluded an administrative assistance agreement with France to combat tax fraud and evasion, or in another State or territory with which France has concluded such an agreement. Given that the foreign undertaking must have the same characteristics as those mentioned above, funds that reserve the subscription or acquisition of their units or shares are excluded.

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- **Exclusion conditions applicable to real estate investment companies (SIIC):**

Units in SIIC, companies that carry on a civil activity, **are taxable** on the portion representing real estate assets and rights

They are SIIC that meet the following cumulative conditions² :

- are listed on a regulated market;
- have a minimum capital of fifteen million euros; 60% or more of the capital or voting rights must not be held directly or indirectly by one or more persons acting in concert as defined in Article L. 233-10 of the French Commercial Code, and 15% of the capital and voting rights of an SIIC must be divided between persons each holding less than 2% on the first day of application of the regime;
- have as its principal corporate purpose the acquisition or construction of buildings for rental, or the direct or indirect holding of equity interests in legal entities with the same corporate purpose that are subject to partnership or corporation tax.

This exclusion condition must be assessed and dealt with by the management companies or securities issuers and communicated to Cardif Lux Vie, which will pass on the information to clients.

By way of exception, Article 972 ter of the CGI provides that shares in listed real estate investment companies referred to in I of Article 208 C of the CGI shall not be taken into account when determining the tax base **if the taxpayer holds**, directly or indirectly, alone or jointly with other members of the tax household, **less than 5% of the company's capital and voting rights.**

This exclusion condition must be assessed and dealt with at client level, so that the client can determine, based on knowledge of their own situation, whether or not this exclusion could apply.

Cardif Lux Vie, the companies and the issuers of securities do not have the information required to determine whether this exclusion condition is fulfilled or not.

The exclusion applies under the same conditions to foreign companies with the same characteristics, provided that they are established in a Member State of the European Union, in another State party to the Agreement on the European Economic Area that has concluded an administrative assistance agreement with France to combat tax fraud and evasion, or in another State or territory with which France has concluded such an agreement.

Note: The 5% threshold is calculated by adding the rights held directly by the taxpayer to those held indirectly. In addition, the threshold must be respected in terms of both share capital and voting rights.

2- Provided for in I of Article 208 C of the CGI.

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