



## What are the trustee's obligations in relation to trusts with a French connection for 2016?

### What should be done by the trustees for 2016 ?

Trustees in charge of trusts having a French connection are required to fulfill various practical obligations in accordance with French legislation which are summarized below:

- **Before 15<sup>th</sup> June 2016**
  - The trustees should receive evidence from each settlor (or deemed settlor) that the said value attributed to them has been properly reported for French wealth tax purposes.
  - The trust annual report is due on **15<sup>th</sup> June 2016**. Trustees should provide the identity of each French resident settlor (or deemed settlor) as well as the market value of the trust's assets (in €) attributed to each settlor (or deemed settlor) as of 1<sup>st</sup> January 2016.
  - Assuming they do not receive the evidence that the settlors (or deemed settlors) have duly complied with their wealth tax reporting obligations, the trustees should pay the *sui generis* tax (amounting, for 2016, to 1,5% of the market value of the trust's assets as of 1<sup>st</sup> January 2016) to the French tax authorities by **15<sup>th</sup> June 2016**.
- **An event-based report** is due **within 30 days** of any creation, modification or termination of a French-connected trust. Modifications may include distributions, transfers of assets into trusts, changes in beneficiaries or the allocation of the trust's assets to certain beneficiaries.

Assuming the trustees have failed to report trusts which have maintained a French connection since 2011, we recommended filing the missing returns as soon as possible and most importantly before the French tax authorities request it.

### How to report ?

Since 1<sup>st</sup> January 2014, trust returns must be completed on mandatory declaration forms that have been issued by the French tax authorities. The law also requires that the declarations be completed in French only.

In order to convince trustees (French or foreign) to declare a trust which has a connection with France, the tax penalty for failure to report has substantially increased. The penalty for non-declaration is now 12.5% of the trust's assets (and no longer 5%), with a minimum of € 20,000, for each missing declaration since 8<sup>th</sup> December 2013.

In view of the approaching **15<sup>th</sup> June deadline** for the 2016 annual declarations, please do not hesitate to contact us if you need any further information or assistance in completing the declarations.