GENERAL DESCRIPTION OF THE FRENCH TAX REGIME FOR UNIT-LINKED LIFE INSURANCE CONTRACTS FOR A POLICYHOLDER RESIDENT IN FRANCE

HANSARD

Please be advised that this document, EF0077O 16/02/23, is a courtesy translation of the French language version, EF0077F 16/02/23. The French language version is and will remain the sole definitive document.

Hansard Europe dac is a life insurance company regulated by the Central Bank of Ireland. Our life insurance contracts have been offered throughout Europe under the freedom to provide services as stipulated in the European Union Directives on life insurance.

This general description of the French tax regime exclusively relates to Hansard Europe dac contracts meeting the strict criteria for a life insurance contract as defined in the French Insurance Code.

Declaration of your life insurance contract to the French tax authorities

As soon as you move your tax residence to France (please refer to the definition of a person having their tax residence in France in Article 4B of the French General Tax Code (Code général des impôts français or CGI), you are obliged to declare your life insurance contract to the French tax authorities in your annual income tax declaration, in box 8TT, by means of declaration No 3916-3916 BIS (cerfa No 11916), stating (i) the contract details (contract number and name of contract), start date and duration of the contract, as well as the cover provided by the contract, (ii) any relevant information, in particular the start date of any amendment, the total amount of any premiums paid, and the total amount and effective date of any partial or total surrender that occurred during the tax year in question, the surrender value or value of the guaranteed capital as at 1 January of the tax year in question, including the name of the contract holder, their address, their date and place of birth, the address of Hansard Europe dac and the type of life insurance contract (see the obligation to declare information as set out in Article 1649 AA of the French General Tax Code (CGI) and the information to be declared under Article 344C of Annexe III to the General Tax Code). You are obliged to comply with this obligation whether or not your life insurance contract was taken out before you moved to France.

Failure to declare these contracts will incur tax-related penalties:

- Payments into or from undeclared life insurance contracts constitute (except where otherwise proven) income subject to taxation at the income tax rate plus a 40% surcharge;
- EUR 1,500 per undeclared life insurance contract or
- From 1 January 2017, an 80% surcharge not chargeable on tax returns will apply to amounts payable in the event of rectification to figures cited or that had been cited at any time in the contract that ought to have been declared, and this surcharge shall not be less than the amount of the aforementioned fine of EUR 1,500. Should this surcharge be applied, the 40% surcharge and the aforementioned fine shall not apply (Article 1729-0 A of the CGI).

Taxation in the event of part or full surrender or in the event of maturity of the contract (sum paid to the insured during the contract term)

In the event of part or full surrender or on maturity of the life insurance contract, any gain generated (i.e. the difference between the premiums paid, where appropriate since the contract was purchased, plus, in such a case, the Contract purchase price, and the amount received) will be taxable.

<u>Products related to the premiums paid up to 26 September 2017</u>

You then have to choose between:

- Either payment of the (gross) product without withholding the tax, declaring the gain in your annual tax declaration (including social security contributions). The tax form to be used for this purpose is form No. 2042;
- or the product being subject to the fixed withholding tax rate (prélèvement forfaitaire libératoire (PFL)) and subject to a social security contribution rate of 17.2%. Contract holders may, if they wish, request Hansard to deduct the fixed withholding tax (PFL) and the social security contributions, and pay them to the French tax authorities on their behalf.

The fixed withholding tax rates and the social security contribution rates currently in force are as follows:

Number of years since the effective date of the life insurance contract	Applicable taxation rate (PFL and social security contributions)
Before the 4th anniversary of the life insurance contract	52.2% (35% fixed withholding tax (PFL) rate and 17.2% social security contributions)
Between the 4th and 8th anniversary of the life insurance contract	32.2% (15% fixed withholding tax (PFL) rate and 17.2% social security contributions)
After the 8th anniversary of the life insurance contract	24.7% (7.5% fixed withholding tax rate and 17.2% social security contributions)

<u>Products related to the premiums paid from 27 September 2017</u>

Unless the income tax option is chosen, gross gains are subject to social security contributions at a rate of 17.2% and the compulsory one-off fixed payment (prélèvement forfaitaire unique (PFU)) at the rate of:

- 12.8% if surrender or maturity of the contract occurs before the eve of the 8th anniversary of the first payment or if it occurs from the 8th anniversary proportional to the amount exceeding the threshold of EUR 150,000 referred to below,

- 7.5% of the amount if surrender or maturity occurs from the 8th anniversary of the first payment and if the total amount of premiums paid on all your life insurance contracts or capitalisation bonds does not exceed the threshold of EUR 150,000 on 31 December of the year prior to contract surrender or maturity.

Contract holders may, if they wish, request Hansard to deduct the one-off fixed payment (PFU) and the social security contributions, and pay them to the French tax authorities on their behalf.

This one-off fixed payment, which is paid by way of an instalment on the final tax, does not fully discharge income tax liability on income to which it is applied and is imputed to income tax for the year during which it was made. If it exceeds the tax payable, the excess is refunded.

However, you may expressly and irrevocably opt to pay the tax as part of your income tax declaration under the conditions laid down by law according to the sliding scale applicable to you, after imputing the compulsory one-off fixed payment made at the time of surrender.

This irrevocable option is exercised in aggregate for all income, net earnings, profits, gains and receivables within the scope of the one-off fixed payment for the year of taxation, at the time of filing of the declaration of all income and at the latest before the deadline for declaration elapses.

Exemptions and reductions

A life insurance contract will be exempt from income tax whatever its term, if it is paid out as an annuity. A life insurance contract is also exempt from income tax if the request for surrender in full is made before the end of the year which follows the occurrence of the following events having an impact on the policyholder, the beneficiary of the sums or his spouse:

1. redundancy (subject to compliance with specific conditions),
2. cessation of an unsalaried activity further to court-ordered liquidation,
3. early retirement,
4. category 2 or 3 disablement as provided for in Article L. 341-4 of the Social Security Code.

All life insurance investments and contracts of more than eight years held by a taxpayer shall give entitlement to an annual reduction of the amount of any gain arising from part or full surrender of the contract, a reduction which will amount to EUR 4,600 for a person living alone (single, widowed or divorced) or EUR 9,200 for married couples or couples in a civil partnership (i.e. couples who have concluded a civil solidarity pact subject to joint taxation. If you opt for the fixed withholding tax regime, the tax reduction will be refunded in the form of a tax credit.

We will provide contract holders with a statement showing the gain further to any surrender or on maturity of the contract while their tax residence is in France, enabling declaration of the products. However, the taxpayer is responsible for ensuring that the precise amount of taxation has been paid and declared to the French tax authorities.

Taxation in the event of death (Joint exemptions in the event of the death of the insured)

If the insured has died (the contract coming to an end), the designated beneficiary or beneficiaries will be subject to taxation unless the beneficiary is included in the following list of exempt persons:

- the surviving spouse or
- the partner united with the deceased under a civil solidarity pact.

Also exempt from the transfer charge are brothers or sisters of the insured person who are beneficiaries to the extent that they meet all the following conditions: (i) they are unmarried or are widowers/widows, divorced or separated on the date of the death of the insured person, (ii) they are aged more than 50 years or suffer from a disabling condition which makes it impossible for them to provide for their own needs by working, (iii) they lived continuously with the insured during the five years leading up to the death (Articles 796-0 and following of the CGI).

Premiums paid before the insured's 70th birthday (Article 990 I of the CGI)

Benefits paid out in the event of the death of the insured, corresponding to the fraction of the premiums paid before the 70th birthday of the insured, are subject to the following taxes when the beneficiary, at the time of the death of the insured, is resident for tax purposes in France under Article 4B of the CGI and was resident there for at least six years during the ten years leading up to the death of the insured or when the insured, at the time of their death, is resident for tax purposes in France under Article 4B of the CGI:

Up to EUR 152,500 per beneficiary	Exempt
Between EUR 152,500 and EUR 700,000	20%
In excess of EUR 700,000	31.25%

The aforementioned limits apply to all of the life insurance contracts concluded on the life of the same insured person and designate the same beneficiary.

Premiums paid after the 70th birthday of the insured (Article 757 B of the CGI)

The benefits paid out in the event of the death of the insured corresponding to the fraction of the premiums paid after his 70th birthday are subject to estate transfer charges according to the degree of kinship existing between the beneficiary and the insured after an allowance of EUR 30,500.

This allowance is aggregate, applies to all beneficiaries or to all contracts concluded on the life of the insured, and is distributed between the beneficiaries in proportion to the taxable share allocated to them.

The share allocated to exempt persons (see above) is not taken into account for the purposes of the distribution of the EUR 30,500 allowance between the various beneficiaries.

Social security contributions

The benefits paid in the event of death are subject to social security contributions. The amount of benefits subject to these contributions corresponds to the amount of the gain made by the date of death (the base is calculated with the deduction of products having already incurred the contribution at the time they were accounted for – Article L 136-7 of the Social Security Code).

The rate applicable to the benefits paid is 17.2%.

The beneficiary is responsible for declaring this (Form No. 2778 entitled "fixed withholding tax rate on fixed-income investments and similar with a European source") and to make the payment of the social security contributions to their local tax office. Only the section of the declaration (Form 2778) concerning the social security contributions has to be filled in. The date limit for declarations is:

- either the 15th day of the month immediately following the beneficiary being informed that he was beneficiary of the contract;
- or, once the benefits have been paid to the beneficiary after the death of the insured.

On request we will provide you with a statement showing the amount of benefits paid after the death of the insured which is subject to social security contributions.

Tax on real estate assets (Impôt sur la Fortune Immobilière (IFI))

If you are liable to pay tax on real estate assets and are a French tax resident on 1 January of the year of taxation, the surrender value of the contract on 1 January of the year of taxation must be stated in your IFI declaration in the amount of the fraction of its value representing units constituted by real estate assets located in France and outside of France covered by IFI and mentioned in Article 965 of the CGI, assessed subject to the conditions provided for in the aforementioned Article 965 and Article 972 bis of the CGI. The information necessary for the declaration is communicated by the Company at the request of the policyholder.

Irish tax authorities/Irish tax regime

You might be asked, due to our reporting requirements, to complete the Declaration of Residence outside the Republic of Ireland (Form EO0194O) to ensure that none of the amounts paid to you will be subject to Irish tax. Your independent financial adviser will provide you with this declaration form where necessary, or you can obtain it directly from us.

As Hansard Europe dac is a life insurance company based in the Republic of Ireland, the gains and income from underlying investments are not liable to tax in Ireland. However, in some territories investment income may be the subject of non-recoverable withholding taxes.

If you relocate to Ireland while your life insurance policy is still in force, you will be subject to Irish tax rules applicable to people who are resident in Ireland for tax purposes.

Important notes

As a life insurance company, Hansard Europe dac is unable to offer any tax advice either as regards tax charges or as regards the alignment of its life insurance contracts with policyholders' needs. Its unit-linked contracts can only be taken out through an independent financial adviser, it being understood that the latter acts exclusively on behalf of the policyholder.

Although Hansard Europe dac has made every reasonable effort to ensure the correctness of the general description of French tax treatment on the date of its publication, no insurance or guarantee is provided (either explicitly or implicitly) regarding the reliability, the correctness or the completeness of the general tax information provided here. Tax treatment may depend on the individual circumstances of the person concerned. We cannot assume any responsibility regarding any change occurring to the law, practices or tax legislation of any country. We urge policyholders to seek advice from an independent specialist regarding tax matters affecting their own tax situation.

This leaflet must be read in parallel to the documentation relating to the product published by Hansard Europe dac and in particular the general terms and conditions of the contract. This document cannot constitute an offer for a Hansard Europe dac product in any State.

Hansard Europe dac
Ground Floor, 6 Exchange Place, IFSC, Dublin 1, Republic of Ireland, D01 T9C2
Telephone: +353 1 211 2800 Website: hansard.com
Registered Number: 219727 Registered Office: IFSC, 25/28 North Wall Quay, Dublin 1, Republic of Ireland, D01 H104
Hansard Europe dac is regulated by the Central Bank of Ireland (www.centralbank.ie)