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WEALTH SOLUTIONS

NAVIGATOR

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Editorial comment

Aidan Golden
Head of Group Technical Services

Welcome to the third edition of Navigator, your trusted source for international industry insights and updates on insurance-based wealth solutions.

In this edition, our Technical Spotlight section focuses on gifting. In an ever-changing tax and regulatory environment, clients need to plan robustly for the effective and tax-efficient transfer of wealth to preserve their family legacy across generations.

An insurance solution can be a valuable tool in ensuring assets are passed on efficiently whilst maintaining control over access. However, complex and evolving tax and regulatory regimes can make this area of planning as challenging and time-consuming as it is rewarding.

To help you steer your clients through the more complex areas of planning, our technical experts provide **comprehensive insights on gifting in our key markets**, and the role life insurance can play in effective wealth transfer strategies.

In the Case Study Insights section, we bring these planning opportunities to life, illustrating how an insurance solution can contribute to effective wealth transfer strategies.

Elsewhere, we keep you up to date with key fiscal changes in France, explore the impact of Inheritance and gift tax reductions announced in Spain and outline the evolving situation in Norway regarding tax rules for corporate policyholders.

As we explore the intricacies of gifting and wealth transfer in this edition, we aim to equip you with the knowledge and tools needed to approach these areas with confidence.

As always, our team is here to support you in delivering the best possible outcomes for your clients.

Aidan Golden
Head of Group Technical Services

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Regulation, Tax and Compliance

Laura Blomqvist
Senior Wealth Planner

Norway's Tax Rules for Corporate Policyholders Under Review

On 30 January 2025, the Norwegian Ministry of Finance (MoF) proposed changes to the tax rules applicable to unit-linked life insurance policies. Under the proposal, the tax exemption method would no longer apply to companies' investments through unit-linked life insurance policies. Following strong push back to the proposal from several stakeholders, the MoF issued a letter on 24 March 2025, acknowledging a need to revise the proposal.

Since the last tax reform in 2019, Norwegian policyholders with policies that have a low insurance element (below 50%) have been taxed on accrued gains within the policy at the time of a withdrawal or surrender, based on the equity-to-bond ratio within the policy.

Current Taxation Rules

Norway follows an 80/20 rule, whereby the equity-to-bond ratio is tracked throughout the life of the policy:

- If equity investments exceed 80% of the total investments, all net income is regarded as equity income;
- If the equity investments are below 20%, all net income is treated as bond income;
- If the equity portion is between 20% and 80%, net income is proportionally divided between equity and bond income.

Proposed Changes

The MoF's proposal, set to take effect on 1 January 2026, would make all distributions and gains taxable, including those related to the equity portion that currently benefit from tax exemption. The MoF further proposes that these changes apply retroactively, covering all accrued unrealised gains as of 30 January 2025. The proposal is currently under consultation until 30 April 2025.

Implications for Corporate Policyholders

If implemented in its current form, corporate policyholders would lose the tax exemption but would still benefit from tax deferral until a payment out from the policy. Additionally, Norwegian policies would continue to offer other advantages, such as flexible asset management, simplified administration, and easy reporting. No changes to the taxation of policies held by individuals are foreseen.

Stakeholder Feedback and MoF Response

Several stakeholders, including Finans Norge, have already submitted feedback to the proposal, highlighting that unit-linked policies are also used by corporate investors and that the proposed changes may be too broad. In light of this, they have questioned whether the removal of the exemption is appropriate in its current form.

In a response letter to Finans Norge dated 24 March 2025, the MoF clarified that the proposal was developed on the assumption that unit-linked policies are designed primarily for individual investors. It also noted that, under current rules, certain non-equity investments within these policies could benefit from the exemption method – a treatment not available if companies had invested directly.

The MoF has confirmed it will reassess the proposal in light of the feedback received. While no revised draft or updated timeline has been provided, this response indicates a more considered and consultative approach going forward.

More Details

For more details on the proposal by the Ministry of Finance (in Norwegian), please visit here.

For the letter of the Ministry of Finance (in Norwegian), please visit here.

Jari Vill
Tax and Legal Counsel – Scandinavia

Finnish Government's "Room for Growth Working Group" Publishes Report

In autumn 2024, Finnish Prime Minister Petteri Orpo appointed the Room for Growth project to identify strategies for promoting sustainable economic growth in Finland. The project's expert working group, led by Risto Murto, CEO of Varma Mutual Pension Insurance Company, submitted its final report to the Prime Minister on 28 February 2025.

The report presents 41 proposals across various domains, including:

- People, Competence and Skills
- Operating Conditions for Growth Companies
- Energy Market and Clean Green Transition
- Defence Industry

There are several proposals in relation to taxation, including proposals to reform the inheritance and gift tax regime to reduce their impact on the transfer of family businesses on death.

At this stage, there is no proposal for a legislative change. The Government will discuss these proposals further in its mid-term policy review at the end of April.

For the latest press release from the Finnish Government Communications Department (in English), see here.

For the final report of the Room for Growth project (in Finnish only), see here.

Technical Spotlight

Global Insights on Tax-Efficient Gifting

Nicolaas Vancrombrugge
Senior Wealth Planner Belgium and Luxembourg

Inheritance and Gift Planning for Belgian and Luxembourg Residents

For wealthy Belgian residents, inheritance planning is very complex but extremely important. Belgium is a country of two extremes when it comes to inheritance and gift tax.

On one hand, inheritance tax rates are very high. In certain cases, this tax between non-affiliated persons can amount to 80% of the value of the inheritance. Even in the direct line, high rates apply, which for relatively small inherited amounts already range from 27% to 30%, depending on the Belgian Region where the testator resides. The same issue exists in Luxembourg, especially if the resident has no spouse (or legal partner) or heirs in the direct line.

On the other hand, both countries have flexible legislation regarding gifts. Gifts of bankable assets must generally be done by a registered notary deed, which implies that, regardless of the amount of the gift, flat gift taxes will have to be paid. In Belgium, these taxes range from 3% (in the Flemish and Brussels Region) or 3.3% (in the Walloon Region) in the direct line, to 7% (in the Flemish and Brussels Region) or 7.7% (in the Walloon Region) in the non-direct line. In Luxembourg, the rates range from 1.8% to 14.4%, depending on the degree of kinship between the giver and the donee.

Indirect Gifts

A second option for gifting bankable assets is to make an indirect gift, typically done by a bank transfer accompanied by a private donation document, which does not need to be registered. This indirect gift may thus be subject to 0% gift taxes, provided the donor survives the gift for at least 5 years in Belgium and 1 year in Luxembourg.

Insurance Gifts

When assets are already invested in an insurance contract, a third option is to organise an insurance gift by assigning the rights of the insurance contract, which must be formalised in an addendum to the contract.

Conditions Attached to Donations

Belgian and Luxembourg civil law allows donors to attach conditions to the donation, enabling them to exercise a certain degree of control over the donated assets. A key question is how the donor can ensure the donee adheres to these conditions. In this context, the insurance contract can play a crucial role, especially through its beneficiary clause, which can be made irrevocable. This is known as the 'accepting' beneficiary clause in Belgian and Luxembourg law. Once the beneficiary accepts this clause, the policyholder cannot exercise their rights without the beneficiary's agreement.

Adviser's Role

As an adviser working with Belgian or Luxembourg resident clients, it is essential to prioritise inheritance planning when discussing the structure of the clients' investment assets. Customised planning solutions are available, and insurance contracts can play a vital role in this process.

Given the complexity of this matter, it is highly recommended to consult a Belgian or Luxembourg tax/legal specialist who can summarise the various options available in light of your client's specific needs.

Case Study Insights

Read the case study '**Efficient Inheritance Planning and Wealth Management for a Belgian Family**' to learn how the irrevocable beneficiary clause can be used in an insurance contract to maintain control over donated assets. This case study also examines the inheritance planning and wealth management strategy for the couple and their family.

Visit the Case Study Insights section below

You can download a comprehensive version of this article here

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Strategic Gifting for French Expatriates: Maximising Tax Efficiency Before Returning to France

Benjamin Fiorino
Wealth Planner / Tax and Legal Counsel, France and Monaco

Krystel Gillard
Wealth Planner / Tax and Legal Counsel – Francophone market

For internationally mobile UHNW families, wealth transfer planning is essential to minimise tax liabilities. The French tax system imposes different rules depending on the taxpayer's residency status, making the timing of a gift a critical element in optimising tax efficiency.

Understanding French Gift Tax Rules

To determine the applicable taxation for a gift in an international context, there is no difference as to whether the gift deed is executed in France or not.

France has few conventions on gift taxes with other countries (e.g., Germany, Austria, United States, Guinea, Italy, New Caledonia, Saint Pierre and Miquelon, Sweden). If a tax convention exists, the rules outlined in the convention will apply to determine in which country gift taxes may be due.

In the absence of a tax convention, French domestic law sets out the following principles:

Tax Residence under Article 4 B of the French Tax Code (CGI)	Donor or Deceased at the time of the death: France	Donor or Deceased at the time of the death: Abroad
Heir, Legatee, or Donee on the date of the transfer: France	**Worldwide assets taxable in France (CGI Art. 750 ter, 1°)** All French or foreign assets of the donor or deceased are subject to transfer duties in France. Any taxes paid abroad may be credited against French taxes on foreign assets.	**Worldwide assets received taxable in France (CGI Art. 750 ter, 3°)** All French or foreign assets received by the heir, donee, or legatee who has been domiciled in France for at least six years within the last ten years are subject to transfer duties in France. Any taxes paid abroad may be credited against French taxes on foreign assets.
Heir, Legatee, or Donee: on the date of the transfer: Abroad Or Heir, Legatee, or Donee: domiciled in France at the time of the transfer but less than 6 years within the last 10 years before the time of the transfer	**Worldwide assets taxable in France (CGI Art. 750 ter, 1°)** All French or foreign assets of the donor or deceased are subject to transfer duties in France. Any taxes paid abroad may be credited against French taxes on foreign assets.	**French assets taxable in France (CGI Art. 750 ter, 2°)** Only French assets are taxable in France.

To avoid the risk of double taxation in France and another state in the absence of a tax treaty, French domestic law provides for a foreign tax credit. The gift taxes paid abroad are then credited against the gift taxes due in France for movable and immovable property located outside of France.

Case Study Insights

To understand how this solution works, read the case study titled **'A French Expatriate Family in Dubai'** in the Case Study Insights section below. This study highlights two potential solutions: (1) gifting while residing in Dubai and (2) gifting after repatriation. It also demonstrates the substantial tax savings and benefits of using life insurance policies for wealth transfer.

Visit the Case Study Insights section below

Precautions and Compliance Measures

- **Declaration Requirement:** The gift must be declared to French tax authorities before returning. For manual gifts made abroad, the chargeable event for taxation occurs when the gift is revealed. Thus, in the case of a manual donation made abroad which is subsequently revealed by the beneficiary, who has become a resident of France, the manual donation falls within the scope of French tax under the provisions of paragraph 3 of Article 750(3) of the French Tax Code. This applies regardless of the date on which the property or sum subject to the manual donation is transferred to the beneficiary (Réponse ministérielle Richard 07/11/2024).

- **Risk of Succession Reassessment:** Undeclared manual gifts could later be subject to French inheritance tax upon the donor's death.
- **Reinvestment into Life Insurance:** The children can use the gifted assets to subscribe to a life insurance policy, securing long-term tax benefits in France just before repatriation. Under French law, minors are authorised to take out life insurance policies (under the legal administration of their parents).

Conclusion

Strategic gifting prior to repatriation to France offers significant tax advantages, enabling expatriates to mitigate potential future liabilities. However, strict adherence to French tax regulations is crucial to avoid unintended tax consequences.

Advisers must guide clients through the intricacies of optimal wealth transfer strategies, ensuring compliance with reporting obligations while also helping to structure life insurance policies as effective vehicles for these donations.

This approach not only maximises tax efficiency but also provides long-term benefits by deferring tax once the family returns to France.

Glenn McIlroy
Technical Manager

New UK IHT Rules: A Seismic Shift in How UK Expats Pass on Their Wealth

UK expatriates have always had to consider UK inheritance tax (IHT) in their succession and gifting strategies. However, as of 6 April 2025, UK IHT liability is now based on residency rather than domicile, offering new opportunities for expatriates to rethink and enhance their planning.

Old Rules vs. New Rules

Historically, your domicile, not your residency, determined your exposure to UK IHT. For many UK expatriates, this meant that even after living abroad for many years, their UK domicile status continued to tie their worldwide assets to UK IHT. With the new rules, UK IHT liability is determined by whether or not you are considered a UK Long Term Resident (LTR).

Gaining and Losing Long Term Resident (LTR) Status

To be considered LTR, an individual must have been UK resident for 10 out of the last 20 years. Therefore, someone who has left, or is leaving, the UK can be considered non-UK LTR when they have lived outside the UK for over 10 years. It could be as little as 3 years if they were UK resident for between 10 and 13 years, increasing by a year for every additional year they lived in the UK up to 20 years.

This means there is a large population of UK-domiciled individuals living long-term outside the UK who, from 6 April 2025, will require a different approach to how they structure their wealth and onward gifting and succession plans.

Key Areas for Expats to Address in Their Planning

Reviewing UK Assets

Even if an individual is non-UK LTR, UK-situs assets will still be subject to UK IHT. This means that reviewing existing UK assets is more important than ever. Could they be restructured to minimise IHT exposure, or is it time to move assets out of the UK? A simple option is to transfer these assets in-specie to an insurance-based wealth solution from an international provider.

Retirement Planning

Starting in April 2027, UK pensions will be subject to IHT, eliminating the IHT protection they previously enjoyed. A UK pension will be treated like any other UK asset for IHT. This presents an opportunity to revisit retirement plans. It may be beneficial to access UK pensions earlier than originally planned. For example, a non-LTR living in a tax-friendly jurisdiction with the right Double Tax Treaty with the UK (e.g., the UAE) could access their pension in full and utilise an insurance solution from an international provider to keep it out of the IHT net.

Simplifying Succession Planning

With UK IHT considerations potentially less of a concern, succession planning could be much simpler. For clients with straightforward needs, it may now be more cost-effective to use tools like life assurance bonds to nominate beneficiaries and pass on wealth without the added complexity of factoring exposure to UK IHT into their plans.

Addressing Complex Succession Planning Needs

For clients with more complex succession planning requirements, the break between domicile and IHT can provide greater flexibility. Discretionary trusts become an attractive option, allowing clients to settle capital in trust without the previous barrier caused by treating such transfers as Chargeable Lifetime Transfers.

Planning to Become Non-LTR

For those who have left the UK but haven't yet reached the 10-year residency mark, a term assurance policy written in trust could be an effective solution. This would provide a tax-free lump sum that could be used to cover any potential UK IHT liability that may arise as a result of the individual's death during the 10-year "tax tail."

Key Actions for Advisers

By addressing key areas such as asset review, retirement planning, and succession options, advisers can develop more tailored, tax-efficient plans that align with the needs and aspirations of their expat clients.

Lana Jarvis
Senior Wealth Planner

Maximising UK IHT Efficiency with an Insurance-Based Wealth Solution

Estate and tax planning involves balancing the timely and efficient transfer of wealth with maintaining control over how, and when, that wealth is accessed.

For those concerned about granting premature access to funds, or poor financial management by the recipient, an insurance-based wealth solution from an international provider with built-in restrictions offers a robust solution. Such policies can be effective for lifetime UK IHT planning and skipping a generation of tax between grandparents and grandchildren.

Utmost Wealth Solutions can offer these policies through its Luxembourg carrier (Lombard International Assurance SA, now part of Utmost Group), for policy premiums exceeding £1 million.

Insurance Solution with Restrictions

The restrictions made under this type of wealth solution fall under two parts:

1. **Suppression of Surrender Rights:** Suppression of the surrender rights for a set period, ensuring the policyholder or future holder cannot simply cash it in and collapse the planning.
2. **Limitations on Withdrawal:** Limiting withdrawals to a defined percentage or amount each year, typically within the 5% annual allowance, preventing a taxable event arising.

These restrictions are set at inception and survive any subsequent assignment of the policy to an individual or trust, making it ideal for gifting wealth without handing over unrestricted access.

Potentially Exempt Transfers

If a person subject to UK inheritance tax (IHT) gifts or transfers the policy to another individual or a bare trust, it is considered a Potentially Exempt Transfer, provided it is done outright and without consideration. This means that, if the transferor survives for 7 years after making the gift, the policy will be completely excluded from their estate for UK IHT purposes. Should the policyholder pass away within the 7-year period, taper relief may apply, which can significantly reduce the inheritance tax liability.

Using a bare trust results in no ongoing inheritance tax charges, such as exit or periodic charges that apply to a discretionary trust.

Key Benefits

The key benefits are:

1. **Control Over Access:** No changes to the restrictions can be made once the policy is issued.
2. **UK IHT Efficiency:** Surviving 7 years brings it wholly outside of UK IHT.
3. **Flexibility:** Setting limits with access.

Flexibility for Different Needs

The flexibility to meet different concerns and needs of families, individual access requirements, and separate planning through multiple policies makes this a valuable tool in estate planning for advisers and their clients.

Case Study Insights

To learn how a client used an insurance solution with built-in restrictions to efficiently manage UK inheritance tax planning and ensure wealth is passed on to future generations while maintaining control over access, read '**Effective UK Inheritance Tax Planning**' in the Case Study Insights section below

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Peter Tung
Tax and Legal Counsel – Asia

Transforming Estate Planning for China's HNW Families with Life Insurance

For high-net-worth (HNW) families in China, preserving wealth across generations requires precision, foresight and tools that transcend borders. With no gift or inheritance tax but stringent marital property rules and evolving global regulations, life insurance—paired with cross-border strategies—becomes essential for efficient, dispute-free wealth transfer.

Here's how you can harness its power to protect your client's legacy.

1. Life Insurance: The Core of Tax-Efficient Wealth Transfer

China's Insurance Law grants life insurance unparalleled advantages:

- **Tax-Exempt Proceeds:** Death benefits paid to designated beneficiaries are free from income tax and bypass probate entirely, ensuring heirs receive liquidity immediately.
- **Privacy:** Unlike wills, which become public during probate, insurance payouts remain confidential—critical for families valuing discretion.
- **Creditor Protection:** Proceeds shielded from your client's creditors (if structured properly).

Why It Matters for Your Clients: Utmost's solutions enable seamless transfer of complex portfolios, ensuring your client's wealth reaches heirs intact.

2. Singapore's Irrevocable Nominations

For globally mobile families, Singapore life insurance policies add an ironclad layer of protection:

- **Irrevocable Beneficiaries:** Once nominated, changes require beneficiary consent—ideal for locking in heirs, shielding against divorces, or estranged relatives.
- **Jurisdictional Strength:** Singapore's robust legal framework enforces beneficiary rights, even against cross-border challenges.

Key Caveat: PRC courts may still scrutinise policies funded with marital assets. Mitigate risks by:

- Using pre-marital funds or overseas assets to pay premiums.
- Securing a spousal waiver (notarised where possible).

3. Navigating China's Marital and Succession Laws

- **50% Marital Rule**: Spouses automatically own half of assets acquired during marriage. Life insurance funded with separate property (e.g., pre-marital overseas accounts) circumvents this.
- **Dependents' "Necessary Portion":** Courts may allocate a share of the estate to vulnerable dependents—but insurance proceeds with clear beneficiaries remain untouched.

Pro Tip: Pair life insurance with a will that addresses dependents' needs using other assets (e.g., real estate), insulating insurance from claims.

4. Overseas Trusts: The Ultimate Hybrid Strategy

While China's domestic trust industry evolves, overseas trusts remain the gold standard for HNW families:

- **Asset Protection:** Trusts in jurisdictions like Singapore or Hong Kong shield wealth from PRC marital claims, creditors, and political risks.
- **Staggered Distributions:** Ensure heirs receive funds at milestones (e.g., age 30, marriage), preventing reckless spending.
- **Currency Diversification:** Hold policies in USD/SGD to hedge against RMB volatility.

Example: A Chinese entrepreneur funds a Singapore life insurance policy through a BVI-held trust, ensuring proceeds pass tax-free to children while bypassing PRC succession laws.

5. The Utmost Advantage: Tailored Solutions for Your Client's Legacy

At Utmost, we specialise in turning complexity into clarity for families like your clients:

- **Customised Structuring:** Align international life policies, trusts, and funding

sources with PRC compliance.

- **Documentation Precision:** Ensure premium payments, spousal waivers, and beneficiary designations withstand legal scrutiny.
- **Multi-Generational Planning:** Integrate life insurance with family governance frameworks for lasting control over your client's legacy.

Secure Your Client's Future Today

Don't leave your client's legacy to chance. Utmost's wealth professionals can:

- Audit your client's existing **estate plan** for PRC compliance and international opportunities.
- Design a **bespoke strategy** that combines life insurance, trusts, and jurisdictional safeguards.
- Lock in **irrevocable protections** to ensure your client's wealth transitions seamlessly across generations.

Contact your Utmost Wealth Solutions sales representative for expert support.

Brendan Harper
Head of Asia and HNW Technical Services

Singapore Beneficiary Nominations: Simplifying Legacy Planning

For those seeking optimal control and protection of their wealth while ensuring legacies are left to chosen heirs in a legally robust manner, structuring through an insurance-based wealth solution, such as Private Placement Life Insurance (PPLI), is an ideal planning tool.

Structuring a legacy through an insurance solution can differ significantly depending on whether the governing law of the policy is based on English common law or civil law. However, the Beneficiary Nomination framework in Singapore law provides a perfect combination of both systems, making it a unique jurisdiction for family wealth planning.

The Framework

Introduced in 2009, the Nomination framework is enshrined in Part 3C of the Singapore Insurance Act and applies to any insurance policy issued by a Singapore authorised insurer subject to Singapore law. A valid nomination creates a separate estate that passes directly to beneficiaries without the need for probate or to apply the laws of succession or intestacy. This provides policyholders with legal certainty and contains provisions to effectively deal with conflicting claims between correctly appointed beneficiaries and the deceased's estate, regardless of the domicile of the policyholder.

There are two ways in which insurance nominations can be constructed in Singapore: revocable or irrevocable.

1. Revocable Nomination

A revocable nomination offers flexibility, allowing a policyholder to nominate any individual (whether related or not) or entity as a beneficiary.

The policyholder retains all rights to the policy during their lifetime, including the ability to take withdrawals or surrender the policy for their own benefit, add or remove nominated beneficiaries, or revoke the nomination without a replacement. The beneficiary has no right to the policy benefits until the death benefits are payable, leaving the policyholder in control of their wealth while ensuring a legacy will pass outside of their estate without complication upon their death.

Nominating an entity, such as a family trust, is particularly attractive for further planning. For example, a family trust could be nominated to receive the death benefits, ensuring controlled distribution without the complications of assigning the policy to the trust during the policyholder's lifetime.

2. Irrevocable Nomination

Also known as "Trust" nominations, irrevocable nominations are rooted in a long-standing feature of Singapore law, originally protected under s73 of the Conveyancing and Law of Property Act, which has its roots in the English Married Women's Property Act 1882.

Irrevocable nominations can only be made in favour of the policyholder's spouse and/or children.

However, a major benefit of such a nomination is that the policy remains outside of the policyholder's estate, not only for succession purposes but also "for the purposes of his or her debts". This includes protection against bankruptcy unless it is proven that the nomination was made with the deliberate attempt to defraud creditors. In such cases, creditors are entitled to claim an amount equal to the premiums paid to the policy.

This planning mechanism is useful for individuals who wish to shelter family legacies from unforeseen misfortune, such as entrepreneurs heavily invested in risky ventures. It can also provide a protected legacy to children unaffected by divorce.

A Trustee must be appointed to oversee the nomination. This can be the policyholder, either acting alone or another individual or entity. Unlike a revocable nomination, the beneficiary is entitled to both the death benefits and the living benefits, such as surrender or withdrawal proceeds.

The policyholder cannot make withdrawals from, surrender the policy, or revoke or amend the nomination without the consent of any beneficiary aged 18 or over, or their legal guardian (not being the policyholder) if they are minors. However, if another Trustee is appointed, these requests only require the Trustee's consent, not the beneficiaries' consent.

Flexibility Features

Despite appearing inflexible, irrevocable nominations offer interesting features:

- Beneficiaries have no right to claim the policy except when money is withdrawn or death benefits are paid, providing safeguards for controlled distribution during the policyholder's lifetime.
- If the policyholder appoints a Trustee other than themselves, they only need the Trustee's consent to revoke or amend a nomination.
- The policyholder can remove and appoint new Trustees at any time.

These features provide an important element of flexibility should personal or family circumstances change in the future.

Case Study Insights

To learn how Singapore beneficiary nominations can protect family wealth and adapt to changing circumstances, read the case study '**Singapore Beneficiary Nominations and Insurance-Based Wealth Solutions'** in the Case Study Insights section below

Country Focus

Nerea Llona
Tax and Legal Counsel – Spain and LatAm

Madrid's Regional Prime Minister Announces Further Inheritance and Gift Tax Reductions

In February, the president of Madrid, Isabel Díaz Ayuso, announced a new Inheritance and Gift Tax reform, which is estimated to benefit approximately 14,000 people in the region, fulfilling her electoral commitment of 2023.

Increased IHGT Relief for Group III Beneficiaries

Among the highlights of the proposal, the IHGT relief will increase from 25% to 50% for Group III beneficiaries, i.e., for inheritances and gifts between siblings, as well as between uncles/aunts and nieces/nephews by consanguinity. This greatly facilitates the transfer of wealth for those who do not have a partner or descendants, something that can be perfectly instrumented through a unit-linked life insurance policy, either on a whole of life or mixed term option, depending on the individual circumstances of each case.

Existing Tax Relief for Group I and II Beneficiaries

This measure, which is unprecedented in Spain, will be added to the existing 99% tax relief for Group I and II beneficiaries (e.g., spouses, civil partners, ascendants and descendants). Once again, this will place Madrid at the top of the Autonomous Communities with the lowest taxes in Spain, offering clear advantages for estate and inheritance planning, especially for wealthy families.

Simplified Procedures for Small Gifts

Furthermore, this proposal includes a 100% exemption for gifts between individuals of less than €1,000 without the need for self-assessment. Additionally, for those gifts under €10,000, there would be no need to formalise them in a public deed for the application of Madrid's IHGT reliefs, clearly simplifying the procedures for the most frequent situations.

Legislative Process and Political Context

Although this announcement only marks the beginning of this initiative's legislative process, as Ms. Díaz Ayuso currently has an absolute majority in the Assembly of the Community of Madrid, it is expected that it will go ahead in the coming months without obstacles.

Madrid's Commitment to Tax Competitiveness

Despite accusations of 'tax dumping' from the Spanish central government against Madrid and constant rumours about possible IHGT harmonisation in Spain, this announcement makes clear the president's commitment to the tax-cutting policies that have been in place for more than 20 years in Madrid. Criticism aside, the truth is that Madrid has managed to position itself as a leader in tax competitiveness in Spain and is currently the region with the highest GDP in the country.

Invitation to Review Succession Planning

This initiative is a clear invitation to review the succession planning of the people of Madrid, especially those who do not have a spouse or children.

Conclusion

In short, the new measures announced for Madrid make this the perfect timing to review families' estate and succession planning, and to consider how to take advantage of them when they are finally implemented.

All of this, together with the specific advantages that an insurance-based wealth solution can offer from a wealth transmission and succession point of view, constitutes the ideal scenario for clients who want to leave their estate planning organised and in a controlled manner for the next generations with sufficient peace of mind.

Case Study Insights

To understand how a controlled succession planning can be achieved with an insurance-based wealth solution in Spain, please read the case study '**Gifting with Control in Spain**' in the Case Study Insights section below

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Krystel Gillard
Country Manager, Wealth Planner/Tax and Legal Counsel – Francophone Market

2025 French Budget Act: Impacts on Wealth Management and Life Insurance

The 2025 French Budget Act brings significant tax changes for high earners, real estate investors, and wealth transfer strategies. New minimum taxes on high incomes, stricter capital gains taxation on non-professional rental properties, and revised tax treatment for management packages are reshaping financial planning in France.

Amid rising taxation, life insurance remains a key tool for tax efficiency, investment flexibility, and estate planning. Krystel Gillard explores how these new regulations impact wealth structuring in France.

A Changing Fiscal Framework: Opportunities for Life Insurance

The 2025 Budget Act introduces several fiscal adjustments that could reshape wealth management strategies. While life insurance maintains its favourable tax treatment, new fiscal constraints on high incomes and real estate investments may shift asset allocation.

Higher Taxation on High Incomes and Real Estate

CDHR: Minimum Taxation for High Incomes

The new Differential Contribution on High Incomes (CDHR) imposes a minimum tax rate of 20% on individuals earning over €250,000 and couples over €500,000. This is in addition to standard income tax and the Exceptional Contribution on High Incomes (CEHR). A 95% advance payment is required in December 2025, with final adjustments in 2026.

Increased Taxation on LMNP Real Estate

Capital gains taxation for non-professional furnished rentals (LMNP) is tightening. Effective February 15, 2025, previously deducted depreciation must now be reintegrated into the taxable base upon sale, significantly increasing tax liabilities.

Other Fiscal Adjustments

Temporary Tax-Exempt Donations for New Home Purchases

Until 31 December 2026, family donations of up to €100,000 per donor (max €300,000 per beneficiary) for purchasing or constructing a primary residence will be exempt from transfer duties. The property must be held for at least five years. However, this measure lacks the long-term flexibility of life insurance, which allows structured wealth transfer with optimised taxation and liquidity.

Higher Transfer Taxes

French departments may raise real estate transfer duties by 0.5 percentage points from 1 March 2025 to 29 February 2028. This further diminishes the tax appeal of property investments compared to financial instruments like life insurance.

Stricter Taxation of Management Packages

Gains from management packages will now be taxed as capital gains up to three times the company's financial performance. Any excess will be reclassified as salary income and taxed up to 45%. While gains taxed as capital gains are exempt from social security contributions, those classified as salary income will incur a 10% sui generis contribution.

Clarified Tax Residence Rules for Non-Residents

A taxpayer classified as non-resident under an international tax treaty cannot be considered a French tax resident under domestic law. Additionally, non-residents can now reclaim excess withholding tax on securities capital gains, aligning with EU law.

Adjusted Income Tax Scale

The progressive income tax scale is indexed by 1.8%, ensuring that inflation does not lead to automatic tax increases. While this measure does not directly impact life insurance, it helps limit the mechanical rise in taxation for some taxpayers.

Taxable income	Rate (%)
Between €11,498 to €29,315	11
Between €29,316 and €83,823	30
Between €83,824 and €180,294	41
Over €180,294	45

Life Insurance: A Strategic Tool in a Changing Fiscal Landscape

The 2025 French Budget Act brings significant changes to wealth management, with higher taxes on high incomes, real estate and management packages. These new measures make life insurance an increasingly attractive tool for tax efficiency, asset diversification and wealth transfer strategies.

For an in-depth analysis of these changes and their impact on wealth structuring, read the detailed briefing below.

Download detailed briefing – English | Download detailed briefing – French

For further insights on these regulatory changes and their implications for wealth planning, please contact your Utmost Wealth Solutions sales representative.

Nicolas Morhun
Senior Wealth Planner

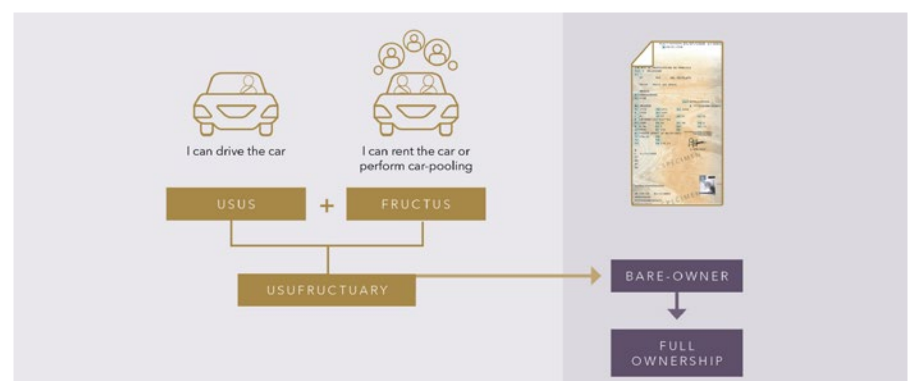
French Tax Code: Impacts of Article 774 bis on Life Insurance and Capitalisation Contracts

Repartition of rights [1] is a traditional tool for wealth structuring in France. Following the introduction of article 774 bis of the French Tax Code, the clarifications provided by the French tax administration highlight and reinforce the advantages of insurance solutions when dealing with repartition of rights.

Concept of Repartition of Rights

The concept of repartition of rights in French law is based on the distinction between different uses of an asset. When you can use an asset and receive the income it generates, you benefit from the "usufruct" and are the "usufructuary"[2] of this asset. However, you do not own the asset, which belongs to the "bare owner."[3]

For example, the usufructuary of a car can drive the car, receive rental fees, or earn income from carpooling. However, the car's value belongs to the bare owner.



When this concept is applied to fungible assets, such as money or life insurance death proceeds, a "quasi-usufruct" is created. This means the usufructuary can fully enjoy the assets but must refund the bare owner with identical assets. For money, the usufructuary can use it during their lifetime but is obliged to refund the bare owner upon their death. Legally, this obligation to refund constitutes a debt. Previously, this debt was fully deductible from the usufructuary's estate.

Positive Tax Impact of Repartition of Rights

When gifting the bare ownership of an asset, the taxable basis for gift tax is limited to the value of the bare ownership.

Even if the repartition of rights is not set up for tax purposes, it results in the bare owner recovering full property of the assets at the usufructuary's death without additional gift or inheritance tax. The value of the usufruct is exempt from these taxes.

If the asset subject to repartition of rights is sold, the parties have several options:

1. Split the sale price between the usufructuary and the bare owner – in practice each owner will recover a right in full ownership.
2. Keep the repartition of rights over the sale price and reinvest it in an asset held with repartition of rights.
3. Create a debt from the usufructuary to the bare owner.

While this debt was fully deductible in the past, Article 774 bis introduces some distinctions.

Provisions of Article 774 bis of the French Tax Code

The deductibility of the debt depends on how the repartition of rights was created. There are three cases:

1. Debt from the gift of bare ownership by the usufructuary of money is no longer deductible, without any exception.
2. Debt from the sale of an asset where bare ownership was initially gifted by the usufructuary is deductible only if it can be demonstrated that the debt was not created mainly for tax purposes. Evidence should show that there was a significant delay between the creation of the repartition of rights and the sale of the assets, proving that the gift of bare ownership was not primarily for tax purposes.
3. Debt from repartition of rights resulting from an inheritance option or matrimonial arrangement is fully deductible.

Positive Outcomes of the Tax Administration Doctrine[4] for Life Insurance and Capitalisation Contracts

It is common to create a repartition of rights to life insurance death proceeds using a beneficiary designation. The French tax administration clarified that the creation of a quasi-usufruct debt via a beneficiary designation is excluded from the scope of Article 774 bis.

> "The provisions of article 774 bis of the CGI concern restitution debts relating to a sum of money of which the deceased had reserved the usufruct. Consequently, these provisions do not apply to restitution debts relating to a sum of money of which the deceased held the usufruct when created (…) by the policyholder of a life insurance policy as the beneficiary in usufruct of the sums due on termination of the policy;"[5]

The tax administration also addressed questions related to the creation of a repartition of rights on a capitalisation contract.

The policyholder holds a debt against the insurance company, and the question was whether this debt should be treated as a sum of money and whether the quasi-usufruct created upon surrender would be deductible. The tax administration confirmed that the debt created following the surrender of the contract might be deductible if it was not done mainly for tax purposes.

Additionally, the French tax administration confirmed that reinvesting funds subject to repartition of rights into a capitalisation contract does not fall within the scope of Article 774 bis because no debt is created during this process. Instead, the repartition of rights is carried forward on the capitalisation contract.

Conclusion

To mintain the benefits of the repartition of rights when funds are invested in a capitalisation or life insurance contract, it is crucial that the agreement (convention) for the repartition of rights respects the rights and duties of both the bare owner and the usufructuary. This ensures that the specific advantages of life insurance and capitalisation contracts, as well as the mechanism of repartition of rights, are fully utilised.

Key Points to Remember:

- Capitalisation and life insurance contracts are efficient tools for reinvesting cash from the sale of assets held in repartition of rights.
- Particular attention should be given to the drafting of the agreement for the repartition of rights. Review any previously signed agreements to avoid potential risks to subscribed contracts.
- Insurance contracts can be used to create a repartition of rights. The debt resulting from the creation of a quasi-usufruct through an insurance contract is not subject to Article 774 bis and remains fully deductible.

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1. In French "démembrement de propriété"
2. In French "Usufruitier"
3. In French "Nu-propriétaire"
4. BOI-ENR-DMTG-10-40-20-20
5. BOI-ENR-DMTG-10-40-20-20 §.275

Case Study Insights

Read our case studies to learn how unit-linked life insurance can be effective for the financial needs of HNWIs and how it can overcome specific challenges faced by wealth managers.

Nicolaas Vancrombrugge
Senior Wealth Planner Belgium and Luxembourg

Efficient Inheritance Planning and Wealth Management for a Belgian Family

This case study examines the inheritance planning and wealth management strategy for a middle-aged couple in Belgium. With a €4 million investment, they aim to structure their wealth efficiently, retain control over their assets, provide for their three children, and implement a unified family investment strategy. The tailored solution and its benefits are outlined below.

The Client

Mr and Mrs Janssens are a middle-aged couple living in Belgium. They have three children, who also reside in Belgium. The couple want to invest approximately €4 million into a discretionary managed investment portfolio. They want this investment to be linked to their inheritance planning.

Client Requirements

- Structure their wealth in an efficient and compliant solution in Belgium, and potentially for other countries if a family member relocates in the future.
- Retain €1 million in their own name and gift €1 million to each of their three children.
- Maintain a certain degree of control over the assets.
- Invest their family assets into a common investment strategy after the gift.

The Solution

Subscription of Four Insurance Contracts

The Janssens subscribe to four insurance contracts, each underpinned by a 'Family Shared Dedicated Investment Fund' that encompasses the entire family's assets.

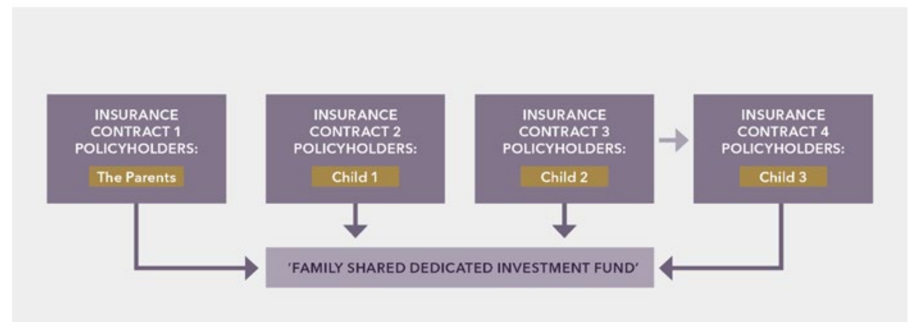
Step-by-Step Process

Step 1: Subscription and Gift

- Mr. and Mrs. Janssens subscribe to an insurance contract worth €1 million.
- They gift €1 million to each of their three children, with specific conditions attached.
- The conditions are detailed in the gift act (notary deed or private gift act), including:
  - Conventional return of assets if a child predeceases the parents.
  - (Optional) annual rent to be paid by the children to the parents.
  - Prohibition on bringing the assets into a matrimonial community.

Step 2: Insurance Contracts for Children

- Each child subscribes to an insurance contract with a premium of €1 million (subject to a 2% subscription tax if the child is a Belgian tax resident).
- The parents are named as accepting (irrevocable) beneficiaries of the children's insurance contracts.
- Policyholders need the agreement of the accepting beneficiaries (parents) to execute rights in the insurance contract.



Step 3: Creation of the Fund

- Creation of a 'Family Shared Dedicated Investment Fund' as the underlying asset of the four insurance contracts.
- Total NAV of €4 million, representing the total assets of the family.

The Benefits

- **Tax Efficiency:** The insurance contract is a compliant solution that creates a favourable tax situation from a Belgian direct tax perspective.
- **Inheritance Planning:** Allows for inheritance planning while preserving a degree of control over the given assets by the parents.
- **Common Investment Strategy:** The creation of the 'Family Shared Dedicated Investment Fund' linked to the four insurance contracts ensures that the entire family wealth is invested through a common strategy, managed by a discretionary fund manager nominated by the insurance company.

Benjamin Fiorino
Wealth Planner / Tax and Legal Counsel, France and Monaco

Krystel Gillard
Wealth Planner/Tax and Legal Counsel – Francophone Market

A French Expatriate Family in Dubai

For expatriates planning to return to France, strategic gifting can play a crucial role in minimising tax liabilities.

This case study explores the options available to a French expatriate family residing in Dubai. As they plan to return to France, the couple aims to efficiently transfer €8 million to their children while minimising tax liabilities.

The Client

A French couple, aged 52 and 49, along with their two children, aged 18 and 16, have lived in Dubai for the past 12 years. As they plan to return to France, they aim to efficiently transfer their wealth to their children. The couple has earmarked a total of €8 million to be gifted equally to their children, with each parent contributing €2 million per child.

Key Tax Consideration: While Dubai does not impose gift taxes, France applies high progressive rates to gifts, which could result in significant liabilities if the family were to gift assets after repatriation.

The Solution

To address their concerns, the couple has two options:

Option 1: Gifting While Residing in Dubai

While living in Dubai, the couple can gift their "non-French" assets to their children without incurring French gift tax. Each parent gifts €2 million to each child, totalling €4 million per child. The children can then reinvest the gifted amount into **life insurance policies**, benefiting from long-term tax efficiency.

Option 2: Gifting After Returning to France

As the family prepares to return to France, they face the challenge of transferring their wealth without incurring substantial gift taxes. In France, gift tax is calculated for each recipient based on what they receive from each donor, with a progressive rate applied after an allowance of €100,000 per parent per child.

The couple plans to gift €4 million to each child (€2 million from each parent). After applying the €100,000 allowance per parent, the taxable amount per child becomes €1.9 million from each parent. Since each child receives €2 million from each parent, the total taxable base is €3.8 million per child.

The French gift tax follows progressive rates, resulting in the following potential liability:

- **Total gift tax per parent per child:** €617,394
- **Total gift tax per child (from both parents):** €1,234,788
- **Total gift tax for both children:** €2,469,567

By waiting to return to France before making the donation, the family would owe over €2.4 million in gift taxes. This underscores the importance of strategic planning and the substantial tax savings that can be achieved by gifting while still residing in Dubai.

The Benefits

This case study illustrates the substantial tax savings of planning gifting strategies prior to repatriation. The benefits of using a life insurance solution include:

- **Tax Efficiency:** Reinvesting the gifted amount into life insurance policies provides long-term tax benefits.
- **Asset Protection:** Life insurance policies can protect the gifted assets from future liabilities.
- **Flexibility:** The arrangement can be adjusted as family circumstances change.
- **Control:** The couple maintains control over the investment decisions and access to their wealth during their lifetime.

Lana Jarvis
Senior Wealth Planner

Effective UK Inheritance Tax Planning

Important: The solution in this case study is exclusively available through policies issued by Utmost Wealth Solutions' Luxembourg carrier, Lombard International Assurance SA (now part of Utmost Group), for policy premiums exceeding £1 million.

Learn how a client used an insurance-based wealth solution with built-in restrictions to efficiently manage UK inheritance tax planning, ensuring wealth is passed on to future generations while maintaining control over access.

The Client

Mr Smith is a retired grandfather who wants to start his UK inheritance tax planning and skip a generation of inheritance taxation by passing on his wealth equally to his four grandchildren. He has £4 million to gift but is concerned about giving access to such a large sum of money too early.

The Solution

Mr Smith subscribes to four international bonds with Utmost Wealth Solutions' Luxembourg carrier, Lombard International Assurance SA (now part of Utmost Group).

To meet Mr Smith's objective of limiting access while gifting effectively, conditions are written into the contract which:

1. Limit the right to surrender for a period of time/years (the "suppression period").
2. Limit the annual withdrawals that can be taken during this time.

The suppression period and annual withdrawals can be tailored on each contract to the age and needs of each grandchild that the international bond is to benefit.

Mr Smith can subsequently gift the international bonds to individuals if over the age of 18, or to a bare trust for minor grandchildren.

The Benefits

This gift is treated as a potentially exempt transfer for UK inheritance tax purposes, and Mr Smith has control over the age at which the grandchild has access to the capital. The international bond grows free of income and capital gains taxation (save for any non-reclaimable withholding taxes). In addition, the gift of the international bond into trust or to an individual is not a chargeable event for UK income tax purposes.

This solution is ideal for those who have surplus wealth to make outright gifts for inheritance tax planning, without the recipient receiving access at a young age.

Brendan Harper
Head of Asia and HNW Technical Services

Singapore Beneficiary Nominations and Insurance-Based Wealth Solutions

Explore how a senior executive effectively manages his wealth and ensures seamless transfer to his heirs using Singapore beneficiary nominations and an insurance solution.

This case study highlights the flexibility, control and asset protection offered by these financial planning strategies.

The Client

Mr Leung is a senior executive at a Blue-Chip Technology Company and has successfully invested in private equity opportunities over the years. He is married with one child. His financial planning concerns include maintaining control over his investments, ensuring seamless wealth transfer to his heirs and maintaining flexibility to adapt to future changes in his financial priorities.

As his family grows, he wants to ensure that his wealth is distributed fairly and securely among his wife and children, while also considering the potential impact of future business ventures on his personal wealth.

The Solution

To address his concerns, Mr Leung initially sets up a Singapore investment-linked insurance policy and nominates his wife and first child as beneficiaries on a revocable basis. This arrangement allows him to:

- Control investment decisions.
- Have unencumbered access to his wealth during his lifetime.
- Ensure seamless transfer of wealth to his wife and child upon his death.
- Maintain simplicity in his financial planning.

As his family grows, Mr. Leung amends the nomination to include his additional two children as beneficiaries.

Some years later, Mr Leung enters into a new business venture, which requires him to secure a substantial recourse loan. Mr Leung worries that, should this venture fail, his insurance policy and other personal wealth could be at risk from his creditors. To protect his policy from this, he revokes the nomination and instead makes an irrevocable nomination in favour of his three children and appoints a trusted family member to act as Trustee with him.

The advantage of this arrangement is that:

- The nomination gives him the comfort that, should his business venture fail, the insurance policy will be legally protected for his children, separate from his debts.
- He can use the policy to take withdrawals to provide for his children's maintenance.
- The children have no right to demand access to the policy.
- Any decisions involving the policy are only required to be approved by his co-trustee.

Eventually, Mr Leung's business venture succeeds, and he becomes debt-free. For this reason, he feels that it is no longer necessary to retain the irrevocable nomination, and he would like to have full control over the insurance policy. In addition, he worries about his children's ability to handle unconstrained access to a substantial legacy should the policy death benefits pay directly to them.

He discusses this with his co-trustee, and they agree that it is in the family's interest to revoke the nomination. The trustee can agree to this without recourse to the beneficiaries. The revocation reinstates Mr Leung's sole control of, and access to, the policy.

To address concerns about his children's ability to manage a substantial legacy, he creates a separate discretionary trust and nominates the trust as the beneficiary of the policy. This "pilot trust" structure allows for controlled distribution of the death benefits.

The Benefits

This solution provided several benefits for Mr. Leung:

- **Control:** He maintained control over his wealth, including investment decisions and access during his lifetime.
- **Seamless Wealth Transfer:** The arrangement ensured seamless wealth transfer outside of his estate.
- **Flexibility:** The arrangement could be amended as his personal and family circumstances changed.
- **Asset Protection:** His assets were kept separate from his personal debts, providing legal protection.
- **Privacy:** His family arrangements were kept confidential, ensuring privacy.

Nerea Llona
Tax and Legal Counsel – Spain and LatAm

Gifting with Control in Spain

This case study explores how an insurance-based wealth solution can be used in Spain to facilitate gifting with control to the next generation in a tax-efficient manner.

By examining the specific case of a 70-year-old widow in Madrid, we highlight the benefits and strategic advantages of using these insurance solutions for wealth transfer and succession planning.

The Client

María is a 70-year-old Spanish tax resident widow who lives in Madrid. She holds a €5 million financial portfolio as a result of the sale of her company some years ago.

She has two adult daughters who are currently resident in the UK and France, but they may return to Spain in the future or move elsewhere.

María is concerned about the potential impact of Spanish inheritance tax on her daughters, especially if there are future changes to the Spanish Inheritance and Gift Tax rules.

Some years ago, she already gifted certain assets to her daughters, taking advantage of the favourable gift tax rules in Madrid, but she is not willing to gift more assets at this stage.

The Solution

María's advisers recommend that she subscribes to two mixed-term unit-linked life insurance policies with a foreign specialised insurer, covering both the survival and death contingencies. The contracts shall be governed by Spanish law and will be issued and executed in either Ireland or Luxembourg.

The proposed policy structure, for each contract, will be as follows:

- **Policyholder:** María
- **Lives Assured:** María and her daughters (on a last-death basis)
- **Beneficiaries on Survival:** María's daughters
- **Beneficiaries on Death:** María's grandchildren

A recommendation is made to include certain special conditions in these policies by which, in case of María's death (as policyholder), the policy's survival benefit shall only be paid to her daughters 3 and 7 years respectively after her date of death. In case of the death of all lives assured, the death benefit shall be paid to María's grandchildren. It would also be possible to include certain special conditions to prevent them from receiving the death benefit in they are too young at that time, or to receive it in different instalments.

The Benefits

- The payment of the survival benefit is postponed 3 and 7 years for each policy, delaying the tax event for María's daughters. This gives them certainty as they will know exactly when they will receive the insurance benefit, allowing them to plan accordingly.
- The payment of the insurance benefit will be done smoothly by the insurer and separately from the inheritance process.
- The survival benefit will be treated as a gift for Spanish tax purposes, even though it is conditional on the death of the policyholder.
- If María's daughters are Spanish resident at the time of receiving the survival benefit, the relevant Madrid Gift Tax rules (where the donor was resident) will apply to them. Whilst the current Madrid Gift Tax rules are very favourable between close family members, including a 99% tax relief, these could change in the future.
- If María's daughters are non-Spanish resident, they would not be subject to Spanish tax, since it will be a contract issued and executed outside of Spain with a foreign insurer who operates in Spain under freedom of services (i.e., non-Spanish situs asset).
- Even if María's daughters are resident in Spain when they receive the insurance benefit, since the payment is postponed 3 and 7 years and hence the taxation is deferred, this will result in a direct saving for Spanish Wealth Tax/Solidarity Tax purposes.

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