

Philanthropy in France : context, trends, tax system

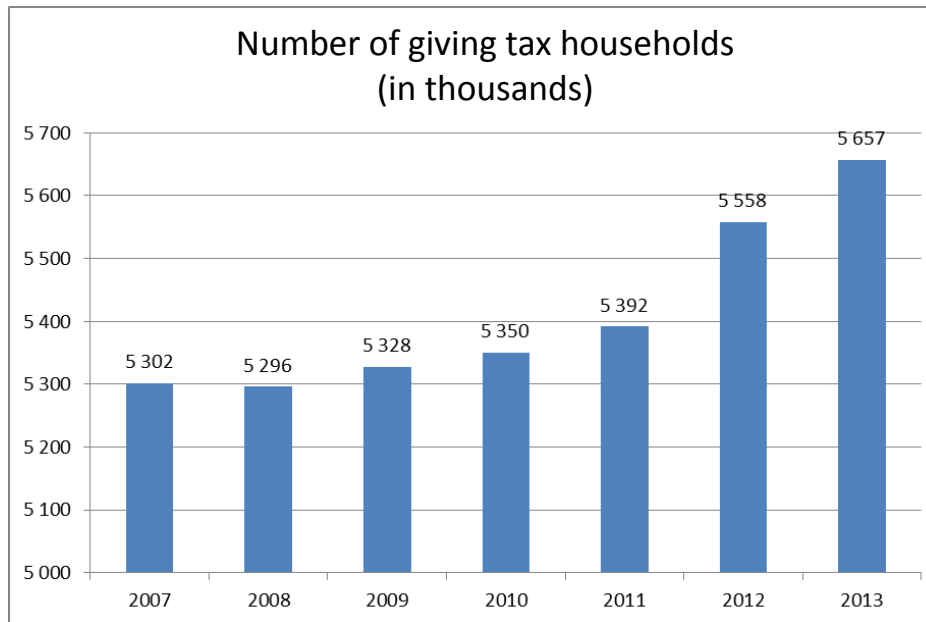


A steady growth for private philanthropy



Proportion of givers in tax households

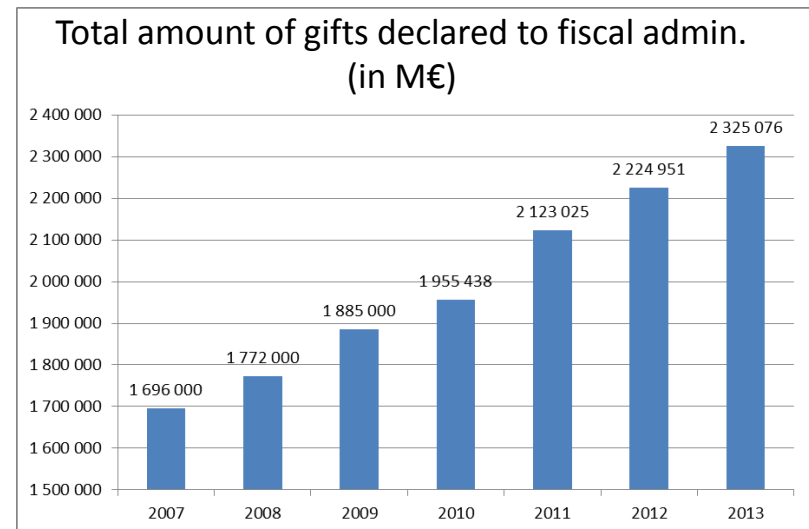
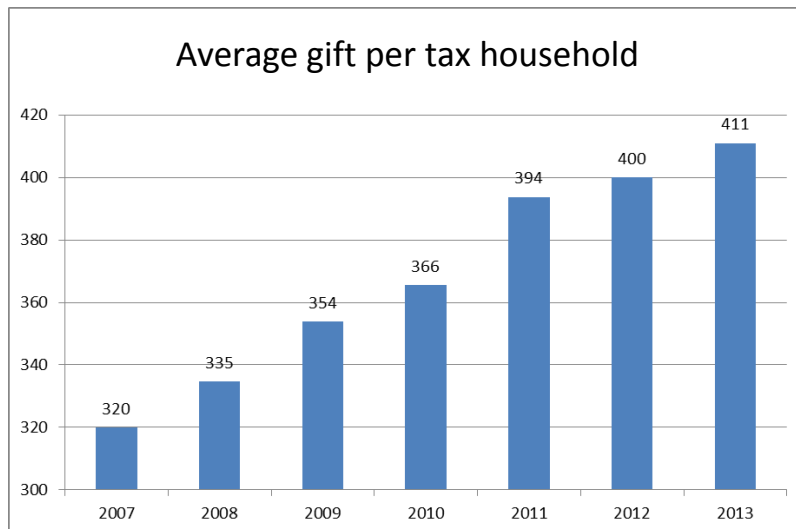
1 household on 6 used the giving tax deduction in France in 2013 (2012 : 1 on 7)



A steady growth for private philanthropy

Average gift and total amount :

- ☛ The crisis context did not stop the rise of the average gift
- ☛ Giving rose again by 5% in 2013 vs. 2012



Giving and fiscal expenditure

In million €		2010	2013	2014 (projected)	2015 (proj.)
Income tax	Fiscal expenditure	1 000	1 240	1 335	1 435
	Amount of gifts	1 515	1 878	2 022	2 174
Corporate tax	Fiscal exp.	331	675	750	790
	Gifts	551	1 125	1 250	1 316
Assets tax	Fiscal exp.	77	112	112	112
	Gifts	102	150	150	150
TOTAL	Fiscal exp.	1 408	2 027	2 197	2 337
	Gifts	2 168	3 153	3 422	3 640

From a fiscal perspective, the State contributes for 2/3 to private generosity.

8 legal forms of funds and foundations



4 generalist legal status :

- **Foundation with national public recognition** 1987
- **Donor advised funds under umbrella foundation** 1969
- **Corporate foundation** 1990
- **Endowment fund** 2008

4 specialized legal status (higher education, medical & research) :

- **Foundation for scientific cooperation** 2006
- **Partnership foundation** 2007
- **University foundation** 2007
- **Hospital foundation** 2009

Main findings of funds and foundations



1. Sector size :

- 2 200 foundations (+100% since 2001)
- Endowment funds (EF) : 2 000 created in 5 years

2. Economic weight of foundations :

- 21,9 billion € assets
- 7,4 billion € annual spendings

3. Operating models :

- 3/4 are grant-making foundations
- Rapid growth of the flow model

4. Foundations : by whom, for what ?

- Private individuals are the majority of founders, corporate founders are growing
- Social action has become the first field of intervention of foundations

Key figures of funds and foundations economic weight



	2001	2009	2013	Evolution 2009-2013
Number of foundations	1 109	1 686	2 109	+25%
Number of employees	47 000	72 241	84 100	+16%
Assets	9 565 M€	15 196 M€	21 896 M€	+44%
Expenditure (social missions + management costs)	3 842 M€	5 218 M€	7 454 M€	+43%
Incl. Grant-making			1 500 M€	

Fiscal framework : which impacts on philanthropy ?



Two parameters :

1) Fiscal pressure :

A high fiscal pressure draws down the ratio of the population giving



2) Fiscal incentives :



Very dynamic. More impact on the amount given than on the proportion of donors

A very incentive tax regime

- Reduction on income tax for French resident
 - **66% of the amount of the gift (donation) is deductible from the income tax, limited to 20% of the taxable base**
 - In case of surplus, it is postponed successively over the next 5 years in the same conditions
- Reduction on wealth tax
 - **75 % of the amount of the gift (donation), is deductible from the assets tax, limited to 50 000 €.**
Only the gifts(donations) in cash or in full property of listed securities open straight ahead to this reduction
In case of surplus, no transfer is possible on the assets tax of the next years
- Possible ventilation of reductions on income and assets tax of the same donor



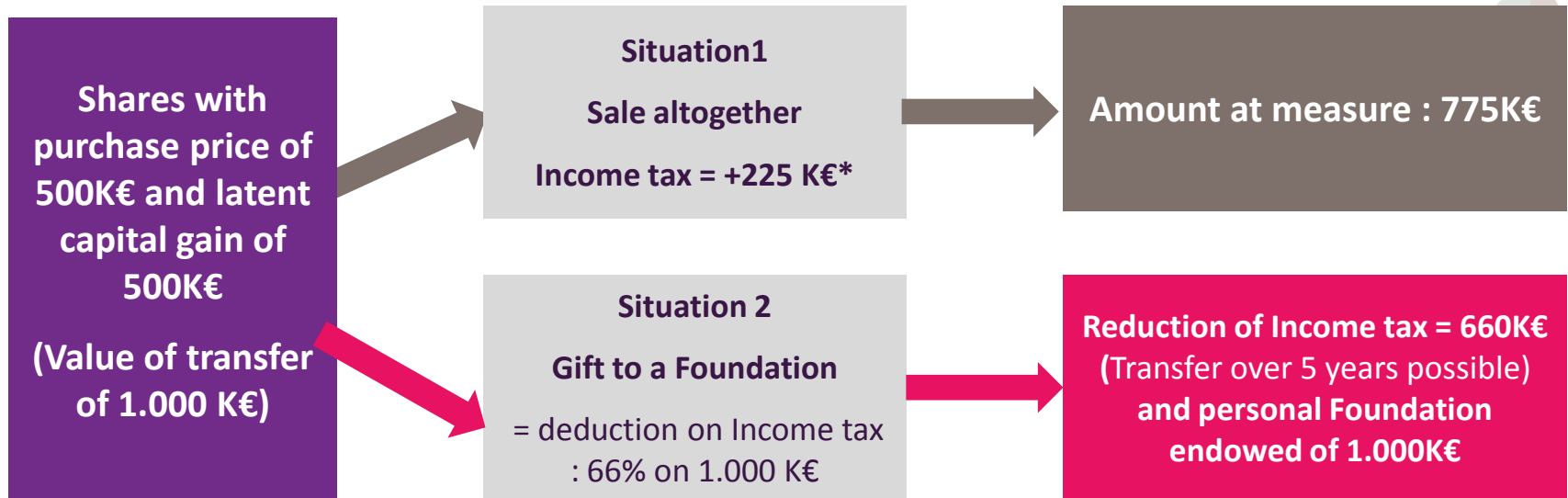


The gift of securities by taxpayers

- The disposal gains on securities and social rights are submitted, allowing exception, to the progressive scale of the income tax.
- By giving securities to a foundation
 - The donor receives a fiscal receipt on the total value given, in conformance with the Income tax or with the Assets tax, if securities of listed company, given in full property.
 - Exemption from the capital gains in conformance with Income tax (no exemption in conformance with Assets tax)

1. In full property of a classic portfolio of a private individual

Mr Victor P. wishes to create his foundation to support projects in favour of education and finance his project by a contribution of actions.



**In situation 2, compared with the situation 1, Mr P. loses 115K€ (including tax benefit) but have a FSE endowed of 1.000K€
That is to say a cost of the gift of 11,5 %**

*On the basis of a subsection in the Income tax on the marginal slice of 45%

2. In bare ownership of a portfolio of securities

Madam Yvette R., widow, wishes to give the bare ownership of a portfolio of securities to a foundation. The preservation of the usufruct will allow her to insure a part of its lifestyle. At the same time she concretized an act of generosity during her lifetime.

- **The foundation perceives the bare ownership of the portfolio.**
- **Madam R. perceives the dividends of the portfolio contributing to the maintenance of its lifestyle.**
- **Madam R. always has the right to arbitrate the titles. The usufructuary has however the obligation to reinvest the product of transfer in the portfolio and to keep his substance.**
- **Madam R. remains subjected to the taxes relative to the usufruct of the portfolio (Assets and Income taxes + freshly of share on PV on the arbitrations of titles). The management fees are also at his/her expense.**
- **She benefits from a fiscal receipt offering her a tax reduction on the Income equal in 66 % of the value of the given bare ownership.**

Gift on succession by his beneficiary

- Every heir, legatee or donee can decide to donate all or part of his inheritance or his part of a donation to an association or to a foundation, under certain conditions.
- In this case, the donation is entirely deductible from the amount of his part of the succession which will be deducted from the taxable base in conformance with inheritance tax.
So, the donor benefits from an allowance on the taxable base equal to the given amount.
- The donation must be made in full property within the 6 months which follow the death.



Territoriality and philanthropic rules of inheritance tax

- Deceased taken up residence in France: taxation in France of all its movables and buildings, whatever their nature or place of situation (unless otherwise stipulated of a tax treaty)
- Deceased taken up residence outside France:
If the beneficiary is domiciled in France in the day of the death and was for at least 6 years during previous 10 years : taxation in France of all its movables and buildings, whatever their nature or place of situation (unless otherwise stipulated of a tax treaty);
- If the beneficiary is domiciled outside France : only the French properties which he receives are taxable in France.
- **Legacies dedicated to charities (foundations and some associations) are free from inheritance tax**

Legacy clear of fresh and taxes

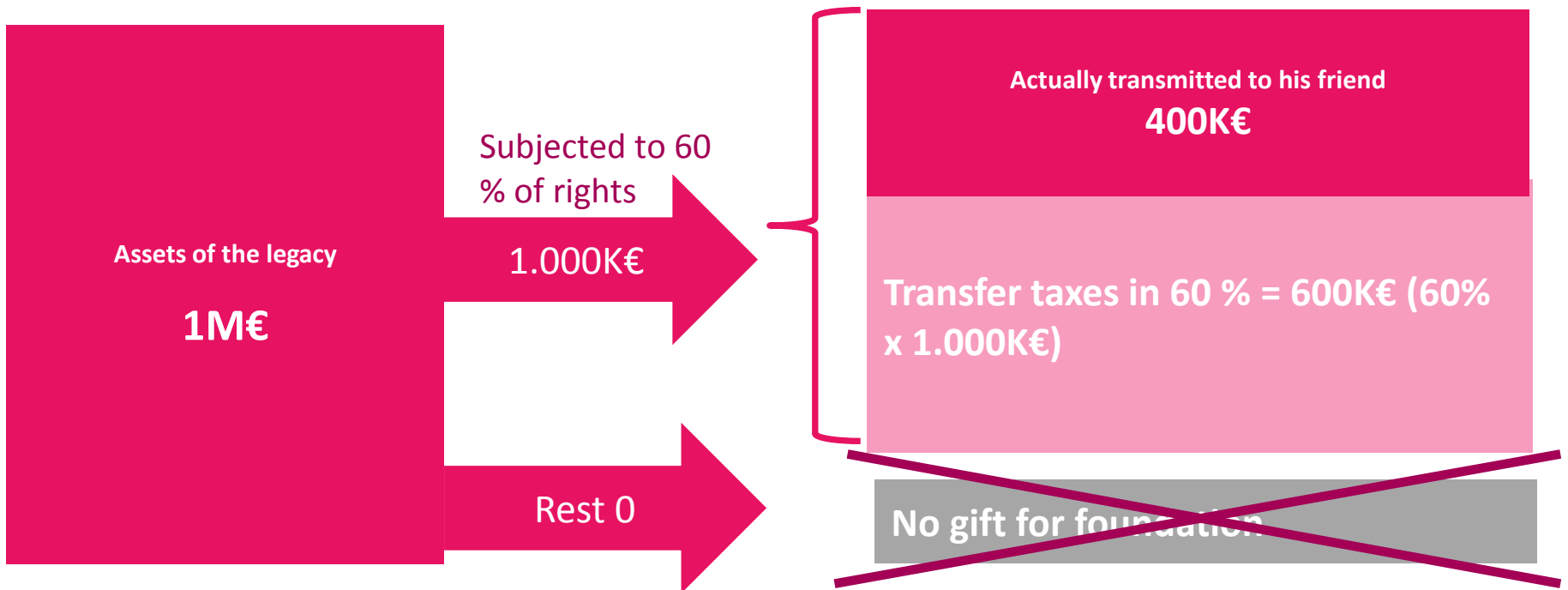
- Strong interest for a transmission to a relative heavily taxed: the taxable base returning to the beneficiary is reduced.
The beneficiary receives a check as fast as possible and is released from complex formalities.
- Technique of the legacy "clear of fresh and taxes"
 - Transmission of a part of the heritage by particular legacies put chargeable to the foundation, the sole legatee.
 - Put chargeable to the foundation of the payment of inheritance tax sat on the particular legacies.



Legacy clear of fresh and taxes

Mr Charles B. has a heritage of 1M€. Without direct descent, he wishes to pass on 400K€ to a close friend. Besides, it is worried of leaving a track and would like to create a foundation when he would dy.

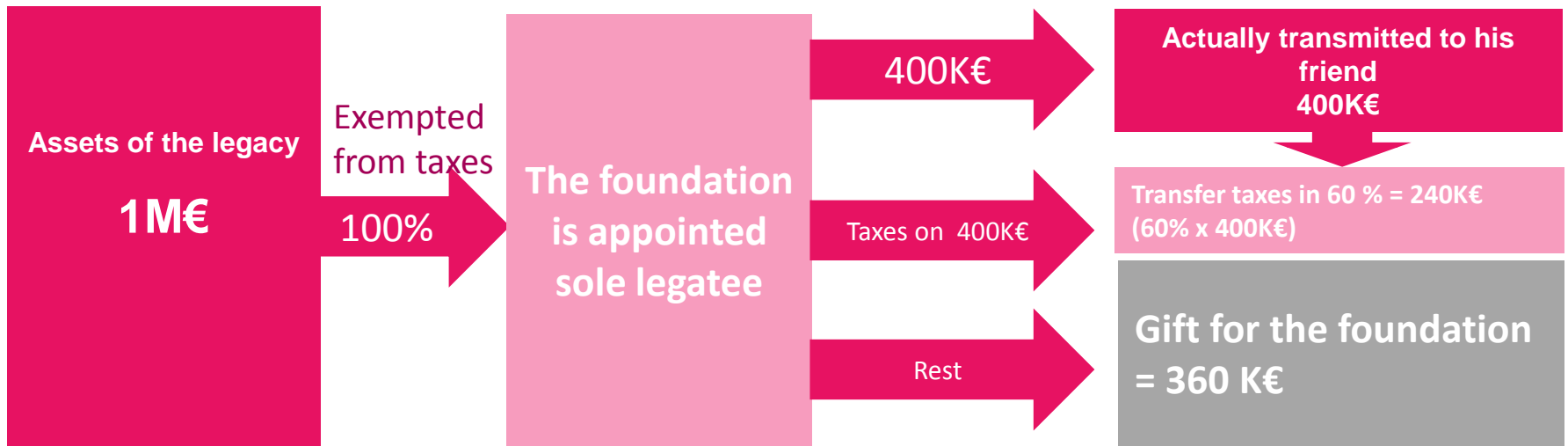
Situation 1. Mr. B do not use the device



Legacy clear of fresh and taxes

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Situation 2. Mr. B use the device



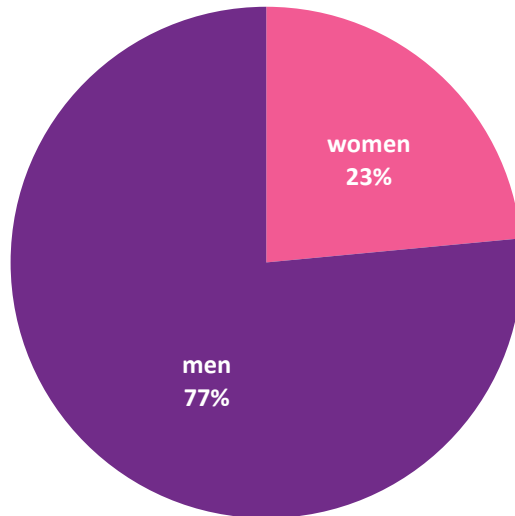
Compared with the situation 1, M.B. sees the same sum distributed to his friend while creating his foundation endowed of 360K€, in the only detriment of the fiscal part.

Life insurance policy

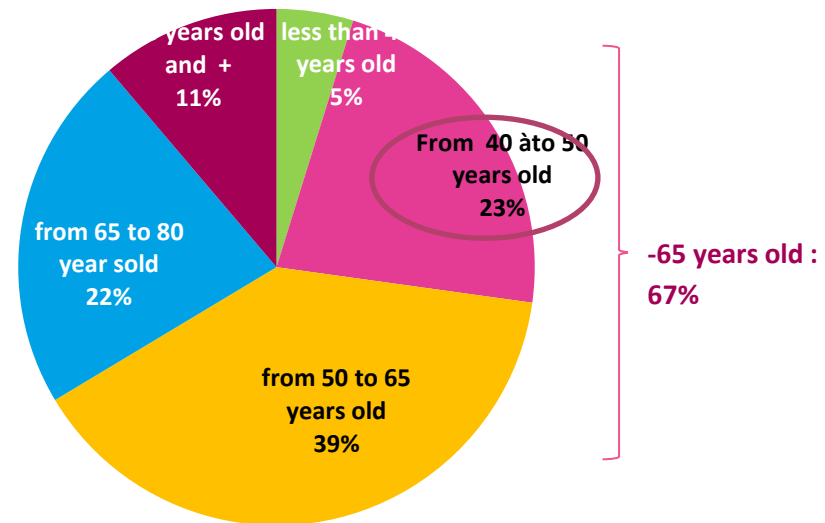
- The life insurance policy comes loose by the death.
- Importance to draft well the profitable clause in particular to well indicate the beneficiary, especially if it is a foundation.
- In case of insertion of the profitable clause in a will, watch not to connect payment of the succession and the outcome of the life insurance, by the use of the word "attribute" rather than "bequeath" to avoid the risk of an inheritance taxation.
- A life insurance policy can be endowed with a load as the creation of a donor advised fund or the affectation in a precise cause.

Who are the funders of the years 2000 ?

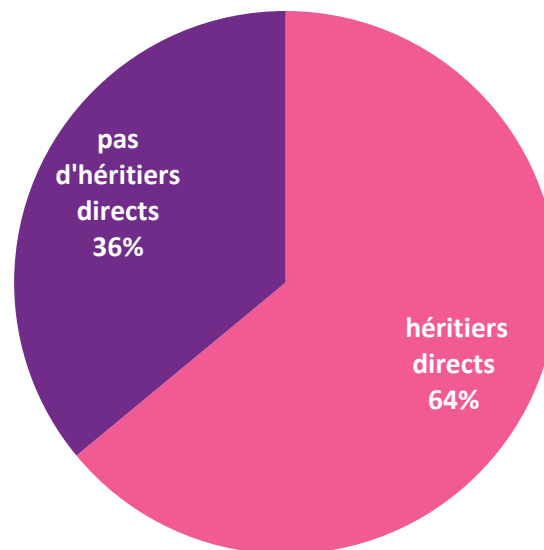
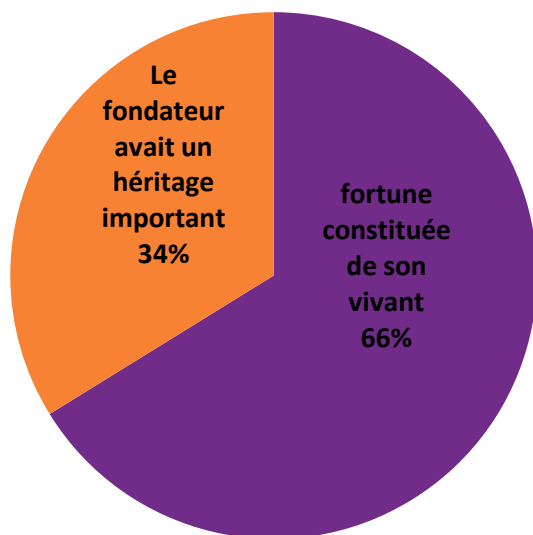
Kind of the philanthropists



Age of the philanthropists



Who are the funders of the years 2000 ?



Which are triggers ?

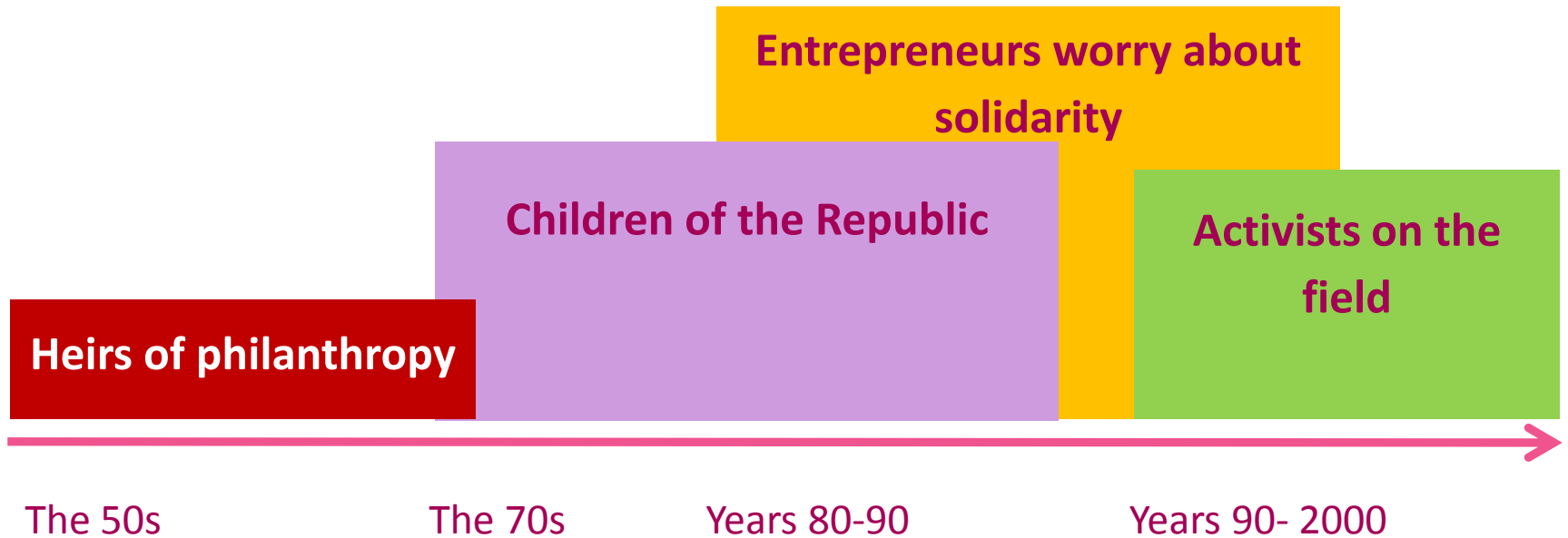
- Shocks, bibliographic breaks
- Arrived sudden of a sum of money
- Meetings of the other philanthropists

→ **Tax system** : encouragement but not trigger*

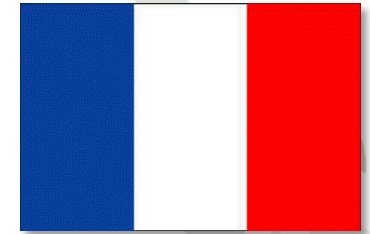
Which are the motivations ?

- A quest) of sense, sometimes on a religious bottom
 - Take out of the register of the money
 - The need to be effective to change the world
-

Which evolution ?



France : which brakes and assets for philanthropy development ?



➤ Last European country for number of foundations, but recent development :

- 45% French foundations have been created since 2000.

➤ Historical brakes :

- A very strong French State, unique person in charge of public good
- Ambiguous feelings towards success /wealth
- French law on succession
- Big success of association pattern (1901 law)

➤ Assets :

- The most attractive tax deduction system in Europe
- Dynamic spending system (lively indicator : 34%)
- Evolution of mentalities and perceptions

➤ *20th was the century of associations, will 21st be the century of foundations?*