

FRENCH RESIDENCY AND LIABILITY TO TAX

One topic frequently heard in British 'ex-pat' conversations is the issue of residency and tax. The common theme is that, although they are living in France, they have no tax liability here as they are British citizens and pay their tax in the UK. In the majority of cases this is incorrect. The French are clear on this issue; if you are a French resident the liability to tax is in France.

This begs the question of how do you define whether you are a French resident for tax purposes? Again, the French are clear on this; you are French resident if any one of the following applies:

1. France is your home

If you have property in France and in the UK but the UK property is not available for your own personal use (eg. it is rented to tenants), then France is your home.

2. France is your centre of economic or vital interests

This effectively means France is from where your income is paid.

3. France is your place of 'habitual abode'

Notably, no reference in the law is made to the actual number of days that you spend in France. This is an area that can catch many people out as they believe that if they do not spend at least 183 days a year in France, they can decide they are not resident. This is not the case and your place of 'habitual abode' is simply where you spend most time (eg. if you have property in Spain, UK and France and you spend 150 days per annum in France, 120 in the UK and the remainder in Spain – France is your place of 'habitual abode').

4. Nationality

If your residency has not been established by any of the above points, then it will be your nationality that determines your place of residence. However, this is very rare. Once your residency status has been established for anyone maintaining interests in both France and the UK, the double taxation treaties between the two countries set out the rules that apply in determining how your various sources of income and assets are taxed, in addition to defining the inheritance rules and taxes that will apply on your death.

You only have to qualify under one of these criteria to be French resident – your income tax liability based on your worldwide income, earned interest and capital gains is then to France, not the UK. On death, any inheritance tax liabilities are due in France based on your worldwide assets. Wealth tax is also due in France based on worldwide wealth. The double taxation treaties ensure that you do not pay tax twice. However, you should bear in mind that tax rates and allowances are different in France and the UK and this may lead to a different liability - sometimes in your favour.

If you would like any further information on this topic or have any other financial query, please feel free to contact:

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