



# Franco British Lawyers Society

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Hambros



**SOCIETE GENERALE**  
Private Banking



**France V. UK**

**What is the Tax bill ?**

# TAX, TAX, TAX, Can we escape ?

**INCOME TAX**

**SOCIAL TAX**

**CAPITAL GAIN TAX**

**WEALTH TAX**

**INHERITANCE TAX**

**MITIGATION OPTIONS ?**

# CONNECTING TO TAX

## RESIDENCE

Time spent in a country

But other criteria : Permanent home

Conflict of Residence : Double Tax Treaty Provisions

Permanent Home, Centre of Vital Interest, Habitual Abode, Nationality

## DOMICILE

Common Law concept

# CASE STUDY

**A family married with 2 children**

**€100k income – Home in England (£950k) and a home in France €500k**

## French Resident

**Income tax** : At household level at progressive rate up to 41% + social contribution (13,1%)

Income tax allowance based on the number of dependants

Total Income Tax €11,195 (Marginal rate of 30% but average rate of 12,44%)

**Wealth tax** : on a worldwide basis (£/€ 950+500 = 1.450k)

Threshold €1.3m - rates 0,25% up to €3m - Above €3m flat rate of 0,5%

**Inheritance Tax (IHT)** : Spouse exemption both in the UK and in France

French IHT Up to 45% in direct line (allowance of €159,325 per child)

or Flat rate of 60% if not a family member

UK IHT at a flat rate of 40% after nil rate band of £325k

Tax credit under Double Tax Treaty provisions

Forced heirship rules applies to worldwide estate (except on UK real estate and most probably on foreign real estate). Need of a Will in the UK

# CASE STUDY

A family married with 2 children

€100k income – Home in England (£950k) and a home in France €500k

## French Resident

### Capital Gain Tax (CGT) :

Selling the French property : Private Principal Residence (PPR) exemption

Selling the UK property : no CGT in the UK because non UK resident

But French CGT applies according to the Double Tax Treaty

# CASE STUDY

A family married with 2 children  
€100k income – Home in England (£950k) and a home in France €500k

## French Resident

### MITIGATION OPTIONS

- IMPATRIATE REGIME

Available for non French passive income and non French assets for Wealth Tax purposes

Provided resident abroad for a minimum of 5 fiscal years

Allowance lasts until the 5th fiscal year as from the year of relocating to France

- ASSURANCE VIE (Offshore Bond) :

IHT mitigation as duty on death is limited to 20% up to €902.383 after allowance  
and to 25% above

# CASE STUDY

**A family married with 2 children**

**£100k income – Home in England (£950k) and a home in France €500k**

## UK Resident

**Income tax** : Per individual up to 50% but no social contribution

Income tax allowance limited to £7,475 (2011/2012)

Total Income Tax : £29,930 (Average rate of 29,9%)

**Wealth tax** : No Wealth Tax in the UK

But potentially in France if net value of the French property above the threshold

Monitor market value

Mitigating Wealth Tax exposure with a loan

**Inheritance Tax (IHT)** : spouse exemption both in the UK and in France

French IHT Up to 45% direct line or Flat rate of 60% if not a family member

UK IHT at a flat rate of 40% after nil rate band of £325k on the worldwide estate if UK domiciled

Tax credit under Double Tax Treaty provisions

Forced heirship rules applies to French property unless held through a company



# CASE STUDY

A family married with 2 children

£100k income – Home in England (£950k) and a home in France €500k

## UK Resident

### Capital Gain Tax (CGT) :

Selling the UK property : Private Principal Residence (PPR) exemption

Selling the French property : French and UK CGT if UK resident and UK domiciled

But tax credit applies according to Double Tax Treaty provisions

# CASE STUDY

A family married with 2 children  
£100k income – Home in England (£950k) and a home in France €500k

## UK Resident

### MITIGATION OPTIONS

#### - UK RESIDENT NON UK DOMICILED REGIME :

For Income Tax and CGT purpose : Use of the Remittance Basis rule

For IHT purpose non UK assets non liable to UK IHT up until the individual hits the « deemed domiciled » status

#### - ASSURANCE VIE (Offshore Bond) :

Wrapper

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