

Tax return time is here again!

The annual tax return needs to be completed by the end of May in France.

Most of us will have some income derived from the UK and you will need the 'pink' form 2047 to declare income earned outside of France. The blue 2042 form is for all income (the figures transposed from the 2047 plus any income earned in France).

The tax year runs from January to December so if you arrived in France part way through last year you only include income for the time you have been resident here. The first time you will have to collect the tax forms from the tax office or Centre Des Impots and thereafter they should be sent out to you automatically. Even if all of your income is taxed or paid in the UK, or you are below the threshold, you still have to complete a tax return form if are resident here.

Here are some of the recent changes and the less obvious requirements given recent announcements by the authorities.

In general, as French tax residents you have an obligation to declare your worldwide income and assets to the French authorities. Importantly, with the 'exchange of information' rules now operating between European countries including, since July 2011, exchange of information from Jersey, Guernsey and the Isle of Man, the French tax authorities will receive information about income and gains earned from non-French sources. Whilst this takes time to work through the system, it is important that any information they receive corresponds to an entry on your tax return.

The main elements of your tax returns will be similar to last year, but the following changes are worth noting:

Wealth Tax "Impôt de Solidarité sur la Fortune".

One major tax change that may affect some of you is in respect of "Wealth tax" reporting. As you will recall, the threshold for Wealth Tax was increased to €1.3m of assets, as at 1st January 2011

This year, for those who are liable to Wealth Tax, but have assets of less than €3m, there will be no need to complete a separate wealth tax return, as the declaration will now be incorporated in the income tax return. For those with net assets valued in excess of €3m, you will continue to file a separate Wealth Tax return in June.

The other major change for Wealth Tax is that any assets held in **Trust** for you (or by you for anyone else) will have to be declared. This may affect some of you and, for those concerned, this is a more complicated area and specialist advice is recommended.

At the same time, those of you who are not liable to Wealth Tax at present should not worry about seeing this new box on your forms, as you have nothing to declare if you are under the threshold.

Pension lump sums.

The other major change from last year's tax declaration relates to the need to declare lump sum payments received from non-French pension schemes in 2011. Whilst these would normally be available tax-free up to a certain limit (normally 25%) if you

were still a UK tax resident, such lump sum withdrawals are now taxable in France for French tax residents. The lump sum will be taxed at a flat rate of 7.5% after having benefited from an allowance of 10%.

The only exception would be a lump sum received from a military or civil service pension. Whilst this must still be declared in a different box on your form, the terms of the double tax treaty should ensure that it is not taxed.

Declaration of all foreign bank accounts and life assurance policies.

It has been a requirement for many years to declare on your income tax return the fact that you hold either bank accounts or Life Assurance Investments outside France.

You have every right to have as many of these as you like, as long as you give the details to the authorities. For bank accounts, there is a specific form (3916 – one for each account), or else you can simply list them on a separate sheet of paper. The latter is normally easier and the authorities simply want to know the details of the policy or account, the name and country of the bank/insurance company, and the name of the account holder(s).

Don't forget that any of you who have old UK endowments or investment bonds should be declaring them.

We mention this because the recent budget has considerably increased the penalty for non-declaration, so it is worth taking the trouble to complete the boxes.

This article confirms our understanding of certain specific requirements. However, should you have any additional questions, please do not hesitate to contact me. However, we are not accountants and we may recommend you seek additional assistance from an accountant, if necessary.

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