

# Charles Hamer Financial Services

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## **CHFS BULLETIN JULY 2013 :**

### **PROJET LOI DE FINANCES 2014 & CGT (PART 2):**

#### **UPDATE TO JUNE 2013 BULLETIN.**

Since our June Bulletin which brought news of a relaxation in the tough French Capital Gains Tax charges on house sales introduced at the end of 2012, further announcements in a more formal setting, (the Sénat), have put more meat on the bones of the forthcoming CGT reforms.

These are summarised below.

#### **1). Introduction of a temporary income tax deduction on taxable gains.**

Contrary to initial indications, this deduction is to amount to 25% of the gross gain as opposed to the 20% first indicated.

Furthermore the reduction is to apply for sales made from 01/09/2013 and through to 31/08/2014.

We are still waiting for clarification as to whether the 1<sup>st</sup> September date relates to sales completed or Promesses de Vente registered after this date.

#### **2). (Limited) Reintroduction of the 22 year exemption**

The intention here is to bring the assessment of gains back towards the pre 2004 position. The information now presented suggests that the reference to the gain being exempt for property held for more than 22 years instead of the current 30 will be limited to the income tax element, whilst unlike the pre 2004 position, taper relief will only commence from the 6<sup>th</sup> complete year of ownership.

#### **3). Modification of Prelevements Sociaux Taper relief**

The current 30 year taper relief provision will be retained for Prélèvements Sociaux, but modified. The rate of taper relief will now be more heavily loaded towards the final 8 years of the 30 year term. Currently, because of the current HMRC stance towards the treatment of Prelevements Sociaux, the impact of this particular measure will be negative for UK resident owners whose period of ownership is less than 23 years.

#### **4). Overall Impact of the Reforms on the UK tax resident French property Owner**

Whether or not the overall impact will be favourable to the UK resident will depend on whether the French income tax element of the French liability exceeded its UK counterpart prior to the reform. If this was the case, then there will be a benefit to be enjoyed from the reforms. If not, then the back end loading of the Prelevements Sociaux from September will tend to result in an increase

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on the overall combined Anglo-French liability whenever the property has been owned for less than 23 years.

We'll keep you posted of further developments as soon as we have them.

For more information on how Charles Hamer Financial services can help you mitigate your CGT liability, please visit our capital gains tax web page at:

[http://www.charleshamer.co.uk/French\\_capital\\_gains\\_tax.aspx](http://www.charleshamer.co.uk/French_capital_gains_tax.aspx)

Or send an email with your enquiry to Jonathan Pawsey at:

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If you would like to be added to our newsletter mailing list please send an email to:

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