

Charles Hamer Financial Services

INDEPENDENT FINANCIAL ADVISERS

87 Park Street, Thame, Oxfordshire, OX9 3HX
Tel: 01844 218956/7 Fax: 01844 261886
Email: jon@charleshamer.co.uk

Partners: Jonathan Pawsey Dip PFS. Karen Ellis

FRENCH FINANCE BILL 2013 ISSUE 2: SUMMARISING THE TAX CHANGES PLACING SOME MORE MEAT ON THE BONES OF SUMMARY ISSUE 1

Following on from our earlier bulletin regarding the Projet de la Loi de Finances 2013

(see: <http://www.charleshamer.co.uk/downloads/FRENCH-FINANCE-BILL-2013.pdf>)

We can now develop a little further on the basic information supplied, as follows:

1. French Sourced Investment Income – Tax at Source.

This was the subject of items 5 and 6 in the first summary we published on 2nd October.

The proposal was to do away with the current system of Prélèvement Libératoire (the flat rate full and final French tax deduction at source) such that the continuing payment of tax at source simply acts as a payment on account against the tax payable when calculating the progressive rate of tax due on such income via self assessment.

However, in the case of interest, where gross interest received in the year is less than €2,000, the Prélèvement Libératoire option will be maintained.

Meanwhile the Prélèvement Libératoire income tax rates of 35%, 15% and 7.5% on Assurances-Vie will remain, whilst the Prélèvement Libératoire rate on Bons Anonymes will increase to 75%

2. French Capital Gains Tax on Shares and Collective Investments.

This was item 2 in the initial summary.

French taxation of OEICS, ISAs and Unit Trusts, SICAVS and FCPs, as well as direct shareholdings will change such that taxable gains will, from 01/01/2012 be assessed at the marginal rate of income tax as opposed to current case of the flat rate of 19%.

For the application of the taper relief, the relevant holding period will be from 01/01/2013 and will not refer to the actual holding period to date. Therefore current investment holdings will only start to benefit from any level of taper relief if held until at least 01/01/2015

Charles Hamer Financial Services is Authorised and regulated by the Financial Services Authority

Furthermore, in addition to the taper relief described in our first summary, a variable system of top slicing relief will apply to the gain for disposals made during 2012, 2013 and 2014, with the level of top slicing relief varying according to whether or not the holding period of the investment concerned was less than 2 years (no relief) between two and four years, (the gain being halved for the purposes of calculating the marginal income tax rate), or more than four years at the date of disposal, (when the gain is quartered). Unlike the taper relief calculation the relevant holding period will refer to the actual date of acquisition.

3. ISF – Wealthtax.

ISF changes were briefly described in item 10 of the first summary

In addition to the rates table, a degree of taper relief will apply when the taxable estate is between €1.31 and €1.41 million. The relevant calculation for the relief being €17,977,50 – (1.275% x the taxable estate).

Meanwhile a tax ceiling will also be introduced whereby total taxes paid cannot exceed 75% of total income, (including “capitalised income”).

To find out more on how these tax changes will impact on your French tax bill and how your tax liabilities can be reduced, please contact our senior adviser: Jon Pawsey on 00 44 (0)1844 218956 or email him at jon@charleshamer.co.uk