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CHFS BULLETIN JUNE 2013 : PROJET LOI DE FINANCES 2014 & CGT:

MORE FRENCH CGT REFORM ON THE WAY.

In a TV interview on Sunday 16th June during which he discussed elements of the forthcoming 2014 Finance Bill, (Projet Loi de Finances 2014), M Hollande confirmed two CGT proposals - which were hinted at back in March - that will be included in the Bill and, if passed, will impact on French CGT applied to the sale of French property. Apart from the obvious uncertainty regarding whether or not the proposals will survive intact as they stand, there is also a question mark over timing.

Nonetheless the potential impact for intending sellers of French property, who are not otherwise exempt, could be profound.

There are two proposals:

1). Introduction of a temporary 20% income tax deduction on taxable gains.

This idea was included in the 3rd modifying Finance Bill last year, but eventually got thrown out as an unintended collateral casualty of a successful challenge to the constitutionality of the article of which this provision was a part. Francois Hollande now wants to have another go, with it being introduced in a dedicated article.

The intention is to reduce the income tax element of the CGT bill by 20% for sales realised or agreed in 2014 only.

2). Reintroduction of the 22 year exemption

The intention here is to bring the assessment of gains back to the pre 2004 position. The information so far presented is by reference to the gain being fully exempt for property held for more than 22 years instead of the current 30.

No more details have been given as to whether or not the tapering system for holdings between 2 and 22 years, as existed pre 2004, would also apply, but if this was to be the case it would represent a distinct improvement in the amount of taper relief available to those sellers who are not otherwise exempt.

Proposed timing of the measures.

Both of these measures are nominally set to apply from 01/01/2014, however, M Hollande has been somewhat tantalising in suggesting that if all goes well the 22 year exemption measure could apply to sales realised from 01/09/13 or perhaps, (as interpreted by some commentators), sales realised in 2013 when the Promesse de Vente has been registered after 01/09/13.

It's perhaps worth noting that from the government's perspective, the measure is designed to unblock the property market, which apparently has dried up due to the hefty tax impact of the CGT measures introduced since February last year.

The hope appears to be that property prices will become more affordable as a result of an increase in supply of vendors in 2014, encouraged to sell by the new measures instead of holding on doggedly to the 30 year exemption threshold. The aim from the government's perspective is to increase the aggregate tax take through a combination of stamp duties and overall CGT as more properties are sold.

Unfortunately, the Bill as yet has not been drafted, let alone published, so we won't get to the nitty-gritty for a few weeks yet. Nonetheless, as more information becomes available, we will be posting updates on our website and notifying those of our clients who've signed up to our newsletters mailing list.

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

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