

Taxing Times – Making Sense of Tax in France

There is a lot of confusion amongst the expatriate community regarding tax. Those who are receiving UK incomes and are taxed in the UK, often believe incorrectly that they do not have to submit a French tax return. The self-employed amongst us often feel overwhelmed by the amount of taxes we must pay. However, some of the confusion comes from a lack of understanding of certain French terminology and the systems in France. There is also the adage of 'I pay tax in the UK' therefore I don't need to do a tax return in France, which of course is incorrect and illegal. It is important that everyone understands their tax status and what applies to them.

With tax-return season upon us, I will attempt to clarify a few areas which people often find confusing:

Self-Employed with a SIRET Number:

Depending on how your business was set up you will pay the following on a regular basis:

- **Cotisations:** equivalent to national insurance in the UK, this is what funds your pension, your benefits, your sick pay, family benefits, healthcare etc. A lot of people get this confused with tax; it is not considered a tax.
- **Impots - Tax:** it is more than likely - unless you are earning over 45000€ a year after fiscal abatement (tax allowances) - that you will never pay income tax. Your income tax return is due once a year. Tax allowances are given for the number of people in your household, your age, disability and military pensioners, war wounded etc. Tax allowances are also given for the type of business you run. 50% for services, 71% for sales and tourism. So, if you declare sales of 1000€ only 290€ is considered actual income for tax purposes. This mainly applies to ME businesses, as those in other tax regimes such as SAS, SARL can report a profit or a loss for their business, and it is still unlikely that you will pay any income tax. Note that the monthly or trimesterly returns you do for URSAFF/RSI do not count as tax returns, these are only for calculating your cotisations.
- **CFE - Cotisation Fonciere Entreprise:** this is a charge we all pay if we are in business, unless your commune has opted out. There is a minimum charge based on 2m2 of office space (your desk). As from 2019 there will be no charge for those earning under 5000€ a year.

Actives and Inactives without a SIRET Number:

You are already wondering who comes under this category? Well, this is anyone who is not self-employed. Those of you who receive pensions, those who receive a salary, and those who run chambre d'hôte but are under the 4995€ a year limit before having to be registered. The French call you 'Actives' (in receipt of a salary, non-professional income, or other income other than a pension). Inactives are those of you with a pension or unemployed.

If you consider France your primary address or it is where you spend most of your time - then you are required to fill in a French tax return. This applies especially to those receiving a UK income, being taxed in the UK but living in France. I have met several people over the years oblivious to the fact that they need to submit a French tax return, and in some cases, they have had a financial 'control' by the Impots and been fined for not declaring their income. More recently fines have been issued for not declaring bank accounts held in other countries (declaring bank accounts is part of the money laundering

regulations).

There are many important reasons other than the governing laws that you should make sure you have declared your income/or non-income to the Impots. Here are just a few:

Taxe d'Habitation: is calculated according to income levels, low income households often don't have to pay any Taxe Habitation.

Carte Sejour/Nationalite: applications for both require fiscal residency which is proven by having completed French tax returns.

Financial Aid and Grants: if you are looking for a government grant to help add double glazing, a new fosse etc, you will need to have a French tax return.

Social Assistance: CMU/RSA and other social assistance require the demander to have a French tax return history, whether you have earned money or not.

School Grants: every family can apply for grants for their children's education and canteen bills. Again, a tax return is required for proof of income to ensure the means test is correctly applied.

Brexit: your rights to stay and all other rights are counted not from the day you arrived in France, but from the year you declared your income. If you moved to France in July 2016 and did a tax return in 2017 which states the date your arrived in France and is based on your 2016 income, then your official rights start from July 2016. However, if you decided not to do a tax return for 2016, and instead have waited until 2018 to do a return for 2017, your rights will begin on 1st January 2017. So, it is important to do your first tax return for the year you arrived to live in France.

Lived in France over 6 months permanently but never completed a tax return?

Do not panic, it is vitally important that this is rectified sooner rather than later by doing retrospective tax returns. The correct forms are available online, they can be printed off, filled in and taken or sent to your tax office.

If you need any assistance, you can contact me; I have clients across France.

Karen Jones

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