

Moving to France Before, After & Brexit

The France Show - London Olympia

25-26 January 2020



INTERNATIONAL TAX & WEALTH MANAGEMENT

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Feedback Form

French Property Show, London | 15-16 September 2018

PLEASE FILL IN BLOCK LETTERS

	FirstName/s
itle Surname	FirstName/s
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Which region/area in France would yo	ou be interested in moving co
Which region area	
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Visit us on Stand 20 and complete a **Feedback** Form!



Agenda

- Blevins Franks...who we are and what we do
- What to do before you leave the UK
- What to do after you arrive in France
- The impact of Brexit
- Conclusions





Blevins Franks... Who we are and what we do

Who we are

The leading international tax and wealth management advisers to UK nationals living in Europe



Blevins Franks Group OFFICES IN EUROPE



Our Offices in France



- Niort
- Bordeaux
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Blevins Franks Group OFFICES IN EUROPE

Advising clients for over 40 years 7 countries

22 Offices
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200+ Employees
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€2.5 billion Funds Under Advice

Canary Islands

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BLEVII INTERNATION

RANKS

Blevins Franks - Specialist Advisers

- Deep understanding of British Nationals living in France
- Cross-border expertise
- Based locally in the country where our clients live





What to do before you leave the UK

What to do before you leave the UK

Consider:

- HMRC
- French legal residency
- Pensions
- Investments
- The Rest.





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HMRC

HMRC

Documents to complete and submit:

- Form P85 tax residence leaving form, with
- P45
- If Self Assessment (form SA109 for P85)
- Form R105 gross interest on accounts
- Form S1 (if UK state pension age) from DWP





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French Legal Residency

French Legal Residency

- Not the same as tax
- The legal right to reside in France
- Residency permit
- Rules likely to differ for those who arrive before or after 31 December 2020
- Depends on UK-EU negotiations, but rules could be more onerous after this date
- Pre 31 December 2020 arrivers have up to six months after end of transitional period to obtain a permit.



Residency Permits

Will require:

- Birth, and Marriage Certificates
- Passport
- Three identity photos
- Proof of address (house ownership or rental contract, and utility bills)
- Proof of healthcare cover
- 'Self-sufficient' proof of income (bank statements, portfolios, tax returns, etc.).





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Driving

Driving

Driving licences...

- Current UK government advice recommend not exchanging UK licence for French unless:
 - ➤ Lost/stolen
 - Expiring in less than 6 months
 - > Needs amending
 - > Infraction
- Currently 12 months delay!
- No deal 12 months to exchange



Driving

Vehicles...

- If moving for more than 12 months
 - ➤Tell DVLA
 - ➤ Permanent export section, form V₅C
 - ➤ Remainder of log book use to register vehicle in France





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Pets

Pets

- Must be micro-chipped
- Immunised more than 21 days before leaving
- Consider animal-specific transportation to new location





The rest...

The rest...

- Apply for EHIC card online, for access to French healthcare for first 3 months
- Council and utilities
- Insurance personal, buildings, contents, vehicles UK & France
- Telephone, internet, mobile (package?)
- French bank account





UK Pensions

UK Pension Freedoms

- You control how much you take and when you take it
- Easier to pass on to future generations



UK Pension Options

- Buy an Annuity
 - Offers certainty of income
- Annual, or regular drawdowns from the fund
 - > GBP, charge post 75 years, and fund management
- Take the fund as a lump sum
 - > Tax position?
 - ➤ Do what with the money?
- Move to QROPS
 - Really an offshore SIPP, with choice of all of above



Pensions

Is France a Tax Haven?

- Withdrawals in UK taxed as income (over the 25% tax free lump sum). Scale rates max rate 45%
- In France regular pension income taxed at scale rates - max rate 45%
- Lump sums in France are taxed at only
 7.5%
- Plus social charges of 9.1%, but not if S1 held
- Danger if multiple lump sum payments



Pension Concerns

- Brexit
 - > Tax NOT governed by EU
 - ➤ Bilateral double taxation agreements
 - ➤ So anticipate no change

BUT....

Pension Exit Tax Charge?.....



HMRC Pension Concerns...



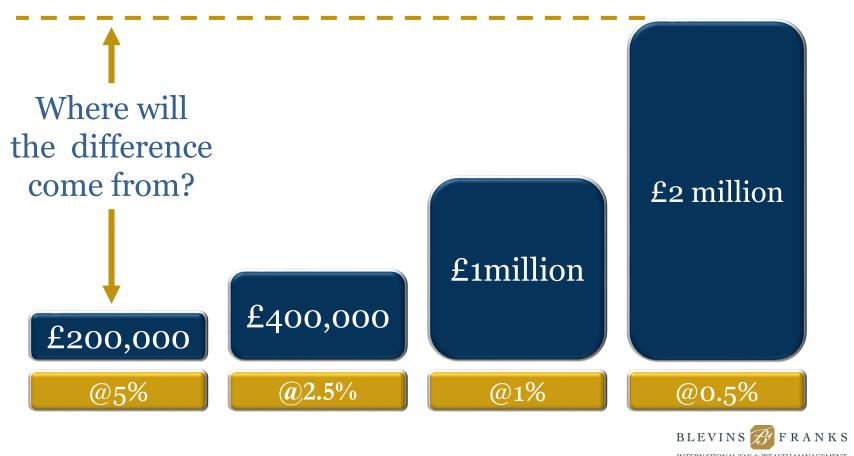
NEW Exit tax?

Note: 25% exit tax now imposed on non-EU movers or transfers to non-EU QROPS

Pensions

Reduced interest rates

A simple example, securing £10,000 of income....

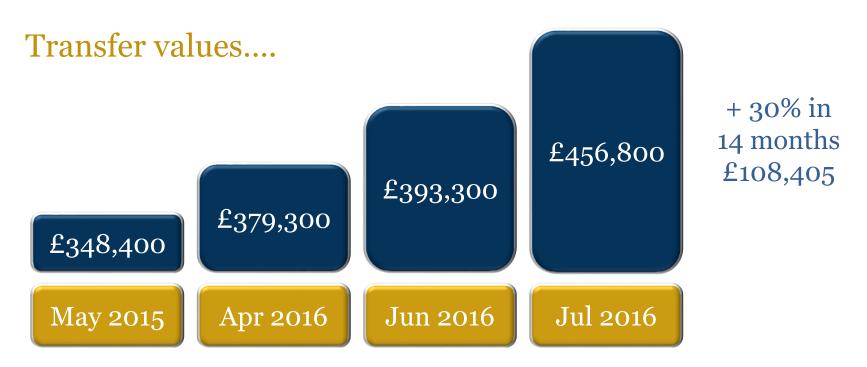




Pensions

A real life story...

Male early 40's, RPI linked DB pension of £9,700p.a.





Something needs to change....

- 25% Pension Exit Tax Charge on pension transfers to non-UK pension schemes
- Reduced benefit guarantees?

Review all of your options before the UK Government does it for you!





UK Investments

UK tax efficient investments

- Investments like ISAs, Venture Capital Trusts or Enterprise Investment Schemes do <u>not</u> have tax efficient status in France
- French income tax (12.8% or scale rates) and social charges (17.2%) payable on any interest, dividends arising
- Consider cashing these in before you leave the UK
- Selling them prior to leaving the UK means you should pay little or no tax in the UK or France





What to do after you arrive in France

What to do after you arrive in France

- Tax residency
- Healthcare
- Tax efficient investing in France
- The rest





Tax Residency

Tax residency

Your French tax residency commences when....

- You arrive with the intention of residing indefinitely, then you become tax resident from the day of arrival
- Your main home or *Foyer* ('household') is in France
- You spend more than 183 days in France in a calendar year
- Your principal activity is in France (eg. occupation, trade, main income)
- France is where you have the majority of your assets.
 Known as centre of economic interests.



Tax residency

- French resident liable to French taxation and social charges on your worldwide income and gains
- Not resident in France liable to French taxation on your French source income and gains
- UK Statutory Residence rules could mean you remain
 UK tax resident if you spend too many days in the UK
- Being dual tax resident in both France and the UK is complicated and administratively difficult
- Take advice early to avoid this situation.



Obligation to Register and File

- As a French tax resident, it is your duty to register with the French tax authorities
- You must declare your worldwide income and gains annually
- Do not try to do it yourself work with a French accountant experienced at dealing with:
 - UK expatriate tax matters, and
 - ➤ Your local French tax office (each office is relatively autonomous, and the degree of inconsistency can be considerable)
- Register at local Service des impôts





- EHIC card covers the first 3 months
- Thereafter apply for the PUMA through local sickness insurance fund
- Called 'Caisse Primaire d'Assurance Maladie' (CPAM)
- Once registered receive a French social security card, the 'Carte Vitale'
- Need to present this card at any medical consultation or hospital visit.



S1 certificate from DWP:

- ➤ Register your S1 at your local CPAM office
- UK is responsible for funding your healthcare
- ➤ You are affiliated to the French health system and receive health care on the same basis as a French national
- > UK reimburses France for your health care costs.



Early retirees and the "economically inactive":

- Contributory
- 2019 6.5% of capital income (rental income, income from investments etc) over €20,262 (pension income is excluded)
- Few people therefore would pay to join PUMa.



UK-EU Negotiations...

- Aim is maintain current Social Security and Healthcare Coordination which UK previously stood by in the EU
- Those present at 31 December 2020 are effectively 'ringfenced'
- Political declaration "The Parties also agree to consider addressing social security coordination in the light of future movement of persons"
- But no security for those arriving after 31 December 2020.



No Deal Brexit...

- S1 falls away no longer funded by the UK
- Become liable to pay social charges on pensions, as the French do (S1 holders currently exempt from this)
- Rate 8.4%
- Written answer to a recent Parliamentary question "...prioritising those that are the major pensioner, worker and tourist destinations"
- If no UK –EU agreement, UK might agree a bilateral agreement with France





Tax Efficient Investing in France

French investment structuring – the *Assurance Vie*

- No tax is payable on dividends and income received, nor the gains arising on buying and selling of investments
- They are all accumulated in the policy
- Only the 'profit' element contained within any withdrawal is taxable
- An Assurance Vie is outside of French wealth tax
- There are considerable French succession tax savings



French investment structuring – the *Assurance Vie*

- At every withdrawal, the overall growth is measured
- Withdrawal is deemed part capital/part gain just the "gain part" is taxable
- From 1 January 2018 the "gain part" is taxed at single, flat rate of 30% (12.% income tax and 17.2% social charges)
- Option to use old regime scale income tax rates, plus 17.2% social charges.



French investment structuring – the *Assurance Vie*

An example....

- Year 1 invest €100,000
- Year 2 value €110,000
- Want to withdraw €11,000
- 'Profit' = 10%
- Taxable element in withdrawal = €1,000
- Tax payable = €300 (30%), on €11,000 withdrawal
- If held personally, taxable amount = €10,000





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The Rest

The rest...

Tell the rest of the French authorities you have arrived

- Healthcare Assurance maladie
- Caisse d'Allocations Familiales (CAF) benefits office for family allowance payments
- Mairie to vote in local elections, register for schools, local council spending allocation
- Préfecture register your UK vehicle



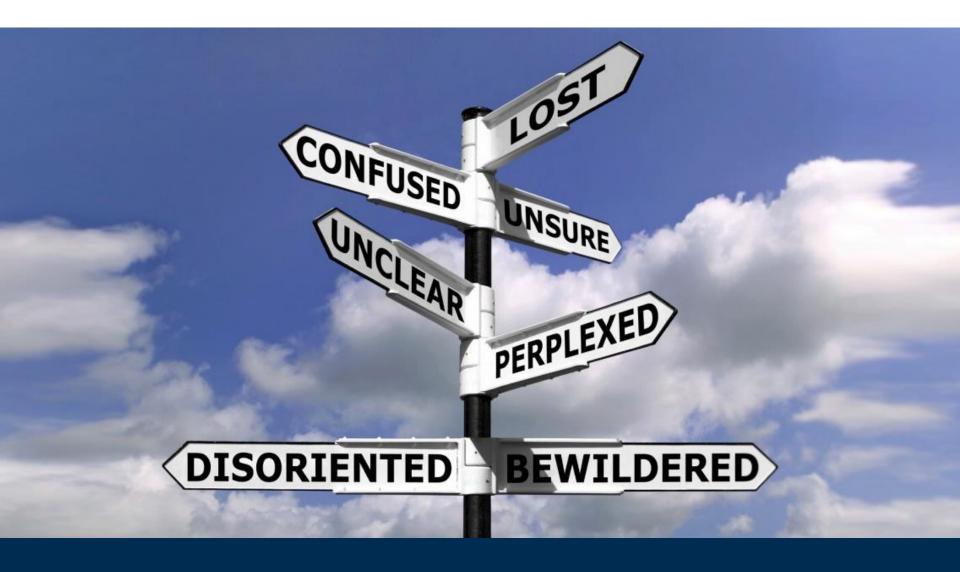


INTERNATIONAL TAX & WEALTH MANAGEMENT

Brexit



Where are we now?



The right to reside for self-sufficient persons (EU Directive, at Article 7(1)(b)):

"....have <u>sufficient resources</u> for themselves and their family members not to become a burden on the social assistance system of the host Member State during their period of residence and have <u>comprehensive sickness</u> <u>insurance</u> cover in the host Member State"



Sufficient Resources

Definition of "sufficient resources" for self-sufficient persons (EU Directive, at Article 8(4)):

"....Member States may not lay down a fixed amount which they regard as "sufficient resources", but they must take into account the personal situation of the person concerned. In all cases this amount shall not be higher than the threshold below which nationals of the host Member State become eligible for social assistance, or, where this criterion is not applicable, higher than the minimum social security pension paid by the host Member State."



Comprehensive Sickness Insurance (CSI)

- "Comprehensive" is not defined in EU law
- Can be any form of health insurance public or private, contracted in home or host state
- For "economically inactive", four possibilities:
 - ➤ EHIC cover generally does not exceed first three months
 - Employed/self-employed in home or host state
 - >S1, S2 or S3
 - > Private medical insurance



Post Transition Position

- Unknown what the rules might be
- Current agreement utilizes EU Regulation,
 but these rules expire 31 December 2020
- Expectation is any future agreement around Citizens Rights should resemble WA rules but nothing definitive at the moment
- UK government has consistently stated its commitment to EHIC, the S1-3 system (as part of social security coordination), etc.



The Cliff Edge, or Hard Brexit Scenario

- UK becomes a "Third State" on 31 December 2020 (or earlier depending upon negotiations), in a no deal scenario
- Issue of residency permits could become more onerous
- Qualification under "sufficient resources" rules could become more demanding
- Rather than unemployment benefit or state pension, the prevailing measurement becomes the minimum wage of the host member state.



The Cliff Edge, or Hard Brexit Scenario

 Minimum wage independently established by individual member states.....

EU27 Member State	Min Wage Per Month 2019	Min Wage Per Year 2019
France	1,521	18,252
Spain	1,050	12,600
Portugal	700	8,400

 This is a per person requirement – no separate minimum per couple!



Hard Brexit Residence Permit Applications

- No Freedom of Movement means no right to stay beyond 90 days and apply "at your leisure"
- UK Third State, so no longer able to apply for Residency Permits "in-country", in France
- If you know you will want to stay more than 90 days before you leave - apply for an annual permit before you travel at French consulate in the UK
- Only realize you want to stay during first 90 days currently must return to UK and apply at the French consulate



Conclusions

- Only secure if you arrive in France before 31
 December 2020
- Pre-31 December 2020 arrivers ring-fenced
- Currently, no guidance on Citizens Rights for those arriving after 31 December 2020





Conclusions

Conclusions

- Buying a property, and moving to France is only the first step in the process
- A large number administrative tasks, and financial decisions to make before, and after arriving in France
- Be aware of where you stand re Brexit and legal residency

So come and talk to us on Stand 20!





The tax rates, scope and reliefs may change. Any statements concerning taxation are based upon our understanding of current taxation laws and practices which are subject to change. Tax information has been summarised; an individual should take personalised advice. All figures quoted in this presentation are for illustration purposes only.

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