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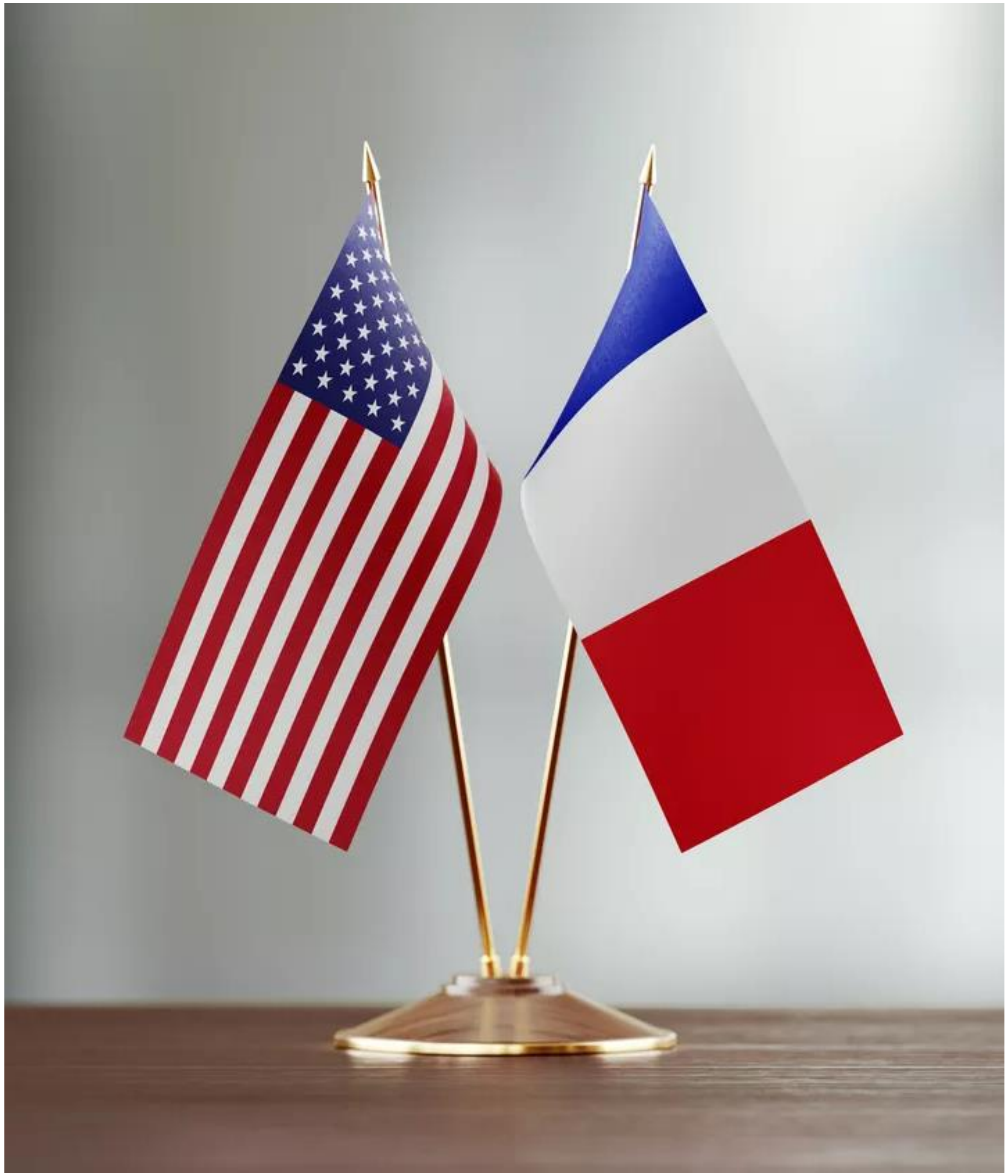
Navigating French Taxation



Presented by Jonathan Hadida

July 13, 2023

SUMMARY

1. Tax Residency
2. Tax Liability in France
3. How to avoid Double Tax
4. Filing Considerations
5. What to watch out for

This presentation focuses on individual tax matters and will not be covering topics relating to estate planning or corporate structuring.

This presentation covers general concepts of US and French tax legislation. All legislation is valid as of date of presentation. Nothing herein shall be deemed legal, tax or accounting advice.

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About the Presenter

Jonathan Hadida is the founder of Hadida Tax Advisors.

Jonathan is a member of the New York Bar and holds law degrees from Université de Montréal (LL.B), Osgoode Hall Law School (JD) and McGill University (LL.M).

Prior to starting Hadida Tax Advisors, Jonathan worked at various firms in France, Switzerland, Belgium and the United States as well as for the Canadian government.

Jonathan and the HadTax team specialize in **assisting clients with their tax compliance needs** in both France and the United States.

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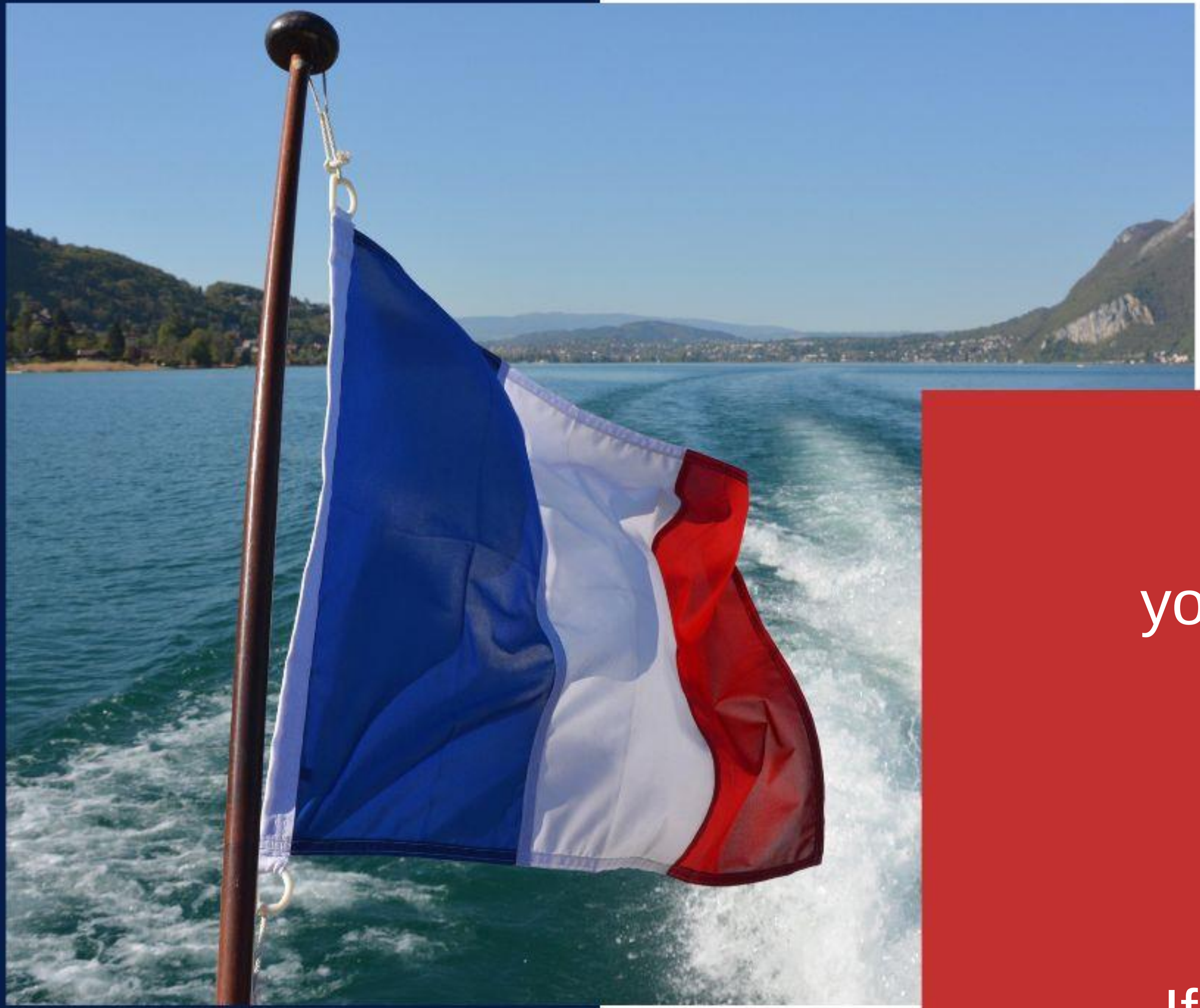
AM I A FRENCH TAX RESIDENT?

We initially look to French internal law.

To determine fiscally residency we look at:

- **Where is your Principal residence**?
- **Where is your Principal professional activity carried out?**
- **Where is your center of economic interests?**
  e.g. investments, business.

The **183 day rule per calendar year <u>assists</u> in the determination** but is not the only criteria looked at



LIABILITY TO FRENCH INCOME

If you **ARE** a French tax resident,
you are liable to French income tax on:

- Worldwide income

If you are **NOT** a French tax resident,
you are liable to French income tax on:

- Income earned in France

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WILL I NOT PAY DOUBLE TAX?

In order to avoid double taxation the **UNITED STATES** offers two mechanisms:

1. The Foreign Tax Credit
2. The Foreign Earned Income Exclusion and the Foreign Housing Exclusion

From a **FRENCH** tax perspective, the key mechanism to avoid double tax is art. 24 of the US-French tax treaty. Commonly referred to as:

THE BEAUTY OF THE TAX TREATY!

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THE BEAUTY OF THE US-FRENCH TAX TREATY

Article 24 of the French US tax treaty in conjunction with other articles provides special treatment to US citizens and offers a credit (against the French taxes) of an amount equal to the French taxes on US sourced interest, dividends, capital gains, pensions and rental income received by US citizens.

This income is therefore ONLY subject to US income tax for US Citizens.

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TAX FILING CONSIDERATIONS

What additional filing considerations should you have as an American in France?

- Foreign Bank Account Forms
  - France Form 3916

- French Wealth Tax
  - Who is subject to Wealth tax?

- French Trust filing obligations
  - When will we file?

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FOREIGN BANK ACCOUNT REPORTING

France Form 3916

French resident must also declare their foreign bank accounts and capitalization or investment contracts of the same kind, as life insurance contracts, underwritten abroad.

FRENCH WEALTH TAX

French Tax Residents

French tax residents are subject to wealth tax (IFI) on their **worldwide real estate assets.** Only comes into play where your net holdings in real estate are **over 1.3M EUR.**

The main residence benefits from a 30% reduction on its value.

People who return to France after having resided abroad for the past 5 years are, during the 5 years following their return, taxable for IFI only on their property which is located in France.

French non-residents

Individuals who are tax registered abroad, are subject to the IFI on the basis of their property, which is located in France.

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FRENCH TAXATION OF TRUSTS

French tax residents

Annual declaration of trust holdings.

This must include a detailed inventory of the assets, rights and capitalized products situated in France or outside France and placed in the trust, as well as their market value on January 1st of any year.

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When you sell your property in France, how is it taxed?

- Taxation in France is based on whether the property is your principal residence and how long you hold the property.
- No taxation (income or social charges) in France if you hold the property for over 30 years.
- Partial exoneration depending on how long you hold the property.
- Taxed in the US with credit for French taxes paid.
  - Careful consideration needs to be taken to avoid a taxation mismatch.

A NORMAL FRENCH TAX SEASON TIMELINE


Mid-April

Opening Of French Tax Filing Season

Mid-May

Deadline For Non Residents And First Year Filers (Paper)

Mid-June

Deadline For Resident Fillers

End of June

Date To Correct E-filling

Sept to Dec

Receipt Of French Tax Assessment and Tax Payment In 4/3/2 Monthly Installments

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Used for illustrative purposes as dates change annually

Pre-move to France: Tax Planning ideas?

- Gifting to family members
- Holding of US investments
- Trust review
- Reviewing US State residency
- Sale of property before coming to France

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THANK YOU & QUESTIONS

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Hadida Tax Advisors makes
American and French Tax Compliance easy.