EXPATRIATES to France TAX REGIME REGULATION April 2019

SCOPE of CONCESSIONS

It applies to employees and executives who professionally transferred to France since 1st January 2008 subject not to have been domiciled tax wise in France within the previous 5 years before this transfer.

This regime is applicable for 8 consecutive years after settling in France.

CONCESSIONS REGIME:

It comprises three different aspects:

- The salary surplus granted because of the transfer to France is exempt to the extent it does not exceed a standard remuneration for a similar position in France. Up to such limitation the tax payer can either exclude the € amount of his expatriation benefit if his salary, before expatriation bonus, is not below the already described limit or, for those hired by a company settled in France, choose for a lump amount evaluation of the expatriation bonus.

  The share of the compensation corresponding to the activity deployed abroad is exempt.

  For the implementation of this regime the expatriates may;

- Choose to limit the exemption of their expatriate bonus and of the compensation corresponding to their work outside France to 50 % of their global compensation,

  or,

- Choose as currently already possible (provision 81b of the CGI) to limit the only part of the compensation corresponding to the working outside France to 20 % of their taxable compensation.

Furthermore, expatriates are benefiting under certain conditions of a tax exemption on 50 % of their passive income on shares, bonds interests and on income deriving from intellectual property (patent royalties…) collected abroad or capital gains on investments and financial instruments when detained outside France. This regime only applies when the debtor of these incomes is located in a country that has signed with France a tax treaty with provisions to avoid tax evasion and administrative assistance. Only income tax is concerned and the social contribution remains applicable on the entire basis for these kinds of passive incomes (CSG – CRDS – 17.20 %) when not earned by an EU citizen. US citizens, because of tax treaty, are not taxable in France except for the above CSG CRDS. The flat tax standard rate of 30 % of the passive income, dividend incomes and capital gains on shares and bonds is therefore reduced to 23,6 %.

We don't yet know what be the treatment in that respect of the "CSG" for UK citizens when UK will no longer be part of the EU.

Upon administrative agreement the regime is also available to persons domiciled in France tax wise even if they are not employed there.

The regime is applicable immediately after such person has established his or her tax domicile in France and especially as soon as he or her has the center of his or her interest and professionally operates there. Nevertheless, for the first year the regulations states that the stay in France should be longer than the one in another country where the person may have stayed the same year.

Tax treaty provisions in that matter should apply. The regulation also provides for a fair and reasonable treatment meaning that the transfer date may not coincide with the transfer of the family or finding a home.

The regulation also states that the exempt income should be reported in the yearly tax return (2042) to determine the "Revenu Fiscal de Reference" (RFR) that allows the progressive tax schedule to come into play when determining the tax.

In the same manner, the taxpayer shall report (on line or with hard copy tax form) or in a separate mail the option he or she took about the evaluation of his expatriate bonus (employee hired abroad) and his choice about one or the other of the two exemption limitations.

Salaries earned from working abroad.

Not to cumulate with the expatriate regime, salaries of tax residents for working outside of France may be exempt from French tax for a proportional number of days or trips without exceeding 40% of the daily taxable normal salary. Social charges remain due on the exempt from tax amount.

Special treatment for US Citizens.

As we know US citizens and green card holders are liable for tax in the US either or not they are tax residents of the US. An exemption exists for those who are not residing in the US for 105.900 $ (in 2019) on they earned income.

The tax treaty to avoid double taxation between France and the US exempt dividends, interest and capital gains from the sale of shares

Wealth tax:

The expatriates are exempt from wealth tax for 5 years but not for 8 years. Nevertheless, this remark may have no or little impact because tax (Real Estate assets wealth tax -= IFI) only hits real estate interest.

Summary:

For a taxpayer of France salary and professional Income related to the transfer to France are benefiting a special preferential treatment as well as passive income on financial portfolios subject that they are of foreign source.

Even for individuals falling under the definition of expatriates, retirement benefits or compensation for work performed in France and from French source are not exempt as earned abroad income is.

The taxpayer shall determine with his CPA the best option about the exemption system and the best limitation option (20 or 50 %) resulting from the expatriation financial conditions.

The regime is very beneficial to really wealthy persons if they keep the custody of their portfolio outside France and if they have a French tax domicile.

Civil servants who are under other regime are not concerned as they remain taxable in the country of origin they work for.

For more detail, the regulation is available on the French Government Ministry of Finance Website "impots.gouv.fr" that can be found through the "Minefi" address (for Ministry of Finances).