MOVING TO FRANCE FROM THE UK:

A GUIDE TO TAX, PENSIONS, & FINANCIAL PLANNING

Outlining the key tax, pension, and financial planning considerations for UK nationals moving to or living in France.

enquiries@sjb-global.com | +34 951 127 210 | sjb-global.com

CONTENTS:

What is included in this guide...

OVERVIEW OF THIS GUIDE

For UK nationals living in France—or considering a move—understanding your financial obligations and opportunities is critical. France's tax system is complex and operates quite differently from that of the UK. But with careful planning and a solid understanding of the rules, you can potentially reduce the tax you pay in France and avoid costly mistakes.

This guide offers a clear overview to the key topics UK expats need to know—from defining French residency to the taxation of UK pensions, social charges, and opportunities for tax-efficient planning. While this guide is thorough, remember that every situation is unique, and you should always consult an independent financial adviser to tailor any strategy to your personal needs.

enquiries@sjb-global.com | +34 951 127 210 | **sjb-global.com**

TAXES IN FRANCE: HOW THE SYSTEM WORKS

France's tax system can seem complex, but understanding how it works is essential for anyone living here. The French tax landscape is far-reaching and often very different from systems like the UK's.

Taxation for Residents

French residents are taxed on their worldwide income, covering employment, pensions, investments, property, and land. A key difference from the UK is that France assesses tax at the household level, not individually. The "quotient familial" system divides household income by the number of parts (adults and children) to determine the applicable rate, typically reducing tax for larger families. Married couples must file jointly, while unmarried couples file separately.

Everyone in France must file a tax return annually—no PAYE system here. Returns are due by 31 May (or June if filing online). Missing the deadline triggers an automatic penalty.

For the current taxation rates in France please click here.

1 Social Charges in France

France's social charges are among the highest in the world and apply to various income sources—salaries, pensions, rental income, savings interest, and capital gains. These charges help fund the health system but do not entitle you to specific benefits.

To view the current year social charges in France please click here.

2 Corporation Tax

French corporate tax is set at a fixed rate, with small businesses benefiting from a reduced rate on their first profits.

To view the current year social charges in France please click here.

3 Capital Gains Tax in France

On Real Estate: Capital gains tax (CGT) on property is at a fixed rate, but with varying social charges based on your circumstances. However, your principal residence is exempt. A former second home can also qualify as your principal residence if you demonstrate fiscal residence, typically via one or two tax returns from that address.

French tax treaties ensure there's no double taxation on UK property sales for French residents. France will tax the gain but provide credit for UK tax paid. Over time, your CGT liability reduces: real estate capital gains tax is avoided after 22 years of ownership, and social charges after 30 years.

On Shares, Funds, and ISAs: Unlike in the UK, there's no tax-free allowance on share sales in France. Worse, ISAs lose their tax-free status entirely, and their contents (cash, shares) are taxed as normal. This often catches expats unaware, with providers unable or unwilling to produce the required French tax information.

Shares can be taxed via a flat tax or at your marginal rate with allowances, making calculations complex. Many expats hire accountants to navigate this.

4 Wealth Tax (IFI)

France's wealth tax, the Impôt sur la Fortune Immobilière (IFI), applies only to real estate assets over €1.3 million in net value. Residents are taxed on worldwide property; non-residents only on French property. This focused tax structure requires careful planning for those with significant real estate holdings.

To view the current year social charges in France please click here.

5 Gift and Inheritance Tax

Gift Tax: France taxes lifetime gifts, with allowances that renew every 15 years. For the current rates and bands please click here.

Inheritance Tax: France uses forced heirship rules protecting children's rights. Even if you have no will, French law ensures these allocations. Non-residents with French assets should draft a clear will to ensure their wishes are respected across borders.

6 Exit Tax

France's "exit tax" aims to discourage tax-motivated moves abroad. Anyone resident in France for 6 of the last 10 years who leaves France may face tax on unrealized gains exceeding a set figure in financial assets. This is taxed at the current rate. Reforms in 2019 eased payment rules, but strategic planning is essential if you're considering leaving France as a high-net-worth individual.

UNDERSTANDING RESIDENCY & REPORTING REQUIREMENTS IN FRANCE

If you're planning to live in France, it's essential to understand the rules around tax residency and the reporting of foreign assets.

Reporting Foreign Assets

One of the first—and most critical—things to understand is France's strict rules about reporting foreign assets. If you become a French tax resident and fail to declare overseas assets (including those that could fall under France's wealth tax, known as IFI), you face severe penalties, including large fines and even jail time. France has blacklisted jurisdictions that don't automatically share tax information, taxing them as if they were non-reported.

Since 2013, penalties for failing to declare trusts have doubled. You need to make sure your financial affairs are in order and comply fully with French reporting requirements to avoid these harsh penalties.

Defining French Tax Residency

The French tax year runs from 1 January to 31 December. You're typically considered a tax resident if you live in France for more than 183 days in a calendar year, if your main professional activity is in France, or if your family is based there. Even if you work overseas, having your spouse and children living in France could make you a French tax resident.

Because residency status determines your liability for French taxes, it's crucial to get specialist advice if you're unsure.

UK PENSION PLANNING FOR FRENCH RESIDENTS

Pensions are a central issue for UK nationals in France. Understanding your options can make a substantial difference to your retirement income.

Defined Contribution (DC) Pensions:

Benefits of transferring include:

- Avoiding annuity purchase requirements
- Multi-currency options, essential with GBP volatility
- Broader investment choices
- Improved death benefits for non-UK beneficiaries
- Easier consolidation for simpler management

Many expats transfer to a SIPP (Self-Invested Personal Pension) or QROPS (Qualifying Recognised Overseas Pension Scheme) for these advantages.

Defined Benefit (DB) Pensions

Transfers from DB pensions are complex and involve giving up guaranteed income. Benefits of transferring may include:

- Greater flexibility in accessing your pension
- Ability to take lump sums
- Investment choice and control
- Protection against your scheme failing (avoiding the Pension Protection Fund)
- Adapting for reduced life expectancy

However, careful analysis is critical, as these guarantees are valuable. Always seek professional advice.

YOUR UK PENSION OPTIONS IN FRANCE

If you're living in France and have a UK pension, understanding your options is crucial to managing your retirement income efficiently. Post-Brexit changes have made access more complex, but with the right planning you can make informed decisions that suit your financial goals and residency status.

The options:

French residents generally have three choices:

- Retain existing UK pension
- Transfer to a QROPS
- Transfer to a UK-based SIPP

Post-Brexit, accessing UK pensions from France has become harder, especially for annuities and certain drawdown schemes. This makes transferring more attractive in many cases, but you must evaluate fees, currency risks, and tax implications carefully.

QROPS Transfers

Transfers to QROPS based outside your country of resident face a 25% tax charge but can protect you from UK IHT. The benefits are very limited due to recent changes in the budget but in special circumstances, it might still be used.

SIPP Transfers

International SIPPs remain UK-regulated, with benefits such as:

- Avoiding annuities
- Drawdown and flexi-access
- Wide investment choice
- Multi-currency options
- UK pension legislation compliance

Each option has pros and cons, and selecting the right one depends on your goals, assets, and residency.

TAXATION OF UK PENSIONS IN FRANCE

UK pensions are taxed in France as earned income. Thanks to the UK-France double taxation treaty (DTA), you can avoid UK withholding tax by applying for an NT tax code. Without it, you risk paying UK tax at source, which you must reclaim later.

Pension Income:

In France, pension income is subject to social charges, typically 9.1%, though a reduced rate of 7.4% applies for lower incomes or with an EU Form S1.

Taxation of Lump Sums

Lump sums can be taxed:

- At marginal rates
- Using the "four-year rule" to spread the tax burden
- At a 7.5% fixed rate (with 7.4% social charges) for the first lump sum

Careful planning is required to choose the best approach.

UK State Pensions

UK government service pensions remain taxable in the UK but must be declared in France for credit. They're exempt from French social charges and benefit from inflation indexing.

TAX PLANNING OPPORTUNITIES IN FRANCE

Tax planning is not just about reducing your tax bill (though that's important). It's about achieving your financial goals, protecting your estate, and ensuring you and your heirs pay no more than necessary.

Key benefits include:

- Reducing your overall tax liability across income, capital gains, and wealth taxes
- Limiting succession tax for your heirs
- Gaining more control and flexibility in estate planning
- Maximising real returns by investing tax-efficiently

Life assurance (assurance vie) in France, for instance, can offer excellent tax advantages, but the best options can depend on whether policies are EU-based.

WHERE TO START

Navigating both UK and French tax systems can be daunting, especially when they intersect.

Why Expert Advice Matters:

French and UK tax rules are complex enough separately—let alone combined. DIY approaches risk mistakes and unexpected tax bills. That's why tax planning should be integrated with your broader investment and estate planning.

SJB professional advisers familiar with both systems can help ensure compliance, optimise your tax position, and give you peace of mind. It's well worth scheduling a review to understand your liabilities and opportunities—and avoid passing unnecessary tax burdens on to your family.

FOR TOP-TIER ADVICE AND EXPERTISE, REACH OUT TO US TODAY.

Our team of specialised advisors is ready to assist you on your journey to financial freedom.

Contact Page: sjb-global.com/contact
Website: sjb-global.com
Email: enquiries@sjb-global.com

Spanish Address:
Avenida Andasol, Marbella, Malaga
29604, Spain

enquiries@sjb-global.com | +34 951 127 210 | **sjb-global.com**

- This guide is intended solely for informational purposes and should not be considered or relied upon as financial advice.
- We recommend consulting a regulated financial adviser to discuss your specific situation and obtain tailored advice for your individual needs.
- This guide is not meant to offer, and should not be relied on for, tax, legal, or accounting advice. We advise you to review any specific tax and social security implications with your own independent professionals in those fields.
- When it comes to financial investments, keep in mind that past performance is only a reference point and does not guarantee future results; your investments may fluctuate.
- Any financial examples or funds mentioned in this report may contain inaccuracies and might not apply to the funds you eventually choose.
- The funds discussed are based on hypothetical portfolios and do not reflect recommendations from any SJB entity. A thorough discussion regarding your risk tolerance and suitability will be necessary before any formal advice can be given.
- Regarding pension accounts, it's important to periodically assess your pension against your expectations, as the benefits you receive will be influenced by future investment performance.
- SJB, along with its affiliates and employees, does not provide tax, legal, or accounting advice.
- This guide should not be interpreted as a suitability report.

SJB GLOBAL