



Reducing your Income Tax Legally

by Isabelle Want

Like me and 50 million French residents, you will have received your French income tax bill in August and may be wondering how you could reduce this figure without reducing your income, of course!

Well did you know that finding ways to reduce your income tax is one of the France's favourite past-times! And the French government even uses that as a tool to encourage investment and to improve the French economic and social system.

There are more than fifty ways to reduce your income tax. I will only give you a brief summary here, but don't hesitate to contact me directly for more detailed information.

DEDUCTION D'IMPÔTS

The deduction of tax is when you actually reduce the income that you declare and therefore reduce your tax. So instead of declaring 20,000 of income you declare 18,000€.

a. PERP and Madelin contracts (for self-employed) are reduction d'impôts:

PERP is a pension contract and whatever amount you put in it per year is deducted from your income. So if you earn 20,000€ and put 2,000€ in a PERP, you are only taxed on 18,000€. Madelin is the same for the self-employed so the amount they put in their pension funds (but also towards life insurance and health top up) is added to the charges/cost they declare and therefore reduce their income. Not possible for auto entrepreneur as they don't declare charges.

b. Old people:

Another deduction of tax could be taking care of an elderly person at your house (other than your parents). This person must be over 75 years old and earning less than 9,600€. You can deduct the cost (food, housing, etc) up to 3,403€.

c. Bénévoles:

If you do some work for a registered charity or association as a volunteer, then you can get the cost of your expenses (petrol, food, etc) deducted from your yearly income. Those costs must not be reimbursed by the association or charity and must be declared by them on their annual report.

REDUCTION D'IMPÔTS

There are loads of reductions possible and this is when the French government says you can reduce your tax bill by a certain percentage.

a. Children at school:

Yes, if you have a child in college, you can reduce your income tax by 61€, in Lycée, by 153€ and 183€ for University. This amount is per child.

b. Giving to charity or associations:

You can reduce your income tax by 75% (limited at 529€) if you give to French registered charity (food, housing, medical, etc) or by 66% (limited at 20% of your income tax) if you give to political parties, associations, educational, public interest, art charity, etc.

c. Home services:

If you pay someone to do your garden, cleaning, ironing, IT, handy work at your house and you are retired, you can reduce your income tax by 50% of the amount you pay per year.

d. FCPI:

This is an investment in helping the creation of small and medium companies in innovating sectors. This investment can be made with me (Allianz). This is a reduction of 18% of the amount you invest and 45% for the ISF (wealth tax). The money is blocked for 5 to 7 years.

e. Property investment "Loi Pinel":

Investment in rented property that gives you a reduction of 18% over 9 years, so 2% per year so if you invest 20,000€, you reduce your income tax by 400€ per year over 9 years. This can be done with Allianz so contact me. It is blocked for 13 years. You can buy using a mortgage and deduct the interest from your income as well.

f. SOFICA:

This is an investment in Cinema! Yes, the French government wants private investors to help the art cinema sector so you can reduce your income tax by 30% of the amount you invest. Highly risky of course but your investment has to be -30% for you to lose. But some years, it's good - it depends if one of the films is successful or not. It is blocked for 5 years.

CREDIT D'IMPÔTS

This one means that not only can you reduce your income tax but if the reduction is more than your total tax, the French government can also give you some money.



a. Ecological work in your main residence:

If you do some work in your house in relation to ecology (solar panels, wind mills, energy efficient, etc) you can get a tax credit of up to 25% of the amount spent. The work has to be done by professionals and includes wood burner, insulation, double glazing, solar panels, etc. Best to look it up on form 2042-QE (you can download it from the internet).

b. Home services:

If you pay someone to do your garden, cleaning, ironing, IT, handy work at your house and you are employed or self-employed, you can get a tax credit of 50% of the amount you pay per year.

c. Nursery:

You can get a tax credit of 50% of the cost if you leave your children at a nursery or with a registered nanny (parents don't count).

Those are only a few examples of some ways to reduce your income tax (and wealth tax) and you would be amazed to what length and what risk some French people go to do so. But please be careful as some of those investments can be risky and not available for a while. So make sure you contact me if you want any further information.

And remember to check out our website www.bh-assurances.fr for all my previous articles ("practical information" on the English site). You can also follow us on Facebook: 'Allianz Jacques Boulesteix et Thierry Hatesse'.

And don't hesitate to contact me for any other information or quote on subjects such as Funeral cover, inheritance law, investments, car, house, professional and top up health insurance, etc...

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