



Living in France, Working in the UK

by David Hardy

Many people who dream of buying property and living in France have to wait until they retire. Another option may be to live in France but continue working in the UK.

But what would be the tax implications?

First of all you need to determine if you will become tax resident in France or not.

Under French domestic rules, you will be deemed to be resident in France for tax purposes if you fulfil any of these tests :

1. France is your main residence or home. This is the place where your close family (spouse and minor children) live, regardless of where you yourself spend most of the time.
2. France is your principal place of abode, normally spending more than 183 days in France a year.
3. Your principal activity is in France.
4. France is the country of your most substantial assets.

However, you also need to be aware of the UK domestic residency rules, as spending time in the UK could mean you are tax resident there, especially if you have other ties like property. In this case the double tax treaty will determine where you are resident for tax purposes.

If you are tax resident in France, you are liable for French tax on your worldwide income, gains and wealth.

However, the UK/France double tax treaty provides that generally French residents working in the UK pay UK tax on the income derived from the work done in the UK. The income is not taxed directly in France, but must be added to your other income to determine your overall tax rate. You then receive a credit equal to the French tax and social charges that would have been due, meaning you do not pay tax in France on your UK income, but it does increase the rate of tax you pay on your other taxable income.

Social security (national insurance) contributions are more complicated...

If you only work in one EU country, you are usually liable to pay social security in that country. If you work in more than one EU country, and if a substantial part of your activity is carried out in the country you are resident in, then you pay social security in that country. So, if most of your activity is carried out in France you will need to pay French social security contributions, entitling you to French state health care.

You also need to be aware that if you are a French resident, all your other income - bank interest, investment income etc - will be liable for French income tax at your marginal rate plus social charges of 15.5%.

If the wealth of your household exceeds 1,300,000€ you will also be liable to the annual wealth tax on assets over 800,000€.

You would need to review your savings and investment structures as what is tax efficient in the UK is usually not tax efficient in France. With specialist advice and careful planning, you can use French compliant opportunities to reduce tax on your investments and wealth, and could end up paying less tax in France than you did in the UK.

Your situation will be unique, so you need to seek personalised advice.

David Hardy is Regional Manager of Siddalls France, Independent Financial Adviser, specialised in personal tax, inheritance, pension and investment planning for the British community in France since 1996.



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