

# Noé Barkate

Avocat Fiscaliste

## Tax returns and regularisations - Practical information

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❖ How can we help you with your tax returns?

**Step 1:** a detailed questionnaire is sent to you to be completed (family status, income, assets, etc.);

**Step 2:** submission of the completed questionnaire and required documents;

**Step 3:** preparation of your tax return and estimation of the amount of tax due;

**Step 4:** validation of your tax return and submission by the deadline;

**Step 5:** proposition of strategies to optimise your tax and wealth situation (if applicable).

❖ What, when and how do I have to declare my income?

	French tax resident	Non-French tax resident
<b>What to declare?</b>	Worldwide income + foreign accounts.	Income from French sources only.
<b>When to declare?</b>	In May or June of the following year.	Usually at the end of May of the following year.
<b>How do I declare?</b>	On your tax.gouv space (form no. 2042 and any potential additional forms).	Paper tax return to the Non-Residents Department (form no. 2042 NR and any potential additional forms) On your impôts.gouv space the following year.
<b>In particular, when should you consult a lawyer?</b>	<ul style="list-style-type: none"><li>- Eliminating any double taxation with another State;</li><li>- Arrival or departure from France;</li><li>- Change in family status (marriage, divorce, etc.);</li><li>- Analysis/confirmation of tax residence;</li><li>- Complex/exceptional income to declare;</li><li>- Eliminating any double taxation with another State;</li><li>- Change in family status (marriage, divorce, etc.);</li><li>- Analysis/confirmation of tax residence;</li><li>- Complex/exceptional income to report;</li></ul>	

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❖ What, when and how should I report my real estate wealth?

	<b>French tax resident</b>	<b>Non-French tax resident</b>
<b>What assets should I report?</b>	<u>Worldwide</u> property assets held by the tax household on January 1 <sup>st</sup> of the tax year.	<u>French</u> property assets held by the tax household on January 1 <sup>st</sup> of the tax year.
<b>What is the triggering threshold?</b>	<u>Worldwide</u> net property assets > €1.3M Then taxation from €800,000 of net assets	<u>French</u> net property assets > €1.3M Then taxation from €800,000 of net assets
<b>When to report?</b>	In May or June of the tax year.	Usually at the end of May of the tax year.
<b>How do I report?</b>	On your tax impots.gouv space.	Paper tax return to the Non-Residents tax Department. On your impôts.gouv space the following year.
<b>In particular, when should you consult a lawyer?</b>	<ul style="list-style-type: none"><li>- Arrival in or departure from France;</li><li>- Change in family status (marriage, divorce, etc.);</li><li>- Analysis/confirmation of tax residence;</li><li>- Complex property assets and liabilities to report (e.g. shares in real estate partnership, shareholders' current accounts, etc.);</li><li>- Eliminate any double taxation with another State.</li></ul>	

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❖ I am a settlor, trustee and/or beneficiary of a trust. What tax issues do I need to be aware of?

Potential specific French tax returns	Potential taxation of trust income	Potential taxation of capital transferred from the trust	Potential wealth tax on assets held through the trust
<ul style="list-style-type: none"><li>- <b>Annual</b> tax return to report the market value of assets held in trust;</li><li>- <b>Special</b> tax return in the event of the occurrence of certain events impacting the trust.</li></ul> <p>Failure to report is punishable by a <b>€20,000 fine</b>.</p>	In principle, taxed in the same way as income from fixed assets (IR – Income tax, or PFU – flat tax scale).	<ul style="list-style-type: none"><li>- French gratuitous transfer tax;</li><li>- Substantial taxation of <b>up to 60%</b> may apply to assets passed on, depending on how they are devolved.</li></ul>	Potential wealth tax on real estate assets held through the trust.
<b>Conclusion:</b> Need to anticipate and quantify the French tax consequences of being a settlor, trustee or beneficiary of a trust, or of holding French assets through a trust.			

❖ Some specific features of French taxation of the income of non-French tax residents:

Specific French tax rules:	
Scope of income tax:	Taxation of <u>French-source</u> income only.
Exempt income, including:	<ul style="list-style-type: none"><li>- capital gains on sales of securities and company rights;</li><li>- interest on deposits with French banks;</li><li>- proceeds from the sale or export of jewellery, works of art, collectors' items or antiques.</li></ul>
Deduction of expenses	No deduction from overall income, tax reductions or tax credits (with some exceptions).
Tax calculation	Minimum tax rate of 20% or 30% of taxable income.
Withholding taxes on their French-source income, and in particular:	Self-employed income
	Salaries, wages, pensions and annuities
	Interest, dividends and other distributed income
	Remuneration for artistic services
<b>Conclusion:</b> It is necessary to anticipate the taxation of the French-source income of a non-French tax resident, depending on the type of income and any tax treaties that may apply to eliminate/reduce any double taxation.	

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- ❖ I am selling precious metals, jewellery and works of art. What tax regimes apply if I am a French tax resident?

	<b>Capital gains on art and collectibles rules</b>	<b>Flat-rate tax system</b>
<b>Tax base</b>	Net capital gain on sales (after allowances for holding period)	Sale price
<b>Overall tax rate</b>	19% (income tax) + 17.2% (social taxes)	6% (Income Tax) + 0.5% (social taxes)
<b>Cases of exemption</b>	- seller not resident in France for tax purposes; - sale price less than €5,000; - proof of ownership of the property for more than 22 years.	
<b>Reporting obligations</b>	Form n°. 2092-SD	Form n°. 2091-SD