

ARTICLES OF THE MONTH

NO SOCIAL CHARGES ON UK RENTAL INCOME

All of you would have by now received their income tax bill and some of you had the bad surprise to have been charged social charges on UK rental income.

Well, as you know, this income is taxed in the UK and even though it has to be declared in France, it is not taxed. You had to put in section 6 on the 2047 and line 8TK on the 2042 (also line 4BE and 4BK). If you have done that correctly, on your income tax bill (called Avis d'imposition) you would have notice that the French government tax you on it and then reimburse it to you a bit below (this is on the second page). I know it sounds odd, but this is how they do it. Basically, they calculate how much the French tax would be on it and then reimburse you this tax.

On the third page, you will see "prelevements sociaux". Those social charges can be taken on your "capitaux mobiliers" which is your interest on savings from outside France (if you have any). This is correct.

If you have rental income from the UK, you should also see a line called "revenue fonciers" and as per the income tax, they charge you prélevements sociaux on it and just below give it back to you.

If they don't give it back to you, they have made a mistake and you can claim it back.

If you are not sure, send me a scanned copy of your income tax form and I will double check for you.

Here is what it should look like:

AVIS D'IMPÔT 2017		Impôt sur le revenu et prélèvements sociaux sur les revenus de 2016			
>>> Suite de votre avis					
PRELEVEMENTS SOCIAUX					
Détail des revenus	CSG	CRDS	PREL SOC CONT ADD PREL SOL	CONTRIB SALARIALE	
Revenus de capitaux mobiliers ⁴⁴	2 222	2 222	2 222		
Revenus fonciers nets ⁴⁵	8 796	8 796	8 796		
BASE IMPOSABLE	11 018	11 018	11 018		
Taux de l'imposition	8,20%	0,50%	6,80%		
Montant de l'imposition	903	55	749		
Crédits d'impôt revenus étrangers ⁵¹	- 721	- 44	- 598		
Total net de l'imposition	182	11	151		
Total des prélèvements sociaux nets					344

This is how it should not look like:

AVIS D'IMPÔT 2018		Impôt sur le revenu et prélèvements sociaux sur les revenus de 2017			
>>> Suite de votre avis					
Revenus de capitaux mobiliers ⁴⁴	1 141	1 141	1 141		1 141
Revenus fonciers nets ⁴⁹	10 349	10 349	10 349		10 349
BASE IMPOSABLE	11 490	11 490	11 490		11 490
Taux de l'imposition	9,90%	0,50%	4,80%		2%
Montant de l'imposition	1 138	57	552		230
Total des prélèvements sociaux nets					1 977

Sometimes, when you have an S1, you are only charged 7.5% instead of 17.2% in total. But this is only the case for interest on savings, not for rental income. This is what it looks like when they charged you 7.5% which is the Prelevement de Solidarité:

PRELEVEMENTS SOCIAUX			
Détail des revenus		CSG - CRDS	PREL SOL
Revenus fonciers nets ⁴⁵		18352	18352
Revenus non assujettis.....		- 18352	
BASE IMPOSABLE.....		0	18352
Taux de l'imposition.....		9,70%	7,50%
Montant de l'imposition.....		0	1376
Total des prélèvements sociaux nets.....			1376

You see that they took out the CSG CRDS but not the PS. Well, the PS is a tax and you don't pay tax in France on rental income so it is wrong.

So, if you have been charged social charges on your UK rental, you can send them this letter and you will get reimbursed:

Madame, Monsieur,

Nous venons par la présente demander le remboursement de notre taxe de prélèvements sociaux sur nos revenus fonciers pour l'année 2022 sur les revenus de 2021(voir ci-joint).

En effet, en accordance avec le bulletin officiel des impôts N°67 du 10/08/2011 (14 B-1-11) sur la convention fiscale signée avec le Royaume Uni, nous ne devons pas payer ces taxes sur nos revenus fonciers car ceux-ci se situent au Royaume Uni.

Suivant l'article 6 et 23 de ce bulletin, nos revenus fonciers ne sont imposables qu'au Royaume Uni.

L'article 6 décrit bien le fait que les prélèvements sociaux font partis des impôts concernés dans l'article 23.

L'article 23 confirme que comme l'immeuble nous rapportant des revenus fonciers est situé au Royaume Uni, nous ne devons être imposé sur ces revenus qu'au Royaume uni et donc pas payer de prélèvements sociaux sur ces revenus.

Dans l'attente d'une réponse favorable de votre part, veuillez agréer Madame, Monsieur, nos salutations les plus sincères.

And when you get your money back, think of me! I love wine!

Box 20P and the S1 boxes

Some of you are coming back to me with queries as to why we pay tax or social charges or why they pay tax at all. Note that if some of you have done it properly (and some of you have as I have done it for you!!) and are still being taxed social charges, then you need to see the tax office directly.

1. Social charges:

The French government has changed the law regarding social charges. Before last year, the global rate for social charges in total was 17.2%. It was then composed of 5 different type of tax). One of

them is called Prelevement de solidarité and it was at a rate of 2%. This social charge is to help for French pensions so nothing to do with French health system.

Therefore, even if you are under an S1 and therefore should not pay social charges, you will have to pay the “prelevement de Solidarité- Prel Sol. However, now the rate is 7.5% instead of the 2% is was last year!! Good measure for French people as this tax is only applied to capital gain/interest/rental income and not on income from pension or salary but bad news for people who are not affiliated to the French health system or are under the S1 system (meaning the UK reimburse CPAM for your health expenses in France). Now the rate is CSG at 9.2%, CRDS at 0.5% and Prel Sol at 7.5%.

Some of you are therefore not charged CSG/CRDS but would have been charged 7.5% as per below on your income tax form bill called “avis d'imposition”:

PRELEVEMENTS SOCIAUX			
Détail des revenus	CSG	CRDS	PREL SOL
Revenus de capitaux mobiliers ⁴⁴	570	570	570
Revenus professions non salariées ⁴⁶	3783	3783	3783
Revenus non assujettis.....	- 4353	- 4353	
BASE IMPOSABLE.....	0	0	4353
Taux de l'imposition.....			7,50%
Montant de l'imposition.....			326
Total des prélèvements sociaux nets.....			326

If you are under the S1 system and are paying CSG/CRDS, you can claim it back! To avoid being taxed CSG/CRDS you should have ticked boxes 8SH and 8SI on form 2042-C or online:

Revenus du patrimoine exonérés de CSG et de CRDS	DÉCLARANT 1	DÉCLARANT 2
Vous relevez d'un régime d'assurance maladie d'un État de l'Espace économique européen ou de la Suisse et vous n'êtes pas à la charge d'un régime obligatoire de sécurité sociale français.....	8SH COCHEZ <input type="checkbox"/>	8SI COCHEZ <input type="checkbox"/>

If you did not do it, you can claim it back by writing to the French tax office.

Here is an example letter below for omitting box 8SH and 8SI:

Madame, Monsieur,

Nous venons par la présente demander la rectification de notre impôt sur le revenu 2022 sur nos revenus de 2021.

En effet, nous avons fait une erreur lors de notre déclaration et tenons à vous présenter nos excuses. Nous sommes de Nationalité Britannique et les formulaires sont dur à comprendre pour nous.

Nous avons omis de cocher les cases 8SH et 8SI du formulaire 2042C. En effet, nous dépendons du régime de santé Britannique grâce au formulaire S1.

Nos numéros fiscaux sont (add your fiscal reference number and FIP number).

Dans l'attente d'une réponse favorable de votre part, veuillez agréer Madame, Monsieur, nos salutations les plus sincères.

Cordialement

If you have done your tax online, you can go back to your declaration online to rectify it and tick the appropriate boxes.

2. The Flat tax on interest and capital gain:

2 or 3 years ago, our President had introduced the flat tax meaning our interest or capital gain could be either taxed at source at a rate of 30% (12.8% of income tax and 17.2 of social charges) or be added to our other income on our income tax form and be taxed accordingly (best if your income tax is lower than 12.8%). So, you could choose to be taxed at source at 12.8% income tax or add your gain to the rest of your income and be taxed at the appropriate rate (you choose by talking to your bank and insurance provider for investment and tell them what you prefer).

I have found out that for income outside of France (so, not taxable at source) the French government has automatically applied the rate at 12.8%!! See below what it looks like on your income tax form:

Revenus au taux forfaitaire.....	Taux	12,8%	Montant	570
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If your total income is below the threshold or your average tax percentage is below 12.8%, you are better off not being taxed at 12.8% as you probably would not have been taxed at all!!

To see if it is worth it, you need to look at last year "avis d'imposition" and check your average tax percentage called "taux d'imposition" like below:

Total de l'impôt sur le revenu net.....				5 881
Taux d'imposition 2 ^e				10,12%

Or on this year, you would have "taux pour le foyer" or simply calculate it yourself.

What you should have done is tick box 2OP on the income tax form (page 3 on the 2042).

Vous optez pour l'imposition au barème de l'ensemble de vos revenus de capitaux mobiliers (rubrique 2) et de vos gains de cession de valeurs mobilières (rubrique 3)..... 2OP COCHEZ

So, if it is your case, you simply need to write to your local tax office asking them to rectify it.

Here is an example letter below for box 2OP:

Madame, Monsieur,

Nous venons par la présente demander la rectification de notre impôt sur le revenu 2022 sur nos revenus de 2021.

En effet, nous avons fait une erreur lors de notre déclaration et tenons à vous présenter nos excuses. Nous sommes de Nationalité Britannique et les formulaires sont dur à comprendre pour nous.

Nous avons omis de cocher la case 2OP sur la page 3 du formulaire 2042. En effet, nous voulons opter pour l'imposition au barème pour l'ensemble de nos capitaux mobiliers.

Nos numéros fiscaux sont (add your fiscal reference number and FIP number).

Dans l'attente d'une réponse favorable de votre part, veuillez agréer Madame, Monsieur, nos salutations les plus sincères.

Cordialement

If you have done your tax online, you can go back to your declaration online to rectify it and tick the appropriate box.