

How to Declare Accounts and Investments Held Outside France

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If you continue to maintain any form of investment outside of France, whether this is a bank or building society account, an ISA, offshore bond, share portfolio, etc, you must declare these to the French tax authorities.

The potential penalty for not declaring foreign bank accounts (or any other forms of foreign investment), has recently increased to 1,500 euros per account (or between 1.5% - 3% of the balance, if greater, with a maximum increase of 35% tax if the investment is considered as having been deliberately hidden from the authorities or if it was opened since you became French tax resident).

Of even more concern, one of my clients has received a circular from his accountant that people risk having these penalties applied retrospectively for up to three years (i.e. 3 years at €1,500 per account per annum!). The accountant also warned that the tax authorities have put resources in place to check a minimum of 35,000 accounts when the details start arriving.

The French tax authorities have indeed announced publicly that they have significantly increased the number of inspectors looking into such cases. I have personal experience of someone being fined €6,000 for 4 'dormant' UK accounts which held a total of less than £500.

Since this article was first published several people have written to me saying that they have already suffered significant fines. One person was fined €18,000 (3 years per account for 4 accounts) even though they had diligently declared the insignificant amount of interest these had earned for the past 5 years.

Until now, it is only details of accounts that have earned interest which have been reported to the French impôts. From the 1st January 2016, all accounts (including ISAs, insurance bonds, mutual funds, share ownership, etc) will be reported.

Although the banks, investments companies, building societies, insurance companies, etc. may take until 2017 to provide the figures, these will be based on their records as at 1st January 2016, even if the accounts are subsequently closed. This agreement covers not only the EU countries but a whole host of others around the world.

Lots of expats are of the opinion that 'they won't bother with little old me'. They are wrong. This is a huge potential money spinner for the French treasury and they are gearing up to make the most of it.

Other people are terrified that they are going to be declaring bank accounts or investments that they have previously not declared. Some of them go back 20 years and they worry about the consequences of now bringing them to the attention of the impôts.

I can understand their concern, but I have never known of a case where further investigation has resulted from their declaring them. That doesn't mean it couldn't happen (and we know that tax offices are notorious for having their own rules) but it is by far the lesser of two evils.

Since this article was first published, I know of tens of people who have followed my advice. To date, not one of them has been fined or paid more tax than they would have done if they had declared the accounts and interest on their last 3 tax returns.

A simple explanation to the tax office that it was reading this article that brought your attention to your being obliged to do so would probably help.

I can supply a letter to accompany a 'late' declaration of accounts.

My advice is for expats to think of every account or investment that they may have kept in the UK (Channel Islands, Isle of Man, or even Bermuda!) and declare these.

All too many people say that they have the tax deducted at source and therefore don't need to declare it in France. Others think that their ISAs remain 'tax free' and don't need reporting. They are wrong (although it is an argument to put to the impôts as to why you haven't declared the accounts previously).

I have already certified documents for clients with ISAs, where the companies concerned have made it absolutely clear that they are obliged to report the existence of these to the tax authorities. France does not regard ISAs as having any tax benefits whatsoever once people become French residents.

In the past few days, I have received forms from two companies (one in the UK, one in Luxembourg) asking me to provide them with my French 'Tax Identification Number'. If I don't reply, they will be 'required to report their understanding of my tax residency to the authorities'.

Over the years, I have met a lot of expats who still think that their having investments registered at a UK address is going to mean that they will 'stay under the radar'. They are wrong.

Financial institutions will now be legally obliged to have evidence that their investors actually live at the UK address they have on their records. Using the address of a parent or sibling is fine, until you need to produce an electricity bill, phone bill, rates bill to prove that this is where you live.

If there are any doubts about the information, 'electronic checks' will be required (whatever they happen to be – (possible cross- checking with HMRC records, phone directory, electoral roll?).

So what should you do about this? The answer is to declare the existence of all accounts that you hold outside of France. If any of these have earned any interest, or if you have taken any withdrawals from bonds, you should submit a 'Déclaration rectificative'. You will then receive a tax bill for the amount you should have paid for the past 3 years. Even if there is a modest additional amount of tax to pay (and I have never known this to happen), the consequences of not doing so could be infinitely worse.

If you think that you may be one of the people who need to declare a bank account or investment, I would be happy to discuss this with you and provide you with details of precisely how to go about declaring these. It is usually a very straightforward procedure and I won't charge you anything for doing so!

This report is intended simply as a summary of some aspects of French succession law and inheritance tax. It is based on my understanding of current legislation, which may be subject to change. No liability can be accepted for any change of interpretation or practice relating to any tax or legislative measure that may affect the accuracy of the content.

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