

The Money Men

Pebbles' mortgage broker and financial advisor

...how can Peter Brooke help?

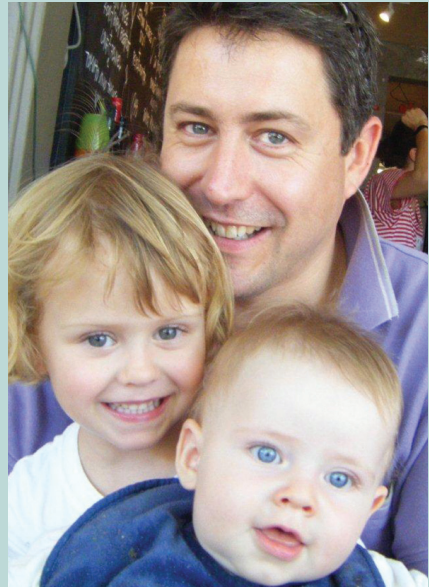
One of the most satisfying aspects of my job as a cross-border Financial Planner is helping people realise their dreams of owning a part of this wonderful country. I am delighted that some of the buyers I work with eventually move permanently to France and become good friends as well as clients. When they decide to make this move there is a process that I help them through; we have christened this "financial relocation".

Moving to a new country is complicated and financial planning should start as early as possible once the idea to physically relocate has been made. Many people lose the opportunity to use legitimate tax and financial solutions by leaving the review of their affairs until they are resident in France. This delay is understandable when the immediate concern is the physical transfer of themselves and their belongings, but attention given to "moving money" as well as "moving the sofa" is very important.

The process doesn't necessarily mean changing currency or even transferring accounts but involves looking at the legal structure in which assets may be held, or the marriage contract in place and how France's "succession laws" will affect this. All of these issues and many more, can be accounted for, planned for and mitigated against...with a bit of investment of time and effort.

The process I use is a simple audit of your current situation and short and long-term plans. To cut down on paperwork this is often done at the same time as a mortgage application. Once I fully understand where you are today and where you want to get to, I can look at how to achieve as many of your goals as possible. Often this is by minimising taxes on income, wealth or inheritance, minimising costs and risks and maximising liquidity, portability and flexibility. We charge no fees for our audit or reports and there is no obligation to follow our advice; we're paid industry standard fees by the companies we introduce business to.

The property market on the French Riviera is still a very attractive investment and through 2009 and 2010 there was a steady stream of buyers looking for holiday homes or to move here



permanently. As tax rates and the cost of living increase in many countries I believe the expatriate lifestyle will become more appealing. The huge benefit of the financial relocation process is that there is a one off opportunity to completely review your financial situation and get everything in order for your new life in a new country. Those people with the ability (and desire) to relocate will probably consider this more as the austerity measures tighten at "home". I am already discussing this with more people than ever before.

Since 2004 I have built a network of tax and legal professionals who help me and my clients with issues related to buying property and financial relocating. As a member of Europe's largest ex-patriate financial planning company, I can also call on massive resources from my own colleagues across Europe, especially when clients move across France or to another European country, or when assets are divided across different jurisdictions.

The affiliations that I make with serious, professional firms are very important to me. I am delighted to be working with Nice Pebbles and their clients, who are all very friendly and a pleasure to work with.

The Money Men

Pebbles' friendly bank manager

I have lived on the Riviera since November 2003 and adore it. I have two wonderful children, both petit niçois (e); the oldest, only 5, already speaks better French than I do! As an ex-patriate I have made the same decisions (and many of the same mistakes) as most of my clients and so have an understanding of what it is like to work and live in this wonderful, if a little bureaucratic, country.

I run my business under the protective umbrella of The Spectrum IFA Group who support me with training, professional insurance, admin assistance and terms of business with some of the biggest and strongest companies in the finance industry.

The more I work with resident ex-patriates, as well as non-resident investors, the more I realise how the French Riviera is regarded and how lucky I am that I made the decision to settle here; though it hasn't always been easy. I hope that one day my children realise how lucky they are too.

In the winter I am often to be found on my snowboard at Isola 2000 or in summer sipping rosé in the sun with a plate of sardines or playing with the kids on the beach...not a bad way to spend some down time away from the calculator and BlackBerry!



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...how can John Holding help?

It is a privilege for me to be able to offer help to our English-speaking clients here on the French Riviera. Many clients know of the HSBC at home, but they are not always sure about what we can offer them abroad. Our services range from setting up current accounts, savings accounts, long-term investments, loans and mortgages. Our premier service means that every one of our clients is assigned a Relationship Manager to take care of them and given the manager's direct landline and mobile number along with email addresses so help is always easily at hand. We know it's daunting to try and deal with your finances in French so our website and Internet banking are all in English and there is also a 24 hour call centre in English to deal with out of office enquiries.

If clients already bank with the HSBC in their home country, then international transfers between HSBC Premier accounts are all free of charge and funds arrive in real time. There is no 3-5 day wait for transfers to arrive.

I live in Juan-les-Pins with my wife Vicky (who manages Pebbles' apartments in Antibes and the surrounding areas). We tied the knot in late 2010, so we're enjoying being a couple before we take the next step of family life. Before joining HSBC France, I spent 6 years in banking in the UK, but when the opportunity came to move to the French Riviera seven years ago, I just couldn't let it pass me by! In my spare time I can be found playing various different sports including football, golf, skiing and a recent fond love for running half marathons.



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How can Arnaud Ruff help?

All of us can feel a little lost when faced with tax rules and regulations, even in our own country. One small downside of dipping your toes into the French Property Market is that you have to get to grips with a little bit of the French tax system, a system which has a long-standing reputation of being hard to navigate. If you are thinking of a permanent move to France, or starting a business here, the French system becomes something you simply have to wade your way through.

A worthwhile step can be to hire a professional to take up the reins for you. We were pleased as punch to find Arnaud Ruff, an English-speaking accountant whose firm specialises in helping clients who are looking to move to France, who live in France already or who want to buy property in France as a holiday home or as a buy-to-let investment.

Hopefully our clients will find like we did that once you bring in the professionals you'll find the French system isn't quite as daunting or as costly as first feared.

Arnaud Ruff is happy to share some basic principles of French tax law with our readers that might help understand the basics. However, there is never any substitute for individually tailored advice, which might save you thousands of pounds in the long run.

Wealth tax

Foreigners who buy property in France as a simple holiday home are not subject to French income tax if it's privately used. They may be subject to wealth tax if the value of the property exceeds €800,000 (updated in the 2011 Finance bill) though the net worth of the property can be offset by any loans or mortgages taken out to finance the purchase. The tax rate starts at 0.55% above €800,000 of net wealth and it goes up to 1.8% above €16,790,000 of net wealth.

Capital gains tax

Capital gains tax-wise, you can benefit from a reduction in the tax base from the 5th year of ownership and you can be completely exempt from this tax after 15 years. The tax rate for capital gains tax varies and can be either 19% or 33.33% depending on the seller's country of residence.

Low capital civil company (SCI)

You may buy property in France as an individual



or through a low capital civil company (SCI in French). An SCI offers numerous fiscal and legal advantages and property held through an SCI equally benefits from the same capital gains tax exemptions as individuals do if the rental is unfurnished. A big fiscal advantage is that it can minimise wealth tax payments or it can even lead to exemption as you are taxed on the value of your shares and not on the value of the property. Another major selling point of this kind of structure is that it allows for a straightforward inheritance process if properly done. A potential drawback is that if you decide to rent out your property furnished through an SCI, your income will be subject to corporation tax at a rate of either 15% or 33.33% and you will not benefit from the capital gains tax exemption available for individuals.

Rental income

Non-residents and French residents alike who let their properties in France can choose to do so furnished or unfurnished. This will have an impact on the base calculation of tax so this is something to keep in mind.

For unfurnished lettings, you may choose to be taxed on your real net income or on 70% of your

total income if this is under €15,000 per year. If you prefer to be taxed on your real income, you may deduct interest payments on most outgoings including mortgage payments and maintenance and repair costs.

For furnished lettings, you may choose to be taxed on your real net income or on 50% of your total income if this is under €32,100 per year. If you prefer to be taxed on your real income, you may deduct interest payments on most outgoings including mortgage payments, maintenance and repair costs, accounting fees and an allowance for depreciation of assets in the property.

Income tax rates

Non-residents with rental income from property in France are taxed only on their French income at a minimum rate of 20% or higher, depending on the amount of annual income.

Becoming a French tax resident

Perhaps surprisingly, some foreigners pay less income tax in France than they would do in their home countries. This is often because income tax is mainly calculated on the number of people that make up a household and not only the total household income. Large families (3 children or more) can often pay very little or no tax even if household earnings are high. There are also a number of tax credits related to expenses including hiring a maid (limited to €7,500), investments on making your home energy efficient and childcare expenses.

Before large families start packing their bags, there can be pitfalls with the French system and so to make the most of any advantages, becoming a French tax resident must be a clearly thought out process and should be planned well in advance.

If you do not want to become a French tax resident you should avoid spending more than 182 days in France.

Tax returns

Tax returns are usually due in at the end of May for residents and at the end of June for EU residents. It is very important to respect the deadline as late payment charges are usually incurred for returns submitted after this date.

Note: the above information relates to basic French tax law. Each case must be carefully studied on its own. French tax law is subject to change or to alteration by the government.

About Arnaud

I specialise in helping English-speaking and international clients with their fiscal and legal matters in France. Years of experience in these fields and with this clientele have allowed me to build up a large database that I can tap into and adapt to the needs of each client. It's a great feeling knowing that I've saved my clients from a lot of headaches!

On a more personal note, as you would expect from any self-respecting Frenchman, I appreciate the fine wines and cuisine my country has to offer. I like to think of myself as a wine lover so I would be quite willing to share my knowledge on this department with any potential clients! I also take advantage of the weather our region is blessed with by spending lots of times outdoors, be it skiing in the Alps just an hour away from Nice in the winter, hitting the tennis courts as soon as springtime comes around or just enjoying our wonderful beaches in the summer.

Arnaud Ruff

Qualified Chartered Accountant

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