



# Tax Talk 2016 ©

## FRENCH TAX NEWS

### ELECTRONIC FILING MANDATORY (Téledéclaration)

From 1 January 2019, all income returns will have to be filed electronically for taxpayers having an internet access. Electronic filing of the annual income tax return would be phased in over a four year period. During this transition period, only taxpayers whose income exceeds a specified threshold would be required to file electronically.

**In 2016, only taxpayers who earn more than EUR 40,000 in 2015 would be subject to the electronic filing requirement.** This amount will be reduced to Eur 28,000 in 2017 and Eur 15,000 in 2018 and would apply to all taxpayers in 2019. Payment of income tax also would have to be made electronically. As from January 1st, 2016, electronic payments would be required where the tax due is Eur 10,000 ; this threshold would be decreased to Eur 2,000, Eur 1,000 and Eur 300 for payments made as from January 1st 2017, 2018 and 2019 respectively. However, paper filing should be accepted a last time this year with application of no penalty and will suffer a €15€ fine per declaration after.

### INCOME TAX RATES

The tax brackets and rates applicable per part to income and gains from financial assets have been revised as follows:

Income	Tax Rate
Up to €9,700	0%
€9,701 to €26,791	14%
€26,791 to €71,826	30%
€71,826 to €152,108	41%
From €152,108	45%

### WEALTH TAX (*Impôt de Solidarité sur la Fortune*)

There are no changes to the wealth tax rates. Therefore, taxpayers with net assets of at least €1.3 million will continue to be subject to wealth tax on assets exceeding €800,000, as follows:

<b>Fraction of Taxable Assets</b>	<b>Tax Rate</b>
Up to €800,000	0%
€800,000 to €1,300,000	0.50%
€1,300,000 to €2,570,000	0.70%
€2,570,000 to € 5,000,000	1%
€5,000,000 to €10,000,000	1.25%
From €10,000,000	1.5%

The real change concerns the mechanism for the PME that allows deducting from the ISF 50% of the investment which will be refocused on the youngest companies, that is to say, less than seven years in direct and less than ten years via a fund. An exception is made for the PMEs over 7 years remain eligible if the fundraiser is designed to conquer new markets and represents more than 50% of average annual sales over the past 5 years.

## **SOCIAL CHARGES**

A change in the law maintains social charges on the rental income and capital gains of non-residents and others not affiliated to the French social security system.

The European Court of Justice ruled, last February 26th, 2015, that social charges on the investment income and capital gains of EEA residents not affiliated to the French social security system was contrary to European law. On July 27th, 2016, this ruling was [confirmed by the French Conseil d'État](#). As a result, the way was opened for those who had paid these charges between 2012 to 2015 to make application for a refund.

In order to circumvent the ECJ ruling, the French government have now enshrined in statute a re-allocation of the receipts from social charges on investment/rental income and capital gains away from main branches of the social security system by amending its Social Security Code..

This has been achieved by allocating such receipts to the Fonds de solidarité vieillesse et à la Caisse nationale de solidarité pour l'autonomie, a fund that provides supplementary income support to pensioners whose income falls below a minimum level.

This fund is non-contributory and benefits do not depend on affiliation to the French social security system.

This means that non-residents and those not affiliated to the French social security system will continue to be liable in 2016 for social charges on such income

## **CAPITAL GAINS TAX – (Plus values Mobilières)**

The taxation of capital gains arising from financial assets remains the same. The gains arising from the disposal of financial assets will continue to be added to other taxable income and then taxed in accordance with the progressive rates of tax previously instead of at a proportional rate.

The abatement for years of ownership will still apply for the capital gains tax (but not for social contributions) as follows:

- 50% for a holding period from two years to less than eight years; and
- 65% for a holding period of at least eight years.

In order to encourage investment in new small and medium enterprises, the higher allowances against capital gains for investments in such companies are also still provided as follows:

- 50% for a holding period from one year to less than four years;
- 65% for a holding period from four years to less than eight years; and
- 85% for a holding period of at least eight years.

The above provisions apply in 2016 in respect of the taxation of gains made in 2015.