

TAX NEWSLETTER

OPPORTUNITY TO CLAIM BACK FRENCH SO-CALLED SOCIAL CONTRIBUTIONS PAID IN 2021 FOR BRITISH NATIONALS AND RESIDENTS

As a general rule, in France, taxpayers are subject to so-called social contributions at a 17.2% rate on their investment income (dividends, interests, etc.), property income and capital gains resulting from either the sale of French real estate or shares of entities deemed to be "French real estate entities".

However, individuals meeting the following conditions can benefit from a reduced rate of 7.5% of these so-called contributions:

- 1.They are nationals or legal residents of France or another Member State of the UE,
- 2.They are affiliated to the social security system of their EU member State of residence,
- 3.They are not covered in any ways by the French social security system.

In principle, since Brexit, this reduced rate (7.5% instead of 17.2%) no longer applies to UK tax residents affiliated with the British social security system. However, in a statement about Brexit dated January 14th, 2022, the French tax authorities announced that UK nationals or residents would still benefit from this reduced rate in case they are able to justify that they meet the following conditions:

- (i) They are nationals or legal residents of the United Kingdom,
- (ii) They are affiliated with the British social security system.
- (iii) They are not covered in any ways by the French social security system.

Consequently, UK nationals or residents meeting the above-mentioned conditions who have already wrongly paid the French so-called social contributions at the full 17.2% rate in 2021 may get a refund of the excess of social contributions paid.

This will most likely be the case if, for example, you sold your secondary home in France in 2021 and realized a capital gain which was subject to French taxes and social contributions at a 17.2% rate. Indeed, in such cases, these taxes and contributions must be paid within the month of the sale.

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The following two situations must be distinguished if you meet the above-mentioned conditions:

- If you were a French tax resident in 2021 and receive investment income, you will have to expressly opt for the reduced rate of social contributions in your income tax return ("déclaration des revenus") filed in 2022.

- If you sold French real estate in 2021, you may be entitled to a refund of the excess of social contributions paid in respect of the capital gain realized.

To obtain a refund of the excess of social contributions paid in respect of, for example, capital gains realized when selling French real estate in 2021, a claim must be filed with the French tax authorities before it is too late.

OUR TEAM CAN ASSIST YOU IN FILING THIS CLAIM.

CONTACT

Constance Dunoyer | cdunoyer@squairlaw.com

Philippe Henky | phenky@squairlaw.com

Avocats associés