

Charles Hamer Financial Services

INDEPENDENT FINANCIAL ADVISERS

87 Park Street, Thame, Oxfordshire, OX9 3HX

Tel: 01844 218957 Fax: 01844 261886

Email: Jon@charleshamer.co.uk, Chris@charleshamer.co.uk

www.charleshamer.co.uk

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Breaking News - French Tax Planning Withdrawal of CGT taper relief on equities.

The French lower house of parliament (The Assemblée Nationale) has adopted an amendment to the French Finance Bill for 2012, which if passed into law removes the presently available taper relief for directly shareholdings in EEA trading companies charged to Corporation tax, which currently provides for shares held for 8 or more years from 2014 to enjoy partial French Capital Gains Tax ("Plus-Values Mobilières") exemption.

French capital gains tax comprises two tax components – "Impôt sur le Revenu" (I.R.) usually charged at 19% and Prélèvements Sociaux, currently charged at 12.3% but to rise to 13.5% from 2012.

At present, the taper relief amounts to 33.33% of the gain realised for every full year beyond the 5th year of ownership on or after 01/01/2006, applies to the I.R. component and would therefore first become relevant for disposals from 01/01/2012 if maintained. Until now, it therefore provided an incentive to maintain diversified investment portfolios of directly held shares for the medium and long term.

If adopted, the withdrawal of this tax break – combined with the loss of the capital gains tax annual disposal allowance from 1st January 2011 - will seriously undermine any advantage in retaining direct stockbroker managed investment portfolios. Instead, in order to avoid ongoing tax at 32.5% of gains realised as a result of ongoing portfolio management, investors should look to use a French recognised tax wrapper.

For information on Charles Hamer's Residency Planning Services and how we can help you settle in France without an excessive tax burden in this and other areas please visit our webpage <http://www.charleshamer.co.uk/french-residency.aspx> or email me, Mark Gould, mark@charleshamer.co.uk and ask for our information pack"