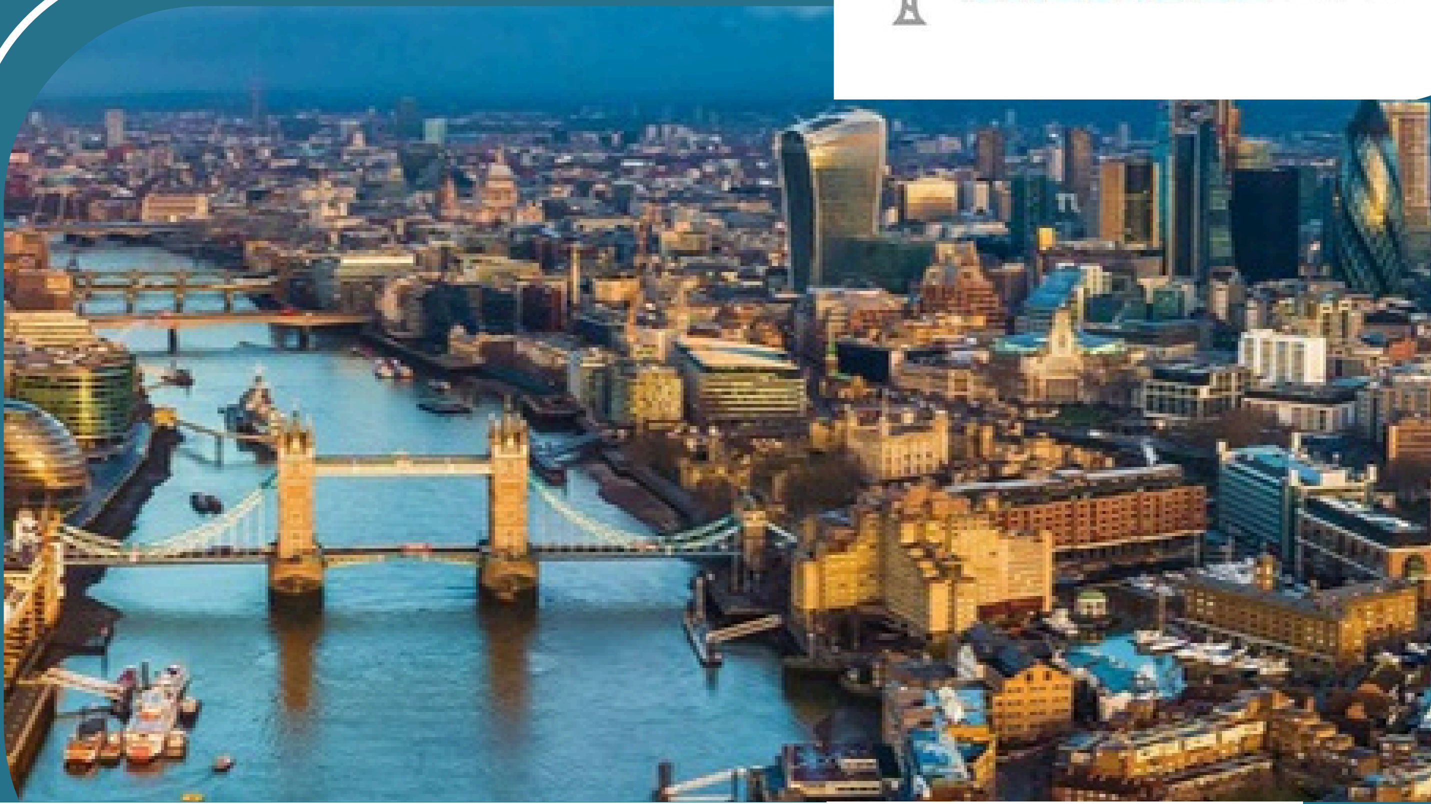

Understanding UK Pension Taxation for Expats in France

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INTRODUCTION

If you're a UK pensioner living in France, it’s crucial to understand how your pension income is taxed under the Double Taxation Agreement (DTA) between the UK and France. Below, we outline the key factors to consider for effective pension and tax planning.

HOW UK PENSIONS ARE TAXED IN FRANCE

Your UK pension is subject to tax in both the UK and France, but the DTA aims to prevent double taxation. Here's how the process typically works:

Taxation in the UK

UK private, occupational and State Pension income is taxable only in France for a French tax resident, under Article 18 of the 2008 UK–France Double Taxation Agreement. UK Government service pensions (civil service, armed forces, most teachers, police) remain taxable only in the UK, but are still declared in France and count towards the effective rate applied to other income.

Taxation in France

In France, pensions are treated as part of your "global income" (revenue global) and taxed accordingly. The tax treatment varies depending on the type of pension:

- UK State Pension: Exempt from French social security contributions but still subject to French income tax.
- Private Pensions (Personal, Occupational, or Annuities): Taxed as global income, with rates determined by your total income and French tax brackets.

DOUBLE TAXATION AGREEMENT (DTA) OVERVIEW

The DTA ensures pensions are typically taxed in your country of residence—France, in this case. However, some pensions (such as the UK State Pension) may still attract UK tax, with relief available through credits or exemptions in France.

FRENCH TAX RATES (2023)

French income tax rates are progressive, with the following brackets for a single individual:

- Up to €10,777: 0%
- €10,777–€27,478: 11%
- €27,478–€78,570: 30%
- €78,570–€168,994: 41%
- Over €168,994: 45%

In addition to income tax, social security contributions (CSG/CRDS) of up to 9.1% are applied to most pensions, except for the UK State Pension.

STEPS FOR UK PENSIONERS IN FRANCE

DECLARE YOUR PENSION

Report UK pension income on your French tax return annually.

CHECK FOR RELIEF

Ensure you’re taking advantage of exemptions or credits under the DTA.

CLAIM FOREIGN TAX CREDITS

If taxed in both countries, claim credits on your French return to offset UK taxes.

KEY PENSION CHANGES IN 2024

1 INCREASE IN UK STATE PENSION

From 2024, the UK State Pension will rise by 8.5%, driven by the Triple Lock mechanism. While this increase benefits British expats, it also raises your taxable income in France.

2 REVISED ANNUAL ALLOWANCE FOR CONTRIBUTIONS

For expats still contributing to UK pensions, the tax- free annual allowance has increased to £60,000 (up from £40,000), with the Money Purchase Annual Allowance (MPAA) also increasing to £10,000.

3 LIFETIME ALLOWANCE (LTA) ABOLISHED

The UK has removed the Lifetime Allowance cap as of April 2024. This change benefits expats with larger pension pots, eliminating penalties for exceeding the previous £1.073 million limit.

KEY PENSION CHANGES IN 2024

4 TAXATION OF PENSION DEATH BENEFITS

UK pension death benefits remain tax-efficient

- Before age 75: Passed on tax-free to beneficiaries.
- After age 75: Beneficiaries are taxed at their income tax rate.

5 POTENTIAL FRENCH TAX REFORMS

While no major changes are expected in 2024, French income tax brackets and social contribution rates may adjust, impacting your overall tax liability.

BENEFITS OF A EUROPEAN-QUALIFIED FINANCIAL ADVISER

Having a financial adviser who understands both UK and French tax laws can help you navigate complex regulations, maximise income, and minimise tax exposure. Here's why working with a European-qualified adviser is invaluable:

1 Expertise in Cross-Border Taxation

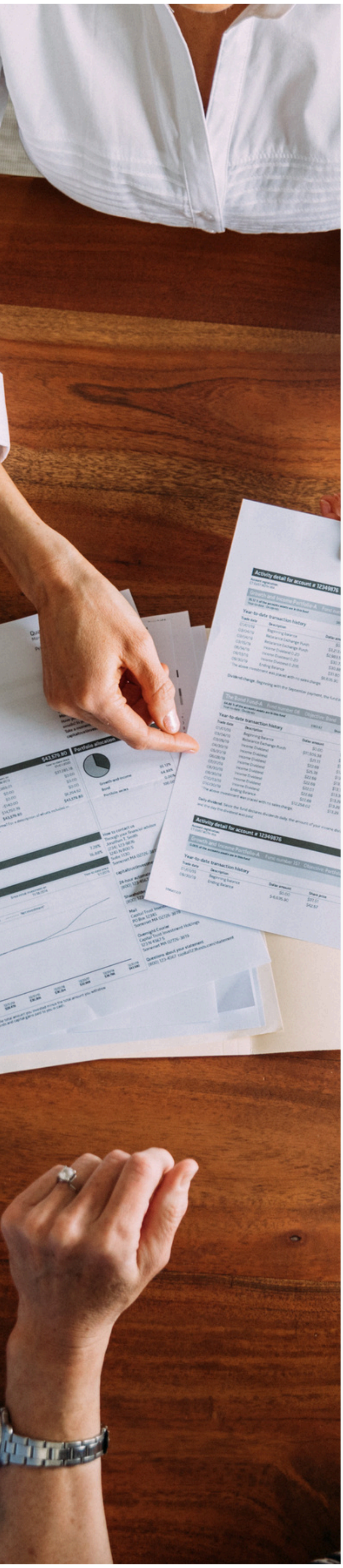
- Ensure proper application of the DTA to avoid double taxation.
- Claim exemptions or credits for UK taxes paid.

2 Strategic Social Contribution Management

- Plan around French social security contributions (CSG/CRDS).
- Determine exemptions, such as for the UK State Pension

3 Tailored Pension Withdrawal Strategies

- Optimise withdrawals to reduce tax liability.
- Manage exchange rate risks when receiving pension income in euros.



4 Access to Overseas Pension Schemes (QROPS)

- Transfer pensions into a Qualified Recognised Overseas Pension Scheme for potential tax savings and currency flexibility.

5 Integrated Retirement and Estate Planning

- Align pensions with broader investment and retirement goals.
- Plan for tax-efficient inheritance of pension benefits.

6 Up-to-Date Regulatory Compliance

- Stay compliant with evolving pension and tax laws in the UK and France.

7 Currency Risk Mitigation

- Hedge against exchange rate fluctuations to protect your income.

8 Personalised Support and Peace of Mind

- Receive ongoing advice tailored to your changing circumstances.
- Gain confidence knowing your financial future is in expert hands.

PLAN AHEAD WITH CREDIBLE LIFE

Navigating the complexities of UK pensions and French taxation can be challenging. At Credible Life, our experienced advisers specialise in helping British expats maximise their financial potential while ensuring compliance with cross-border regulations.

Contact us today to review your pension strategy and secure your financial future.