

INTERNATIONAL TRADE

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France: England's favourite neighbour when it comes to trade

With the second largest consumer market in Europe and the world's fifth largest economy, France is much more than a cheap wine shop when it comes to trade with the UK, writes Rosie Arnold. Often referred to as 'L'Hexagone', France is a world leader in a number of sectors as the home to Europe's largest aerospace and nuclear industries, the second largest agri-food and chemical industries and the third largest ICT and pharmaceutical sectors. Neil McCluskey at UK Trade North West explains: "The market here has a lot of potential. Last year alone, UK exports of

seen the potential France has to offer and established headquarters there.

"Given the similarity of the French market to that in the UK, it is likely that if your product has been successful in Britain then it will do well on the French market.

"The aerospace industry turnover achieved a staggering 42 billion euros in 2012 and continues to increase. At current production rates, Airbus has enough orders for the next seven years, which opens up opportunities for UK suppliers who operate in the final assembly line and other parts of the aerospace supply chain."

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goods and services to France totalled £21.5bn, with leading British exports in petroleum products (9 per cent), road vehicles (7.1 per cent), aircraft parts (6.7 per cent) and even crude oil (2.9 per cent) and pharmaceuticals (3.3 per cent).

"The obvious benefit for businesses is France's geographical positioning making it easily accessible from the UK via plane or train with only one-hour time difference." It is France's location that makes it an ideal stepping stone into Eurozone markets because of the strong political, commercial and transport links it has with these countries. Neil adds: "Companies such as Thales, Dassault, Carrefour, Danone, Total, Orange, Renault, Airbus and Alstom have already

France is well known for its nuclear energy production and there are opportunities to work with EDF on the Hinkley Point and Sizewell projects and to assist in the decommissioning and life extension of nuclear programmes in France.

"In terms of renewable energy, the target to have a 4.5 Gigawatt offshore wind farm functioning by 2020 will require UK capability in surveying, installation, connection and pylons," continues Neil.

"Retail is a big sector for Anglo-French trade where UK brands continue to expand in France because the profitability here is high. The most successful brands are usually food, fashion, drink, giftware and DIY products.

"ICT is an area where there is plenty of

opportunity for growth in specialist areas such as e-health monitoring that will encourage independence, well-being and mobility, digital services and big data." When it comes to trade with France, UK businesses have a number of options to get their product to market which include direct export sales that are subject to your businesses general terms, direct sales using a local representation or selling your product through a local branch in France.

Neil adds: "You should consult an English speaking lawyer to avoid costly mistakes and ensure that you start out business on the right foot.

"French companies can be wary of buying from outside of France and to overcome this, UK companies should have a strong USP and be confident about the quality, price and reliability of what they're selling.

"The French can take offence if you don't attempt to learn their language so ensure that all labelling is translated in French and that you avoid using 'tu' and instead use the correct pronoun, 'vous' when conducting business meetings.

"If you take the time to research the market and make an effort to learn their language, then there is no shortage of opportunities."

Population: 66.03 million
 Currency: Euro
 GDP: \$2.8tn (USD)
 GDP per capita: . \$42,503.30 (USD)

ADVICE: Taxing times

Collin Tice, tax partner, Cassons

With the imposition of new taxes, it has become more expensive in recent years for Brits to own property in France.

A UK resident selling residential property in France may now have to pay both UK and French tax on the capital gain, at a combined rate of 43.5 per cent.

This follows the introduction in 2012 of the Contributions Sociales Généralisées (the 'General Social Contribution' or 'CSR') at 15.5 per cent of the capital gain on sale (and also on any rental income). Capital gains tax in France is 19 per cent and that is capable of being set off against your UK capital gains tax liability of 28 per cent. However the CSR is not 'French tax' under the UK/France Double Tax Treaty so a vendor will pay 34.5 per cent in France and an additional 9 per cent in the UK.

It is of course more complicated than that. In France there are more tax reliefs to set off against the profit on sale, and the amount of taxable gain reduces the longer you own the property and indeed there is no capital gain at all after 30 years.

The French tax will be withheld at source. You must prove your UK tax residence to the French authorities or face withholding at a significantly higher rate. In practice you must ask the specialist department at UK HMRC for a certificate and that is not as easy as it sounds.

Many non-French residents hold property through a Société Civile Immobilière ('SCI') to mitigate French wealth taxes and such a structure is regarded as transparent for French CGT. This structure is however seen as being 'opaque' in the UK and for this reason there will be different tax outcomes should the SCI be sold rather than the underlying property. In all cases great care must be taken to ensure the SCI is properly dealt with to avoid unwelcome UK tax implications.

For advice on taxes in France it is imperative that you take specialist advice from French advisers.

CASE STUDY: Growth is at the forefront of political agenda

As the nation that coined the term 'enterprise', it's perhaps unsurprising to hear the French Government is doing all that it can to promote business and inward investment.

Cutting back on the amount of red tape, simplifying the tax system and embracing new routes to finance are just some of the steps being taken to ensure France remains an attractive place to do business.

Séverine de Surmont-Fromont, a senior partner at the STC Group, a firm of accountants based in Lille in northern France, said: "The French Government is trying hard to simplify the rules and make it easier to do business.

"An increasing number of tax processes are being digitalised.

"Incubators welcoming innovations and new start-up businesses are also increasing tremendously, and there is an incredible amount of assistance provided to create and promote new business models and new routes to finance, such as crowdfunding platforms.

"Entrepreneurship is also being pushed through the education system, to the point where one in two students now has the ambition to create their own venture and become a businessman or woman."

Based just a stone's throw from the Belgian border, STC assists clients in a variety of sectors on all aspects of tax and accounting.

The firm is also part of a wider network, called Euris, an alliance of 43 member firms covering 180 locations in France.



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ADVICE: Speaking the right language

One of the biggest challenges British businesses face when looking to break into new export markets is overcoming the language barrier.

But in the case of France, Ian Garbett has discovered a little effort goes a long way.

Ian is managing director of Muschamp Machine Services, a Blackburn-based company that has supplied textile machinery, spares and replacement parts to customers in France since 1987.

"One of the biggest difficulties we had, certainly in the early days, was establishing who to talk to and it often took me quite a few attempts to find the right person," recalls Ian.

"That becomes an even harder task when you don't speak the language.

"If you can't at least converse in French at the introductions stage then you are onto a loser.

"Sometimes schoolboy French is not always enough so I had to learn quite quickly just to get past the receptionist.

"I spent time learning some of the terms related to maintenance to get by and they respected the fact I was making the effort to converse in their language, which helped to open doors."

Ian also learnt the art of diplomacy too. A core part of Muschamp's business is supplying copy parts – made by firms in America – for machinery used in yarn processing.

"The French are very patriotic so another difficulty we had was convincing them to use US parts," says Ian.

"To stand any chance of breaking into the market, we had to have next day delivery, better pricing, better quality, and invariably we had to put the parts on trial for a couple of months initially and then go back to the customer and say 'how were they?'"



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