Johnny

It was the news of the day in France. Johnny goes to Brussels. Johnny, of course, is the perennially ageing rocker and French superstar, Johnny Halliday. And the news was that this Frenchman wanted to take Belgian nationality.

Johnny's real name is Jean-Philippe Smet, born in France to a French mother and a Belgian father. Admittedly, his father abandoned him at an early age, but he still feels strong connections to Belgians. These were strong enough to start a procedure to obtain Belgian nationality. This request is now being looked at by the Belgian naturalisation commission.

The French were outraged; this French icon could not become Belgian. Johnny's manager was quick to explain that Johnny did not have any tax reasons, and that he was staying in France. He is not one of those French tax exiles for whom Belgium is a paradise without wealth tax or capital gains tax.

Of course, we all believe that. With € 6.6 million profits in 2005, he is only the best paid performer in France. But I must admit that they have a point. It is not because you take the nationality of another country that you stop paying tax in the country where you live. That would be too easy.

Every state collects taxes to finance its expenses. Taxes pay for everything the state has to offer: the road system, education, government ministers, etc… Collecting taxes has to be done efficiently, with a minimum of hassle. And taxing one's nationals can be tricky, especially when they leave the country. Some countries still do it even when their nationals live abroad; the U.S. being a case in point. Most governments, though, tax their residents on their worldwide income.

That income is usually also taxed in the country where it finds it source. Belgium taxes dividends paid out by Belgian companies, rent paid for Belgian property, and salary for work here. But that also means that people risk paying tax twice: in the country of residence and in the country where the income originates. To prevent double taxation countries sign double tax treaties. These treaties lay down the rules about which country can tax income: the country of residence or the country of origin.

For earnings the rule is that a non resident only pays tax in Belgium if he works more than 183 days in Belgium or if he is paid by or on behalf of a Belgian company or branch. At home, the taxman has to make sure his Belgian earnings are not taxed twice. He must give an exemption or a tax credit for this Belgian income.

French tax exiles only avoid French tax if they move their residence to Belgium. They must have the centre of their interests in life (as opposed to your economic interests) and the seat of there fortune here. Registering with the commune is a first indication for the Belgian taxman that they have become Belgian residents. But that is not necessarily enough for the French taxman. He wants to make sure that they have left France and that they have really set up residence in Belgium with their families, your pets, furniture, investments, etc. True tax exiles even move the contents of their wine cellar.

The French can rest assured. Johnny's Belgian nationality will not exempt him from French taxes. But Johnny may have other tax motives in another direction. His son's father-inlaw is a wealthy Monegasque entrepreneur. The principality is a tax haven, and many of its inhabitants are millionaires from other countries. It has no personal income tax or capital gains tax. And inheritance and gift taxes are low. Understandingly Monaco does not need double tax treaties. However, it has signed a tax treaty with France that provides that French nationals do not escape French income tax by taking up residence in Monaco. Belgians, on the contrary, do not pay French income tax in Monaco.

You never know, Johnny may soon be joining the ranks of famous Belgians living in Monaco, just like Justine Henin and Tom Boonen.

Marc Quaghebeur
2 March 2006