

Sept  
2020

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Note d'information  
Newsletter

**Non-Résidents**

IN THIS  
EDITION

**1**  
**BREXIT :What are the  
consequences for your  
investments in France?**

**2**  
Inheriting a property located in  
France: what obligations, what  
tax consequences?

# BREXIT: What are the consequences for your investments in France?

## Understanding the transition period

Following the referendum of June 23, 2016, the United Kingdom decided to leave the European Union.

In accordance with the withdrawal agreement, the United Kingdom left the European Union on January 31, 2020. The withdrawal agreement also provides for a transition period. This is due to expire on December 31, 2020 unless extended. The United Kingdom is therefore no longer part of the EU as of February 1, 2020, but continues to be treated as a member state under EU law until the end of the transition period on December 31, 2020.

## The consequences of Brexit for British non-residents selling property in France.

Real estate capital gains tax is the tax paid on the sale of a property in France. Today when selling a property located in France, you may be liable for capital gains tax on the capital gain consisting of :

- income tax, at a rate of 19%, which is exempt after 22 years,
  - social security deductions, at a variable rate, which are only exempt after 30 years.
- The rate of social security contributions payable is :

- 7.5% for persons who are affiliated to a compulsory social security scheme of a State of the European Economic Area as well as Switzerland, - but at 17.2% for persons affiliated to the social security scheme in France or in a third country.

Furthermore, until the end of the transition period, a non-UK resident does not have to appoint a tax representative who guarantees the accuracy of the calculation of the real estate capital gain and undertakes to pay the tax and penalties in the event of an adjustment.

At the end of the transitional period, after December 31, 2020 :

- Non-residents domiciled in the United Kingdom will be required to appoint a tax representative for the sale of a property in France if the sale price exceeds 150,000 euros.
- The rate of social security contributions applicable to them will no longer be 7.2% but 17.2%.

As a result, a British resident engaged in a sale process has every interest in accelerating the completion of the sale in order to sign before December 31, 2020.

# Inheriting a property located in France: what obligations, what tax consequences?



You learn that one of your relatives died and he was the owner of a property located in France. What are the steps to be taken and what are the tax consequences?

## What steps to follow ?

You must contact a notary in France in order to open the estate. This notary will check the law applicable to the succession according to your relative's last domicile and testamentary dispositions in order to determine his or her heirs. He will establish :

- o A deed of notoriety which will specify the heirs of the deceased and the applicable law.
- o A deed of real estate attestation which will transfer the ownership of the property in France to his heirs.
- o A declaration of inheritance which will establish all the assets held in France by the deceased: the estate assets.

A declaration of inheritance must be filed :

- within 6 months from the date of death if the death occurred in France ;
- within 12 months in other cases.

However, the filing of the declaration of inheritance is not mandatory when the gross assets of the estate are less than :

- 50 000 € for a transmission to the benefit of the heirs in direct line, the surviving spouse and the partner linked to the deceased by a civil solidarity pact (PACS) provided that these persons have not previously benefited from a donation or a manual donation from the deceased that was not registered or declared ;
- 3,000 € for other heirs.

## What are the tax consequences?

All movable or immovable property transferred that is located in France is liable to tax in France, regardless of where you or the deceased lived (in France or outside of France). This tax is called «**droit de mutation**» (transfer tax).

In addition, if you are domiciled in France for tax purposes on the day of death and were also domiciled there for at least six years during the ten years preceding the death, then you will be subject to transfer tax on movable and immovable property located in France and outside France that you inherited, even if the deceased was domiciled outside France.

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