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Note d'information
Newsletter

Non-Résidents

IN
THIS
EDITION

**REAL ESTATE CAPITAL GAINS AND NON-RESIDENTS -
WHERE DO WE STAND ? ?**

A DYNAMIC FRENCH REAL ESTATE MARKET IN 2019

NON-RESIDENTS AND NOTARY FEES



Real Estate capital gains and non-residents - where do we stand ?

BACKGROUND

2012

The second amending finance law for 2012 extended social security contributions to real estate income (land income and real estate capital gains) from French sources collected by individuals domiciled for tax purposes outside France.

Consequence : Since this date, non-residents of French nationality or not who sold properties located in France were required to pay social contributions on real estate capital gains. The social contributions were of - 15.5% - at the time.

2015

By a judgment of 26 February 2015 (De Ruyter), the European Court of Justice ruled that the income from the assets of persons working in another Member State could not be subject to French social security contributions. This decision was followed by the Conseil d'Etat in a decision of 27 July 2015.

Consequence : Since that date, a person covered by a social security scheme of an EU Member State other than France could not be subject to social security contributions on income from assets and therefore on the capital gain generated.

2016

In response, the government provided in the 2016 Social Security Financing Act that from then on, the proceeds of the levies would no longer be used to directly finance social security but to finance other bodies not covered by the De RUYTER judgment. This was a government move to ensure that non-residents always pay the «social contributions», the government gave them another purpose.

Consequence : Since 1 January 2016, taxpayers resident in the EU or in a country outside the EU have been subject to social security contributions (SP) on capital income again.

2019

Article 26 of the 2019 Social Security Financing Act exempts from the CSG and CRDS, on capital income (income from assets and investment products), persons who are not covered by the compulsory French social security scheme but who are covered by the compulsory social security scheme of another Member State of the European Union, the European Economic Area or Switzerland. The overall tax rate is 17.2%.

Consequence : the current situation differentiates between the situation of a non-resident under a social security scheme of another Member State of the European Economic Area (European Union, Iceland, Norway, Liechtenstein) or Switzerland and the situation of the others.

In 2019

For non-residents covered by a social security scheme of another Member State of the European Economic Area (European Union, Iceland, Norway, Liechtenstein) or Switzerland.

Article 26 of the Social Security Financing Act for 2019 exempts them from CSG and CRDS on capital income. This exemption from CSG and CRDS concerns income from assets and investment products (including real estate capital gains). However, these persons still owe the 7.5% solidarity levy. The decree of 24 June 2019 specifies in particular the supporting documents to be produced in order to benefit from this exemption, it is one of the following documents, issued by the competent institution and relating to its actual situation on the date of the sale:

- 1° The form S1 « Registration for health insurance benefits » ;
- 2° The form A1 « Certificate concerning the social security legislation applicable to the holder » ;
- 3° A certificate of affiliation equivalent to the forms referred to in 1° and 2° ;

4° A certificate of affiliation to the common social security scheme of the Union institutions.

For non-residents covered by a social security scheme of another third country

They are and remain subject to social security contributions in their entirety, i.e. 17.2%.

The Paris Administrative Court of Appeal has just confirmed that the fact that a person affiliated to a social security scheme of a country outside the EU, other than the EEA Member States or Switzerland, is subject, like persons affiliated to social security in France, to the levies on capital income provided for by French legislation, does not constitute a restriction on capital movements from or to third countries. Judgment of the CAA of PARIS, 5th Chamber, 3 October 2019.

CSG	9.2%
CRDS	0.5%
Solidarity contribution	7.5%
Social contributions	Deleted
Additional contribution	Deleted
TOTAL	17.2%



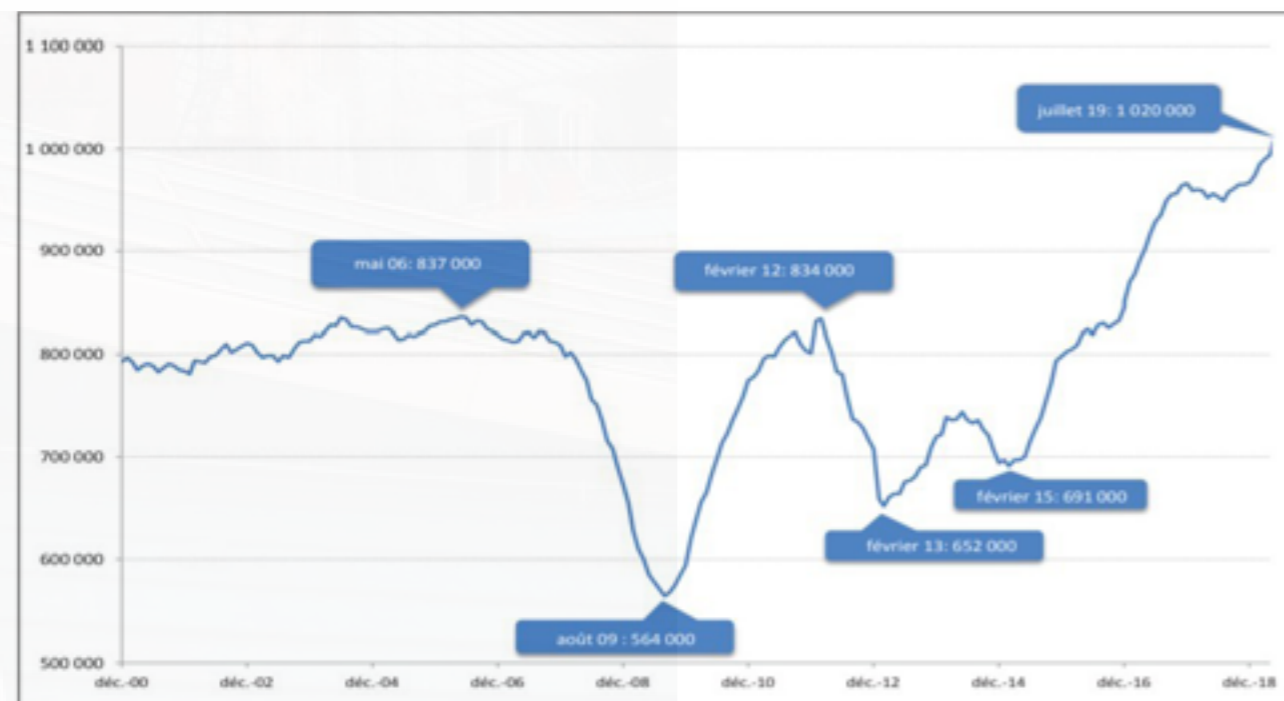


A PARTICULARLY DYNAMIC FRENCH REAL ESTATE MARKET IN 2019

The million transactions mark will be exceeded in 2019. There are 35 million homes in France, finally only 3% of the old housing stock. The main reason for the dynamism of the market lies in the buyers' ability to finance. Interest rates are extremely low (1.17% on average). Loan repayment periods have lengthened.

IMMOBILIER

Evolution of sales volumes of old housing for the period 2000/2019



Source: CGEDD d'après bases notariales et DGFP (MEDOC)

Par Muriel Brault, Notaire

BUYING A PROPERTY IN FRANCE, WHAT ARE THE NOTARY FEES?



Notary fees represent a certain percentage of the selling price of a property. In the old one, notary fees represent 7 to 8% of the sale price.

In new real estate, i. e. mainly when the property is purchased «on plan», notary fees are reduced to 2 to 3% of the sale price.

The notary fees include :

- A departmental tax (variable according to the departments but on average 4.5%) ;
- A municipal tax (1,20%) ;

- Base costs (0,10%) ;

And the notary's remuneration including proportionals « *emoluments* », ranging from 0.80% (for the portion above €60,000) to 3.945% (for the portion from €1 to €6,500) and fees for formalities;

Not to mention the publication costs by the mortgage department corresponding to 0.10% of the value of the property.

The notary's remuneration

The notary's mission is to draw up the deeds, carry out the various calculations, advise you, check the property titles. He or she can also guide you for future projects: donation, inheritance, tax returns...

«negotiate» the notary's remuneration. Either the notary practices a total discount, i.e. he receives nothing or he applies the national tariff.

What happens when there are two notaries ?

« When there are two notaries, the latter share the costs, so there are no additional costs for the buyer or seller.

The higher the sale price of the property, the lower the percentage of the notary's remuneration. These fees are established by decree and are identical from one region to another and from one notary to another. It is not possible to

Mutation Rights :

Purchase of an old property in Paris worth € 1,000,000



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All you need to know about the
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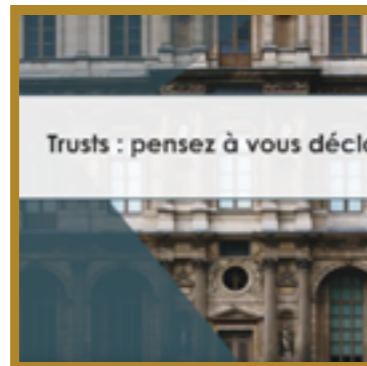
French Taxes in 2020: how
much will you gain?



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VIDEO : Taxation of rental
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VIDEO : Déclaration of trusts
in France



VIDEO : I buy real estate in
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have to pay?



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