

# Investing

IN FRANCE



PROPERTY  
TAXATION  
2022



Cabinet Roche & Cie  
[www.cabinet-roche.com](http://www.cabinet-roche.com)

# PROPERTY IN FRANCE

## Roche & Cie



Specialists in property for non-residents, Roche & Cie will assist you in the purchase/ resale and annual fiscal monitoring of your second home in France.

- Preliminary study for a purchase or rental of a property
- Legal framework
- Accounting and preparation of tax declarations

Please do not hesitate to contact us for further information.



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## Taxation and Practical Advice



*France is one of the finest destinations for tourism and property investment for non-residents.*

*However, taxation, administrative and legal constraints are all areas of concern for foreign investors.*

*At Roche & Cie, our philosophy is to assist you at every stage of your project, in order that your investment in France combines legal security, optimisation and pleasure.*

**Sandy Dalmás**  
Associate

# Purchasing a property in France



Only the purchaser is liable for the notary fees.  
The purchaser also pays for the registration costs.  
**Total costs represent approximately 7% of the purchase price.**

# 1

## Offer to purchase

# 2

## Signing the exchange of contracts

Payment of 5 to 10% of the purchase price.

# 3

10 days

## Cancellation period

The purchaser has the right to annul the purchase without paying any compensation.

# 4

## Securing of a mortgage, is required

# 5

+/- 2 months

## Notarised signature of the deed of sale

In the presence of a notary.  
Payment of the purchase price and handing over of keys.

### Example

Purchase of an existing property with a value of **€2,000,000**

Notary fees of approximately **€18,000**

Taxes of approximately **€122,000**

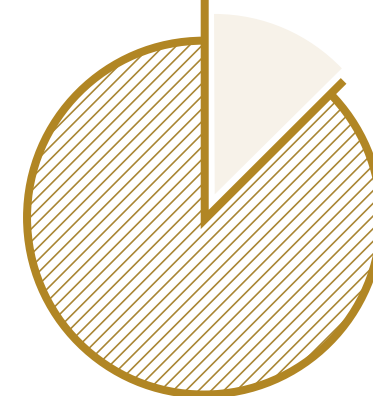


### Breakdown of costs

Registration costs and miscellaneous fees

**6,1 %**

**0,9 %** Notary







# The choice of legal structure

Choosing a legal structure for your real estate investment in France depends on many factors such as the number of investors, their family ties, the purpose of the investment, or still the investor's country of tax residence.

## Acquisition in own name

- Simple but flexible investment approach that is universally understood

**Warning: If jointly owned, that decisions must be unanimous is sometimes a source of conflict.**

## The Société Civile Immobilière - SCI

- Objective: To facilitate managing a real estate asset owned by several people (decision making)
- A fiscally-transparent company for income tax purposes, which can opt to be subject to corporate tax.
- Suitable for private use of the property (no benefit in kind)
- The SCI can rent unfurnished properties, but it is not suited to furnished rentals.

**Warning: The fiscal transparency of this company is not always recognized abroad.**

## The family LLC

- Commercial company formed between members of the same family.
- Fiscally transparent for income tax purposes
- Suitable for furnished rentals

**Warning: The fiscal transparency of this company is not always recognized abroad.**

## Foreign companies\*

- Often assimilated to fiscally-opaque commercial companies (corporate tax)
- Numerous reporting obligations in France

**Warning: If private use of the property: declaration of a benefit in kind (rent).**



# Local taxes

In France, there are essentially two local taxes called 'taxe d'habitation' (residence tax) and 'taxe foncière' (property tax).

## Property tax

This tax is due each year by the owners of a built or unbuilt property (dwellings, industrial and commercial premises, land etc...).

The property tax is calculated by the tax authorities in relation to the notional 'cadastral' rental value of the property and the rate determined by the local authorities.

**Payment deadline**  
**MID-OCTOBER**

## Residence tax

This tax applies to all housing (principal and secondary residences) and all occupants (owners or tenants).

This tax is calculated directly by the tax authorities in relation to the location of the occupant on 1st January of the tax year. The amount due is calculated by multiplying the net rental value of the real property by the tax rate determined by the regional authorities.

**Payment deadline**  
**MID-NOVEMBER**



### Good to know

You receive your tax notification directly by post. You also have the possibility to pay and receive this information on-line:

[www.impots.gouv.fr](http://www.impots.gouv.fr)



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# Taxation of rental income

(seasonal rentals)

## Criteria

## determination of taxable benefits

## Declaration

### FLAT-RATE PLAN

### ACTUAL PLAN

Rent < €72,600/year

Rent > €72,600/year  
Or optional

Application of a 50%\*  
lump-sum allowance  
on charges.

Deduction of actual costs  
and expenses.

\* The leasing of classified holiday furnished properties benefit from lump-sum allowance of 71% (if rentals < €176,200)

Water, electricity, insurance, service/management charges, maintenance and repair costs, interest on loans, property tax, accounting depreciation etc...

Revenue declared per calendar year. Rents reported directly on the income tax form.

Revenue declared per calendar year.

**Declaration deadline 31st May of the following year.**

**Income statement filed before 3rd May of the following year.**

NB: If seasonal rentals income exceeds €23,000 per year, the owner must be affiliated to the health insurance system and pay social security charges. However, provisions exist in favor of owners who are affiliated to another health insurance system in Europe.

## Profit is taxed

→ At the prevailing rate for French residents  
**+ social security contributions of 17.2%**

→ At a minimum tax rate of 20% for non-residents  
**+ social security contributions of 17.2% (7.5% under conditions for residents of the European Economic Area + Switzerland + UK).**

# Income tax in France

In France, income tax is based on the calendar year: you must declare income received between January 1<sup>st</sup> and December 31<sup>st</sup> of each year.

The tax return must be filed at the end of May/June of the following year (deadlines vary according to place of residence).



If you are domiciled in France for tax purposes

You must declare your income **from French and foreign sources** (tax credits may be granted to avoid double taxation).



If you are a non-resident

You declare your income **from French sources only**. Married couples or individuals bound by a civil partnership file joint tax returns.



## How is the income tax calculated in France?

If you are domiciled in France for tax purposes

The tax is calculated by taking into account the number of people in the tax household. A single person counts for one share and a married couple or a couple bound by a civil partnership counts for two shares. The first two dependent children each count for one-half share, and each subsequent child represents a full share.

*For example: A married couple with 1 child represents: 2.5 shares / A married couple with 3 children represents: 4 shares*

### TAX CALCULATION :

- The net taxable income is divided by the number of shares making up the fiscal household.
- The following progressive scale is applied:

FRACTION OF TAXABLE INCOME (for one share)	APPLICABLE TAX RATE
Up to €10,225 .....	0%
From €10,226 to €26,070 .....	11%
From €26,071 to €74,545 .....	30%
From €74,546 to €160,336 .....	41%
As of €160,336 .....	45%

*The result is multiplied by the number of shares in the tax household.*

If you are a non-resident

The same method of calculation is used, but minimum tax rates will be applied: 20% on income up to and including €26,071 and 30% thereafter.

### SOCIAL SECURITY CONTRIBUTIONS CSG CRDS

Income from assets (real estate, investment capital etc.) is also subject to the «CSG CRDS» social security contributions at the rate of 17,2% (7,5% under certain conditions for residents of countries of the European Economic Area + Switzerland + UK).



# I.F.I (Impôt sur la Fortune Immobilière)

## Real Estate Wealth Tax

You are liable to the IFI when the net value of your real estate wealth is greater than 1.3 million euros.

### Taxable assets

All built and unbuilt properties (building land, agricultural land, ... ), real estate assets, shares of real estate companies.

**Principal/main residence: (If tax residence is in France), 30% allowance.**

### Deductible liabilities

Since the last Finance Act, only certain debts are deductible.

#### GENERAL RULE

are deductible the debts existing on January 1 of the taxation year and which are related to the acquisition of the property, the expenses of repairs, maintenance, construction, reconstruction or enlargement.

#### TAX DEBTS

only those related to the taxable properties

#### LOANS AND BANK DEBTS

#### « In fine » loans (single amortization at the end of the loan)

They become partially deductible. The debt is reduced by a prorated amount taking into account the number of years spent on the total number of years of the loan (thus creating a gradual depreciation and therefore a reduction of the deductible debt).

#### Debts contracted in the family circle

These debts are not deductible (unless they are contracted from ascendants/descendants, brother/sister and only IF the person liable justifies the normal nature of the loan conditions)

#### Limitation beyond 5 million euros of assets

When the total value of the taxable assets exceeds 5 million euros, and the amounts of debt admitted for deduction exceeds 60% of this value, the portion exceeding the 60% is only deductible for half its value.

### Rate

(effective on 1<sup>st</sup> January 2022)

FRACTION OF THE NET TAXABLE VALUE OF WEALTH	APPLICABLE RATE
Up to €800,000	0%
From €800,000 to €1.3 million (inclusive)	0,50%
From €1.3 million to €2.57 million (inclusive)	0,70%
From €2.57 million to €5 million (inclusive)	1,00%
Between €5 and €10 million (inclusive)	1,25%
Above €10 million	1,50%

### Facts relevant to non-residents

Non-residents are only taxed on their real estate located in France.

In addition, foreign citizens settling in France benefit from an exemption on their property abroad up to the end of the 5th year following their move to France.

# Capital Gains on Property

Capital gains tax on property is determined as follows:

**Price of sale – Purchase price\* = Net capital gain**

\*The purchase price may be increased by the following amounts:  
Purchase costs (actual amount or a flat-rate of 7.5% of the purchase price).

Actual amount spent on construction, reconstruction or expansion; or if the property has been owned for more than 5 years, there is a possible option for a flat-rate of 15% of the purchase price.

The net capital gain is determined after the deduction of allowances for the holding period, in accordance with the table below.

PERIOD HELD	Rate of allowances applicable in each year of ownership	
	Income tax base + additional tax	Base for social security contributions
Less than 6 years	0 %	0 %
From 6 <sup>th</sup> to 21 <sup>st</sup> year	6 %	1,65 %
End of 22 <sup>nd</sup> year	4 %	1,60 %
Beyond 22 <sup>nd</sup> year	Exempt	9 %
Beyond 30 <sup>th</sup> year	Exempt	Exempt

## TAXE RATES

19% for income tax + Additional surcharge of 2 to 6% +  
Social security contributions of 17.2% (7,5% under conditions  
for residents of European Economic Area + Switzerland + UK).

# Inheritance in France

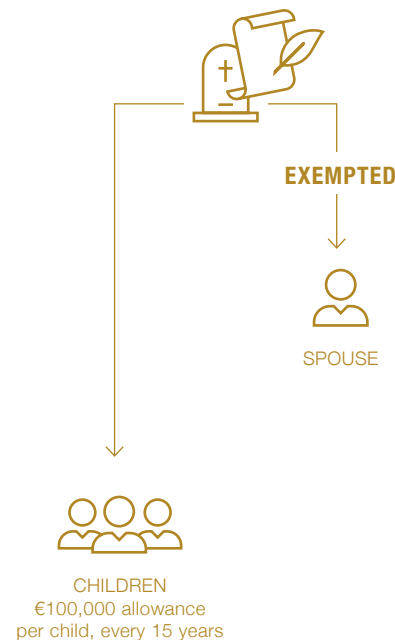
## Transferring your assets

Are you subject to French civil law?  
(law of inheritance)

**Applicable law = Civil law of the  
deceased's last residence**

EXCEPT IF: He/she has provided in a will  
that the applicable law should be that of  
the country of his/her nationality.

French law provides that it is not  
possible to disinherit one's children  
(principle of the 'réserve héréditaire'/  
family inheritance allocation).



## Inheritance taxation

The transfer of your estate is subject to French tax if:

- Your last place of residence was in France.
- Your assets are located in France.
- Your heirs/beneficiaries have resided in France for at least 6 years during the 10 years preceding the transfer in the absence of a taxation treaty.

## Rate

(differs according to relationship)

## GIFT TAX FOR DIRECT INHERITANCE

TAXABLE AMOUNT AFTER ALLOWANCES	TAX RATE
Less that €8,072 .....	5 %
Between €8,072 and €12,109 .....	10 %
Between €12,109 and €15,932 .....	15 %
Between €15,932 and €552,324 .....	20 %
Between €552,324 and €902,838 .....	30 %
Between €902,838 and €1,805,677 .....	40 %
Above €1,805,677 .....	45 %



## Are you domiciled in France for tax purposes?

Under French law, the notion of fiscal residence is defined by Article 4 B of the General Tax Code. Subject to international treaty provisions\*, you are considered to be domiciled in France for tax purposes if you meet at least one of the following criteria:

### **YOUR HOME IS IN FRANCE**

France is the country in which you and your family normally live.

### **FRANCE IS YOUR MAIN PLACE OF RESIDENCE**

If you spend more than 183 days per year in France.

### **YOU CARRY OUT YOUR PROFESSIONAL ACTIVITY IN FRANCE**

salaried or self-employed

### **THE CENTER OF YOUR ECONOMIC INTERESTS IS IN FRANCE**

France is the country where your main investments are concentrated or where your business headquarters are located.

# RÉSIDENCE

\*However, an individual may meet the criteria for tax domicile in two different countries. In this case, one needs to refer to the provisions of the tax treaty signed between these two countries to determine the taxpayer's place of taxation (provided, of course, that such a treaty has been signed).