

INVESTING IN FRANCE

Property taxation 2024



THE ROCHE & CIE TEAM



Since it was founded in 1948, the firm Roche & Cie has surrounded itself with experienced co-workers from very diverse backgrounds and professional experiences to offer you a wide range of services.

As an accounting firm in France, our job is to put our expertise on your behalf in a way that suits your operational style. In this way, you can meet the challenges and opportunities that generate value.

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EDITO

In the world of real estate investment in France, non-resident investors face a unique challenge: understanding and navigating the complex labyrinth of French taxation. Faced with a multitude of taxes, regulations and subtleties, it is essential for international investors to master the tax aspects of their investments in order to maximize returns and comply with legal requirements.

With this in mind, we are proud to present this comprehensive guide to French real estate taxation for non-resident investors. The result of in-depth expertise and a commitment to transparency, this guide has been designed to provide you with the knowledge you need to confidently navigate the French tax landscape.

Whether you're a foreign investor seeking to understand the nuances of French taxation, or a real estate professional looking to deepen

your knowledge, this guide is specially designed to accompany you at every stage of your journey. From understanding the different applicable taxes to optimizing the management of your real estate assets, we cover a full range of topics with clarity, precision and relevance for international investors.

We recognize that real estate taxation in France can seem daunting, especially to persons who are unfamiliar with its particularities. However, we firmly believe that education is the key to success. Our aim is to provide you with the tools you need to understand, plan and optimize your real estate investments in France, wherever you live.

Together, let's dive into the mysteries of French real estate taxation and turn challenges into opportunities. We are convinced that this guide will become an invaluable resource in your real estate investment journey in France.



PURCHASING A PROPERTY IN FRANCE

BREAKDOWN OF COSTS

Only the purchaser is liable for the notary fees. The purchaser also pays for the registration costs.

NEW HOMES

2 to 3%

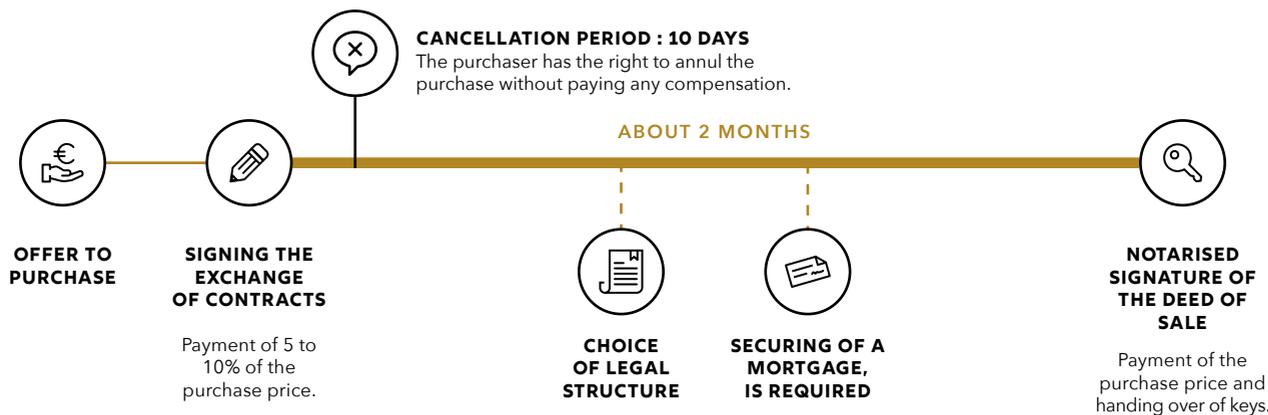
STATE 0,75% Registration fees + NOTARY FEES

OLDER HOMES

7 to 8%

STATE 5,80% Registration fees + NOTARY FEES

KEY STEPS



THE ROLE OF THE NOTARY

The notary plays a central role in real estate transactions. He is involved in drawing up the deed of sale, and guarantees the legal security of the transaction: he collects and verifies the validity of the documents relating to the property, then proceeds with the public registration of the sale.

As an impartial advisor, he ensures that all parties fully understand the implications of the real estate transaction. His fees are included in the compulsory acquisition costs, averaging 0.9% of the purchase price.



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, etc.

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).

*outside France

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 only concerns secondary residences and is due by the owners or usufructuaries. 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

TAXATION OF RENTAL INCOME

SEASONAL RENTALS

Plan	FLAT-RATE	ACTUAL
Criteria	Rent < €15 000 / year	Rent > €15 000 / year or optional
determination of taxable benefits	Application of a flat-rate deduction for expenses of 30% (up to 51% in non-tenanted rural areas and ski resorts).	Deduction of actual costs and expenses: Water, electricity, insurance, service/management charges, maintenance and repair costs, interest on loans, property tax, accounting depreciation etc...
Declaration	Revenue declared per calendar year. Rents reported directly on the income tax form. Declaration deadline 31st May of the following year.	Revenue declared per calendar 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

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* <small>The result is multiplied by the number of shares in the tax household.</small>
Up to €11 294	0%
From €11 294 to €28 797	11%
From €28 797 to €82 341	30%
From €82 341 to €177 106	41%
As of €177 106	45%



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).

NON-RESIDENT

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

In France, income tax is based on the calendar year: you must declare income received between January 1st and December 31st 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).

NB 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 €28,797 and 30% thereafter.

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).

IFI

REAL ESTATE WEALTH TAX

I.F.I: Impôt sur la Fortune Immobilière

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

ASSETS - LIABILITIES = TAX BASE

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

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)

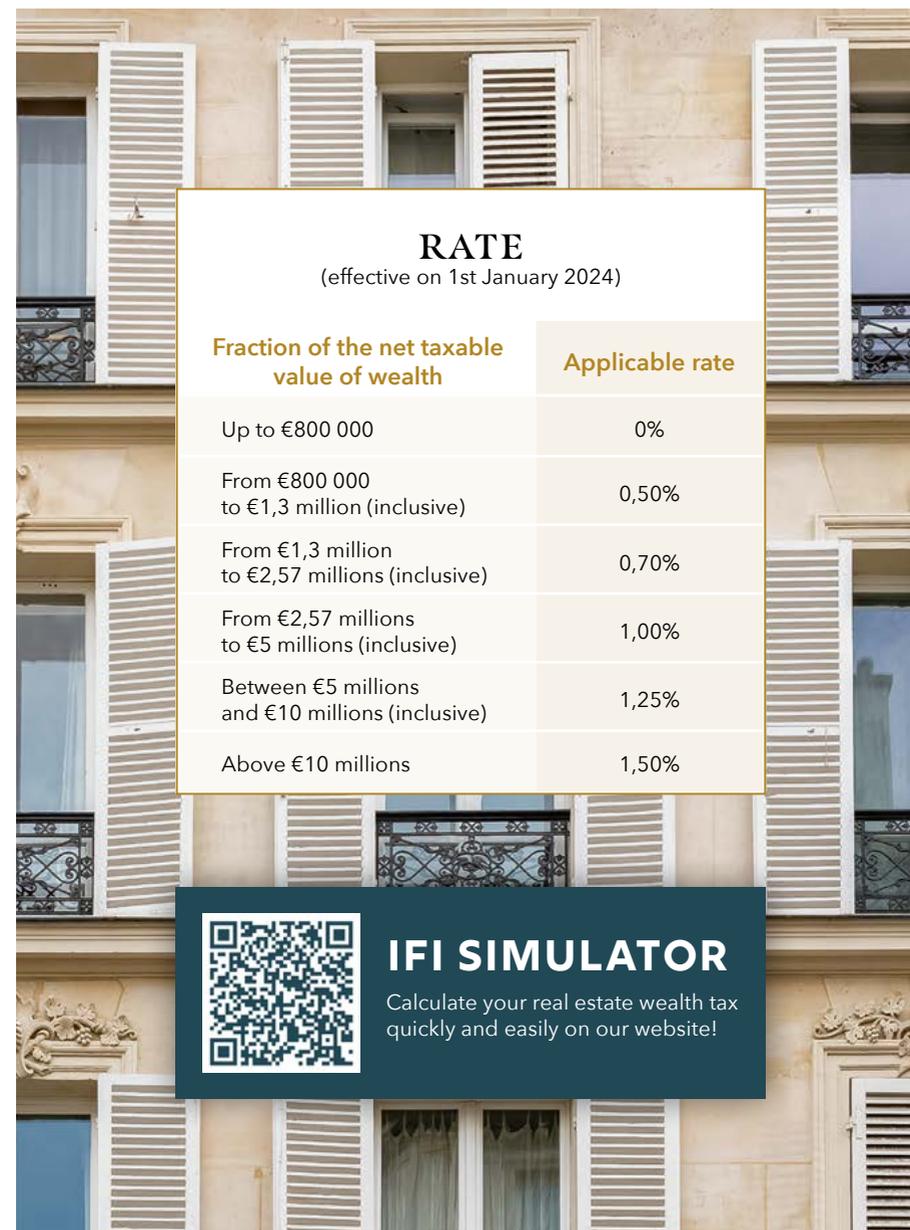
They become partially deductible. The debt is reduced by a prorated amount taking into account the number of years spent on the total number of years of the loan (thus creating a gradual depreciation and therefore a reduction of the deductible debt).

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 1st January 2024)

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 millions (inclusive)	0,70%
From €2,57 millions to €5 millions (inclusive)	1,00%
Between €5 millions and €10 millions (inclusive)	1,25%
Above €10 millions	1,50%



IFI SIMULATOR

Calculate your real estate wealth tax quickly and easily on our website!

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

HOW IS CAPITAL GAIN CALCULATED?

$$\text{PRICE OF SALE} - \text{PURCHASE PRICE*} = \text{GROSS CAPITAL GAINS}$$

*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.

NET CAPITAL GAIN

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

Period held	Income tax base + additional tax	Base for social security contributions
Less than 6 years	0 %	0 %
From 6th to 21st year	6 %	1,65 %
End of 22nd year	4 %	1,60 %
Beyond 22 nd year	Exempt	9 %
Beyond 30 th year	Exempt	Exempt

Rate of allowances applicable in each year of ownership.

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).

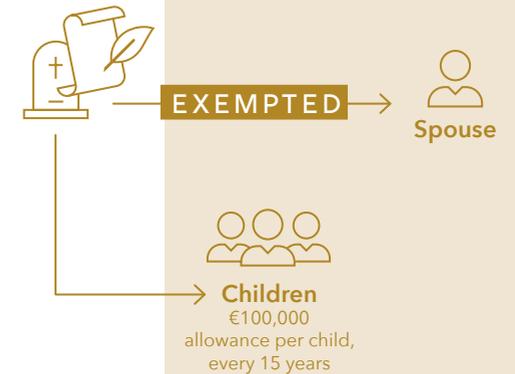
INHERITANCE IN FRANCE

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).



RATE

(differs according to relationship)

GIFT TAX FOR DIRECT INHERITANCE

Taxable amount after allowances	Tax rate
Less than €8 072	5 %
Between €8 072 and €12 109	10 %
Between €12 109 and €115 932	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 %

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.



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

*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).

