

## FRENCH PROPERTY TAX INFORMATION

Non-residents are taxed in France on income arising from French sources only and are liable to a number of other property related taxes outlined below. Individuals living more than 183 days in France, or whose main resident home is located in France, are considered as French resident for tax purposes. Likewise if your centre of economic interest (business) is located in France you will be deemed resident in France for tax purposes (*domicile fiscal*). Non-residents may also be liable for tax on the same source of income in their home country of residence, where taxes are levied on worldwide income. Relief for double taxation may apply.

### Tax Identification Number

There is no need to apply for a *carte vitale* if you are not living in France permanently as long as you are not working there. However you will require a Tax ID number in order to file your French Tax Return, even if you are non-resident.

### Taxes payable when purchasing a property in France are as follows:

**French Land Registry** fees are usually 0.615%. In addition there are other purchase taxes e.g. communal tax, departmental tax and levies. Total fees including land registry fees are 4.89% of the value of the property.

The **VAT** (TVA) rate in France is 19.6% on property purchases. It may be possible to claim this back where a leaseback agreement is in place. A rate of 5.5% applies to rents.

### Ongoing property taxes payable in France are as follows:

A **French Rental Income** tax return must be filed by 30th June annually after year end. French Income Tax is payable at progressive rates on income after allowable deductions for expenses incurred in connection with letting/maintaining the property.

Furnished and Unfurnished, leaseback and SCI properties are treated differently for tax purposes.

- Unfurnished property is taxed on income less allowable expenses and is regarded as Non-Commercial property (*Regime reel des revenus Fonciers*). Non-residents can benefit from a simplified scheme (*Regime du Micro Foncier*) – where income is < €15,000, a deduction of 30% for related costs is permitted in arriving at taxable income which is levied at a flat rate of 20%.
- Furnished property is treated as Commercial. Non-residents have a choice in the method they use. Where income < €76,300 a deduction of 71% for related costs is permitted in arriving at taxable income and net income is levied at 20% (*Micro Regime*). For income > €76,300, or where you choose to opt out of the simplified scheme, tax is calculated on an actual receipts/costs basis and gross income is levied at 20% (*Regime Simplifie d'imposition*).

**French Wealth Tax** applies to non-residents where the gross asset value is in excess of €760,000 (€750,000 for 2006). Tax rates depend on the type of property (antiques & works of art are exempt) and range from 0.55% to 1.8% of the value of the property. A deduction against this value is allowed for any outstanding debt (capital) on the property. The Return must be filed before the 15th July each year.

### 3 Local property taxes apply in France:

These are based on the rateable value of the property and vary per region.

1. **Taxe Fonciere** – generally paid by the owner of the property (though it can be arranged to be paid by occupant/tenant). It includes tax on land/buildings. *Allowance available depending on property type of between 20% and 50%.*

2. Taxe d'Habitation – paid by the occupant/tenant of the property if rented on a long term (1 year) lease. Otherwise paid by owner.
3. Ordures Menageres – annual local tax charged separately for refuse collection.

The French Leaseback property scheme was created by the French government to encourage investment and development in tourist regions throughout France. Property bought through a leaseback scheme involves a contract between the investor and a property management company that will manage and rent the property for a fix period of 9 to 11 years. This contract can be renewed at the end of the period should the investor still own the property. The main characteristics of a leaseback scheme are that the property must serve as a holiday accommodation for at least 20 years and where a French VAT is charged on the purchase price of the property it can be claimed back. In this case, you need to account for 5.5% VAT on the rental income. French rental income from a leaseback contract under € 76,300 pa falls under the *Regime Simplifie d'imposition (BIC)* and full deductions on costs incurred and property depreciation allowance may apply. A French rental income tax return must also be filed annually when purchasing property under the Leaseback scheme.

**Other applicable taxes are as follows:**

**French Capital Gains Tax (CGT)** on the sale of property is charged @ 16% of the gain if you live in the EU (33% if outside the EU). There is a reduction factor applied @ 10% for each year that you own the property after the first 5 years. No CGT is payable if sold after 15 years.

**French Inheritance Tax (IHT)** is payable by non-residents depending on a number of factors – the inherited amount, the relationship between the deceased/donor & the beneficiary, the number of children and in some cases the level of gifts enjoyed in the previous 10 years.

**Worldwide income**

If resident in Ireland or the UK, you will be obliged to declare and file your French income in Ireland/ UK also. There is a double taxation agreement between France, Ireland and the UK so relief for certain French taxes will be given against Irish/ UK taxes payable on your French property.

French Income Tax Returns must be filed by April 30<sup>th</sup> the year after income was first received.