

ACQUIRING FRENCH REAL ESTATE

DIRECT PURCHASE OF REAL ESTATE

This section discusses the tax implications of the direct purchase of real estate. First is discussed the impact for resident individuals and non-resident individuals. Thereafter is discussed the impact for resident companies and non-resident companies.

French tax resident Individuals

Transfer taxes

The acquisition of a real estate property located in France triggers transfer tax which is due in principle by the purchaser. However, it can be agreed by the parties that these fees will be supported by the seller.

Transfer tax includes the following fees :

- Notary fees : the fees paid to the notary
- Disbursements : the fees paid by the notary to pay the different parties producing the documents required for the change of ownership
- Registration fees: is the tax paid to the French tax authorities at the purchase.

Transfer tax represents approximately 7 to 8% of acquisition price, but can be recuded to 2 to 3% if the property is brand new. The fees depend on the nature of the property, its localisation and whether or not furnitiures are sold with the property.

VAT

The purchase of a real estate property between individuals is not subject to VAT (only transfer tax). If VAT applies, no acquisition fees is due. VAT can only apply if the vendor is subject to VAT.

The sale of a building land is subject to VAT if the vendor is a professional subject to VAT (rate 20% at the expense of the buyer). The sale of a new real estate (within 5 years of its creation) by a professional vendor is subject to VAT (20%). It is possible for a person subject to VAT to opt for the application of VAT, if it is not applicable by default.

Non-French tax resident individuals

Same treatment as residents if the property is located in France. The nomination of a tax representative in France is only necessary at the sale, if the saler is tax resident of a non-EU country, not when buying them.

French incorporated companies

Transfer taxes

The acquisition and transfer of French real estate is subject to transfer taxes. Transfer taxes are deductible from the company's taxable income except if the company is a real estate company (SCI).

Value added tax

The supply and lease of real estate are exempted from VAT unless a building is sold within five years after its built. The applicable VAT rate is 20%. However, when the operation is exempted, it stays possible to opt for a VAT taxation under conditions. In this case, the input VAT would be deductible.

Non-French incorporated companies

Non-French incorporated companies are treated in the same manner as French incorporated companies for the income generated from immovables property located and taxable in France. The foreign company is therefore liable to tax in France with the income generated in France only.

INDIRECT PURCHASE OF REAL ESTATE

This section discusses the tax implications of the indirect (shares) purchase of real estate. First is discussed the impact for resident individuals and non-resident individuals. Thereafter is discussed the impact for French companies and Foreign companies.

French tax Resident individuals

Transfer taxes

Transfer taxes are due on the sale of shares. Rates vary from 0.1% to 3% for shares, and up to 5% for shares in property companies.

Non French tax resident individuals

Same treatment as for resident individuals.

French incorporated companies

Transfer taxes

The transfer of shares in a non-listed real estate company is subject to transfer taxes at a rate of 5%. A company qualifies as a "real estate company" if its gross assets is composed of 50% or more of immovable property (or property rights) located in France.

Non-French incorporated companies

Non-resident companies are treated in the same manner as resident companies.