

## An overview of taxes when buying property and or moving to France

**W**hen buying property in France, tax is one of the most important aspects to be considered, especially for non-residents. To avoid any pitfalls and surprises, let us guide you through the maze.

**Rented properties:** people who intend to rent out their property will find that income they earn from it is treated as commercial or rental income. It depends on whether it is furnished or unfurnished, the main difference being the way the net income is calculated. Fewer deductions can be offset against rental income, and more can be offset against commercial income.

Owners who are French tax residents or earning other French sourced income, may find that a furnished rental (LMP) can be very tax efficient because the loss generated by the interest payments on their loan can be offset against income. They pay a progressive tax rate ranging from 5.5-40 per cent on net income. For non-French residents, their income is subject to the same progressive rate, but it can't be less than 20 per cent of net income.

**Wealth tax:** if, at 1st January 2007, the net value of the property is more than €760,000, a

wealth tax form must be filled in and filed with the competent tax centre. For non-French tax residents, the wealth tax base takes into account the market value of their French assets. For French tax residents, it takes into account the value of their worldwide assets.

Similarly, for non French tax residents, only debts related to French assets can be deducted, while for French tax residents all debts are taken into consideration. Wealth tax is applied over €760,000 and ranges from 0.55 per cent to 1.8 per cent.

**Capital gains tax:** is applied on the sale of a property at 16 per cent for those resident of another EU member state; 27 per cent for people who reside in France; and 33.33 per cent for those outside the EU.

After the fifth year of ownership, there is a reduction of 10 per cent per annum which means that after 15 years no CGT is applied. Non-residents are required to appoint a tax representative if the sale of their French property is subject to CGT, and the sale price is over €150,000. Their fees amount to around 1 per cent of the sale price. However,

these are deductible from capital gains.

**Inheritance tax:** on the demise of an owner whose property is taxable in France, the surviving heirs benefit from certain allowances. Firstly, the spouse and children benefit from a general allowance of €50,000. Then, a specific allowance of €76,000 is applied to the spouse's taxable portion, and €50,000 to each child's taxable portion. The heirs pay inheritance tax ranging from 5-40 per cent on the net value of each portion. When the net value of the transfer is greater than €1,700,000, the higher inheritance tax rate of 40 per cent is applied. Imminent reform will likely put an end to inheritance tax for the spouse, while the €50,000 allowance will be tripled to €150,000.

**Income tax:** anyone domiciled in a country which has not signed a tax treaty with France, and who owns property in France, is required to fill in a French tax return and pay personal income tax on the basis of three times the annual rental value of the property.

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