



Tax representative

EN

## Taxation on real property capital gains in France

You are about to sell a property in France, this leaflet gives you information regarding your tax obligations.

### Are you non-resident?

- Yes, if, on the day of the sale, your worldwide income is taxable outside France.

### What are the obligations for individuals selling property in France?

- If you have owned the property for less than 30 years\*, you must:
  - file a **capital gains tax declaration**, even if you have no tax to pay;
  - **appoint a tax representative**, if your share of the sales price exceeds € 150,000 and you live outside the EEA\*\*;
  - pay the tax at the rate of **36,2%** of the chargeable gain;
  - and pay an additional tax when the taxable net gain is greater than € 50,000.

### Are building works deductible?

Yes:

- For buildings constructed, 15% of the purchase price from the fifth year (if some works have been carried out).
  - Or: actual costs paid for building, rebuilding, extension or improvement works may be deducted if carried out by a registered builder. Invoices and proof of payment by the owner are required.
- NB: renovation and maintenance works, purchases of materials, and works that have been claimed for deduction elsewhere are not deductible.

### When furniture is included in the sale, how is the chargeable gain calculated?

- The price of furniture and furnishings sold with the property is deducted from the chargeable gain if proof of their value is provided (invoices or an official valuation).

### Can I be exempt from capital gains tax?

Yes, under certain conditions, namely:

- For the part of the net chargeable gain not exceeding €150 000, if (i) you are a citizen of the EEA\*\*, (ii) have been fiscally domiciled in France for at least 2 consecutive years, and (iii) have not rented the property since the 1<sup>st</sup> of January of the year preceding the year of the sale (although this does not apply if the sale is signed less than 5 years after your French fiscal domicile status ended) and (iv) if this is your first taxable sale since 01/01/2006;
  - Beneficiaries of an old age or disability pension (subject to income assessment).
  - If you have owned the property for more than 30 years; if the sales price is less than €15 000, or in case of expropriation.
- Consult us to find out which conditions apply to your particular situation.

### What conditions apply to French SCI's?

- A tax representative must be appointed if the total share held by non-residents (outside the EEA\*\*) is sold for more than 150,000 Euros and if at least one shareholder is a foreign company.

### What about foreign companies?

- A tax representative must be appointed in all cases if the registered office is not in the EEA.
- The chargeable gain is calculated differently: the fixed allowances of 7.5% and 15% do not apply, obligatory depreciation of the acquisition price (buildings)..
- The exemption for length of ownership **does NOT apply**.
- The chargeable gain is taxed at the rate of IS.
- Only building, rebuilding and extension works are deductible (invoices required, with proof of payment by the company).
- Specific rules for European companies.
- The tax representative also guarantees the payment of the 3% annual tax, calculated on the market value of the property (section 990 E of the French Tax Code) (for non European companies).

### What happens after the sale has gone through?

- Your tax return can be audited during the next 4 years or more.
- Your tax representative has to justify the calculation of the tax and defend your position.

### What does a tax representative do for you?

- They sign your capital gains tax return.
- They guarantee that the return is correct.
- They undertake to pay any tax and penalties in the event of an adjustment
- Their liability is unlimited.

### Who can be a tax representative?

- Either a company accredited by the French tax authorities.
  - Or, with special approval, any person residing in France. Approval can take some time as the tax status of your representative has to be verified.
- Notaries and French Avocats are NOT allowed to be tax representatives (BOI-RFPI-PVINR-30-20-20120912 § 30).

### What are the advantages of being represented by Sarf?

- The quality of our expertise and service is backed by 30 years' experience.
- We will process your file in 24 hours.
- Sarf has led the competition in the profession since 1983.
- You are assigned a personal legal advisor to take care of your file who is specialised in their field.

### How does Sarf receive its fees?

- Our fees, which are paid out of the proceeds of the sale, are deducted from the chargeable gain.

\*When selling land which you have built on less than 30 years ago, or when a property is sold by a foreign company, a capital gains tax declaration must be filed even after 30 years of ownership.

\*\*Lichtenstein: details to be announced.

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