



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 10 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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