

French Property Tax for Non Residents:

Owners of rental property in France, who are non-resident there, are liable to pay taxes and must apply for a French Tax ID number.

An individual is considered non-resident in France if s/he does not spend 183 days or more in any tax year (calendar year) in France or does not have their primary residence or centre of economic activity there.

Taxes payable when purchasing a property are as follows:

The following taxes are payable at purchase : Land registry fees of 1%, Registration tax of 0.615% for new (4.89% for older property (greater than 5 years), Notaire's work of up to 1.5% and Mortgage registration fees of 1% of loan value (French mortgages only).

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 taxes payable in France on property are as follows:

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

Furnished and Unfurnished property is treated differently for tax purposes.

- Unfurnished property is taxed on income less allowable expenses and is regarded as Non-Commercial property. Non-residents can benefit from a simplified scheme – where income is < €15,000, a deduction of 40% (30% for 2006, 2007) for related costs is permitted in arriving at taxable income.
- Furnished property is treated as Commercial. Non-residents have a choice in the method they use. Where income < €76,300 a deduction of 71% (68% for 2006) for related costs is permitted in arriving at taxable income. For income > €76,300, or where you choose to opt out of the simplified scheme, tax is calculated on an actual receipts/costs basis.

Wealth Tax applies to non-residents where the gross asset value is in excess of €770,000 (€760,000 for 2007). Tax rates depend on the type of property and range from 0.55% to 1.8% of the value of the property.

3 Local property taxes apply in France: Taxe Fonciere, Taxe d'Habitation, Ordures Menageres. These are based on the rateable value of the property and vary per region.

Other applicable taxes are as follows:

Capital Gains Tax 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.

Inheritance Tax 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.

If you are considering buying property abroad or have already made an overseas property investment, it is important that you are aware of your tax obligations and the property taxes associated with such a purchase.

Worldwide income

You will have an obligation to declare and file your French income with your tax return in your resident country. Please contact us for further details regarding double taxation relief and/or filing your Irish/ UK Tax Return.

For more information or to speak with a tax specialist please call + 44 (0) 207 6599 187 or + 353 (0) 1 635 3722 or email info@ptireturns.com

The information provided here is intended as a guide only. Specific advice should always be sought on the application of the relevant legislation in any particular situation. While Property Tax International Limited makes every effort to ensure its accuracy, we take no responsibility or liability for any inaccurate, delayed or incomplete information, nor for any actions taken in reliance thereon.

Property Tax International Ltd

12-14 College Green, Dublin 2, Ireland ; IDA Business & Technology Park, Ring Road, Kilkenny, Ireland

Tel 1890 931 931 (low call from Ireland) or + 353 (0) 1 56 7794 555 or + 44 (0) 207 6599187 (from UK)

Email info@ptireturns.com Website www.ptireturns.com