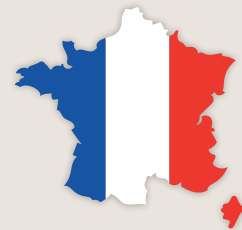




Property Tax
International



THE ULTIMATE TAX GUIDE

FOR NON-RESIDENT LANDLORDS WITH PROPERTY IN FRANCE

INCOME TAX, SOCIAL CHARGES, AND VAT ARE
THE TAXES WE'LL BE LOOKING AT IN THIS PDF.

Introduction

As one of the biggest European countries, France has a rich history, culture, and architecture, making it a preferred property destination for foreign investors.

On the other hand the attractive **VAT reimbursement** is a boost to the whole real estate sector, encouraging future owners to purchase a newly built house or apartment that they might live in, rent and profit from.

If you have decided to invest in a French property, whether as a primary residence or for vacation purposes, you should be aware of the tax implications so that you can plan ahead of time.

For example, if you are earning rental income from a property in France, it is highly likely you will be required to file a tax return. Filing a tax return and claiming your income from French sources in your home country is not enough.

Many non-residents struggle with their French tax requirements each year. So, with that in mind, we have put together this **French property tax guide for non-residents** to cover what you need to know about your tax requirements.



I am a foreign individual with property in France. Am I a resident or non-resident for tax purposes?

You will be considered a resident of France if you spend at least 6 months of the year in the country, and this rule does not require you to have a permanent residence there.

Business owners and professionals who travel regularly may not be deemed residents, even if they have a permanent home in France.

In these cases, the French authorities will review the private circumstances for a period longer than a year to determine the residency.

Having said that, you could be considered a resident, even though you spent less than 6 months in the country but in the end, you've spent more time in France than in any other country.

Can I be a tax resident in two countries?

Yes, depending on your personal circumstances, it is possible to be considered a tax resident in two countries.

In such cases, you need to have a look at the double taxation agreements between the two countries to determine where you should pay tax.

The double taxation agreement should prevent you from being taxed more than once on the same income.

PTI Returns will help you to ensure you avoid double taxation and remain tax compliant both in France and in your home country. (*Only if your home country is the UK, Ireland, and the USA*).

As a non-resident, do I have to report my rental income there and pay taxes?

Yes. Non-residents are obliged to file a French rental income tax return and pay taxes only on their income from French sources. Married couples can be taxed separately or jointly.

Individuals who are considered residents in France pay taxes on their French and worldwide income.

As a non-resident, you should know that your income from France is taxed differently depending on its nature.

When you file your French income tax return, you can select to have your tax calculated using the average rate.

You'll have to report the income to your home country's tax office as well.

France has double taxation treaties with a number of countries and you are unlikely to be taxed twice on the same income.

For example, if you are a UK resident, you will need to declare your rental income both in France and the UK. However, you will benefit from a double-taxation agreement and it will provide you with some tax exemption in the UK.



Property Tax
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I receive rental income from my French property. Is this considered business income or property income and how do I declare it?

Property income and supplementary revenue from the property in France, as well as rights concerning the real estate (life interest, bare ownership, undivided interest, etc.) or shares/stock in property firms, are taxable as property income or business profits.

Depending on the nature of the property income (rental income from unfurnished or furnished property), certain French property income tax returns or sections in them should be filled in.

At Property Tax International (**PTI Returns**), our team of tax experts specializes in property tax returns for French property investors who are non-residents in France.

FIND ME A PROPERTY TAX EXPERT

How much tax do I have to pay on my rental income?

If your rental income is up to €26,070, the tax rate is 20%.

Rental income above this threshold is taxed at a rate of 30% (2021 income).

These tax rates are applied on the net rental income which is calculated after the deduction of applicable expenses and the standard allowance.



What are the tax obligations of non-residents renting out furnished accommodations?

If you are renting out furnished property that you own in France, this income is taxable as business profit (*bénéfices industriels et commerciaux*, or BIC).

This income must be reported on supplementary return 2042-C-PRO in one of the following sections:

- **Revenus industriels et commerciaux professionnels** (*professional business profits*)
- **Revenus des locations meublées non professionnelles** (*non-professional letting of furnished property*)

If one or more of the following conditions are not met, the activity of renting out furnished accommodations is considered non-professional (Article 155, IV of the General Tax Code):

- **This activity generates more than €23,000 in annual revenue for all members of the taxable household.**
- **This revenue exceeds the revenue of the taxable household subject to income tax in the categories of wages and salaries (including pensions and annuities, as well as revenue of managers and partners as defined in Article 62 of the General Tax Code), business profits (other than that earned from the letting of furnished accommodation), agricultural profits, and non-commercial profits (as defined in Article 79 of the General Tax Code).**

Renting out furnished lodgings is classified as either a professional or a non-professional activity at the household level, and this classification applies to all furnished accommodations rented out by the household.



I bought a property in France, what taxes should I pay?

NOTARY FEES OR REGISTRATION FEES

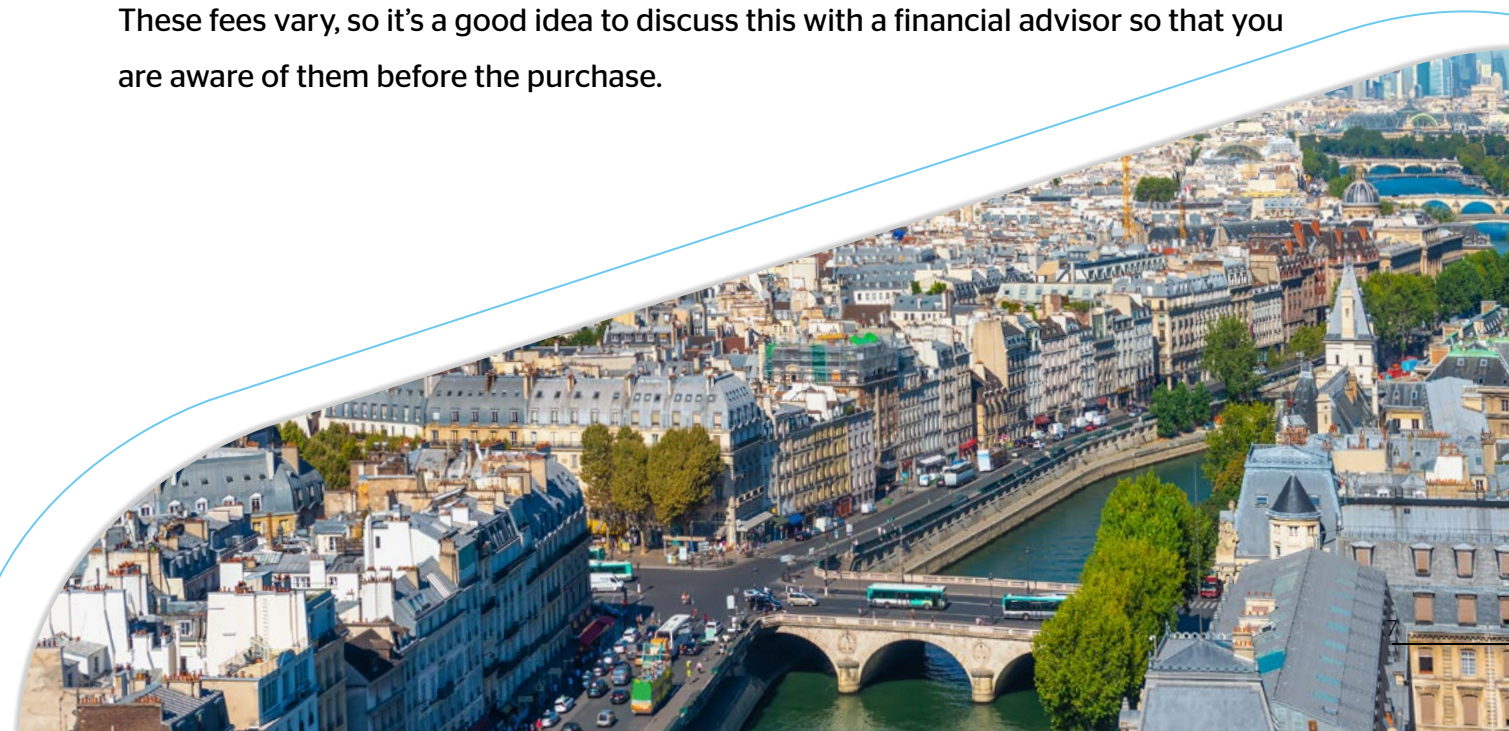
The total taxes and fees will depend on the type of property you decide to purchase.

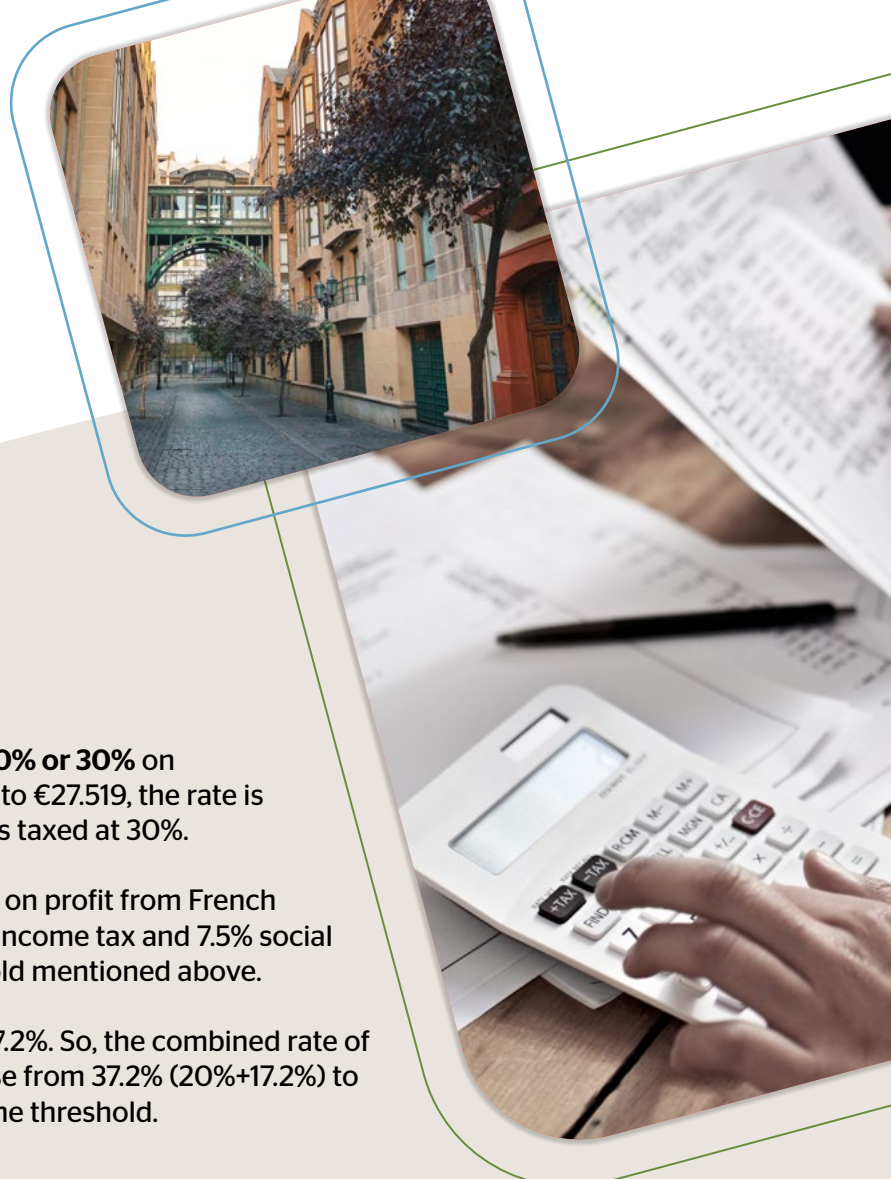
French notary fees are varying from 5% for the first €3.000 and then gradually down to 0.3% if your purchase exceeds €120.000.

Let's say that you purchase an old property. The taxes and the transfer of ownership costs for the purchase of an already existing real estate are around 7% and 10% of the purchase price. **The registration fees are around 5.08%-5.09%.**

If you decide to buy a French property that is less than 5 years old, **you will pay around 2% registration and transfer fees, plus VAT** (20% on the purchase price). **The registration fees are around 0.7% of the purchase price.**

These fees vary, so it's a good idea to discuss this with a financial advisor so that you are aware of them before the purchase.





I have a French rental property, what are my tax obligations in France? What types of French property taxes exist for non-resident owners?

If you are a non-resident who owns a property in France, you must comply both with the French tax regulations and those in your own country.

Non-residents are taxed on their income from French sources. Married couples can be taxed separately or jointly.

The real estate could be liable to local taxes, income, succession, capital gains, and wealth taxes. We will outline this below.

[CLAIM MY FRENCH PROPERTY VAT REFUND](#)

FRENCH INCOME TAX

If you are a non-resident taxpayer and you receive income from a French source (when you are renting out the property), **you are obliged to declare it and file a tax return there.**

It's **important to remember** that there is no reporting threshold, which means that any profit should be reported, even if it's non-taxable.

Non-residents are taxed at a **flat-rate of 20% or 30%** on investment/ rental income. If you earn up to €27,519, the rate is 20% (2021). Everything beyond this level is taxed at 30%.

The rate of social charges and income tax on profit from French sources **for EU residents** is 27.5% (= 20% income tax and 7.5% social charges) if it does not exceed the threshold mentioned above.

Social charges for **non-EU residents** are 17.2%. So, the combined rate of social charges and income tax will increase from 37.2% (20%+17.2%) to 47.2% (30%+17.2%), and this depends on the threshold.

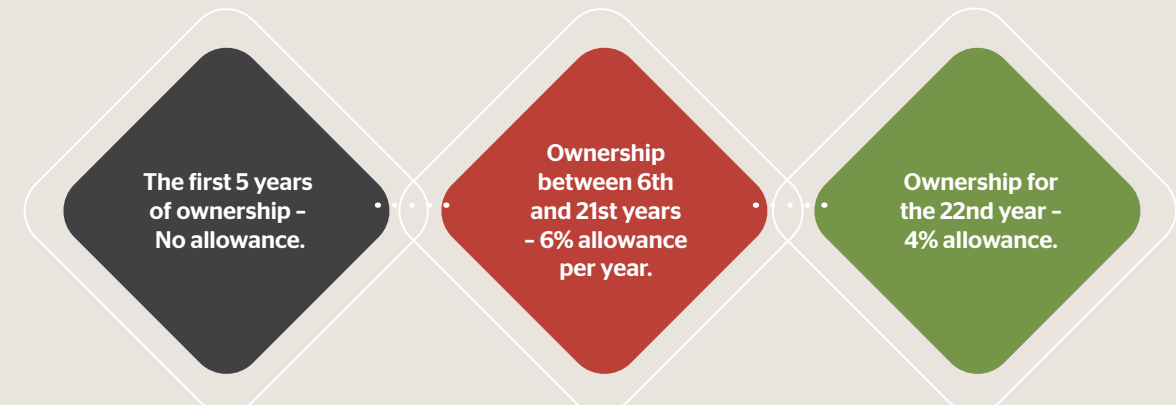
CAPITAL GAINS TAX IN FRANCE

Here, we will discuss how much tax you will pay when you sell your property in France.

There is no longer a higher rate of capital gains tax for non-residents who live outside the European Economic Area (EEA).

If you are a non-resident, the applicable tax rate is the same - 19% Capital Gains Tax, plus 17.2% social charges, and the total charge is 36.2%.

There is a tapered relief against the tax that is granted, starting from the 6th year of ownership:



SOCIAL CHARGES

For Non-EEA residents

A tapered relief is granted, starting from the 6th year of ownership:

The first 5 years of ownership - No allowance.

Between 6 and 21 years of ownership - 1.65% per year.

For the 22nd year of ownership - 1.60% only in this single year.

Between 23rd year and 30th year of ownership - 9% per year.

For EEA residents

This table shows the percentage discount for capital gains tax and social charges for each year of ownership. Keep in mind that it does not take into account the 'solidarity tax' so you should assume 7.5% throughout.

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[CONTACT ME WITH A FRENCH PROPERTY TAX EXPERT](#)



TAXE D'HABITATION (HOUSING TAX IN FRANCE)

Taxe d'Habitation should be paid by the owner of a French real estate or the tenant who is renting the property on a long-term basis on 1 January of the tax year concerned.

If the property is rented unfurnished, the tenant is paying it, if it's rented out furnished, long term, again the tenant is paying it. For short-term letting, the owner is responsible to pay it. For leaseback, the management company that has rented the property to sub-let it.

In short, if you let out a property on an annual basis, the tenant should pay it, and it does not matter if the property is furnished or unfurnished.

This French tax is based on the characteristics of your real estate like location and others. It also varies considerably and is determined by each municipality.

French homeowners are liable to Taxe d'Habitation if they own, rent, or occupy their main residence free of charge. If the property is not occupied, Taxe d'Habitation is not due. To be considered "unoccupied", the real estate must not contain any furniture.

In this case, in some towns with more than 50,000 citizens, the French tax on vacant housing is due (TLV) on real estate that has been empty for at least 12 months.

The formula to calculate this tax depends on the size, location of the property, and condition. The tax rate is generally around 0.2% for main homes and between 1.2% and 1.7% for a second property and depends on its "rateable value".

If you own a television, you will also be liable for the audiovisual fee of €138 (2021), and this tax is payable with the housing tax.

The tax notice will be sent to you at the end of August or the beginning of September at the address mentioned in your title deed unless otherwise indicated by you. It is also always uploaded on your personal online account on the French tax office website.

[Find out how to pay tax d'habitation online and more.](#)



TAXE FONCIERE - FRENCH LAND TAX

This tax is an annual, local French land ownership tax and is imposed on the owner, whether or not the property is occupied or rented out.

Taxe Fonciere is payable on all homes whether they are used as a permanent residence or used as a holiday home.

The tax is payable by the person(s) who owns the real estate on 1st January.

Taxe Fonciere is also considered “**land tax**” and the owner must pay it even if there are no buildings there. The amount owed is calculated by the local authorities.

The taxe foncière includes other additional taxes and charges, such as a charge for the collection of rubbish (taxe d'enlèvement des ordures ménagères) for those municipalities where this service is provided.

TAX ON REAL ESTATE WEALTH - WEALTH TAX IN FRANCE (IFI)

If you live outside of France, only real estate located in the country is taken into account, and any tax treaty between your country and France will be considered. Impôt sur la Fortune Immobilière (IFI) is an annual wealth tax on property in France.

The tax-free allowance is €800,000 after that rates start at 0,5% and rise progressively up to 1,5%.

If you are a non-resident in France, your taxable assets consist of:

- real estate rights and property in France
- the shares you possess in property companies holding real estate in France
- the shares you possess in property companies holding real estate in France and abroad, up to the amount of the rights and property owned in France

The taxable assets are:

- apartments, houses, and their outbuildings (parking, cellars, garages) for rent or for personal use
- buildings/ historical monuments
- buildings under construction
- agricultural land, building plots, and other non-built buildings
- fractions of buildings (buildings) held via shares in companies
- certain real estate is exempt, such as rural property leased on a long-term basis, forests and woods, etc
- real estate rights and property that do not meet the criteria to be considered professional property



There is a discount that applies on net wealth between €1.3 million, and €1.4 million which is worth around several hundred euros.

If the tax authorities decide that you are subject to IFI tax, they have the right to collect any overdue liabilities (arrears) with penalties over the previous ten years.

The deadline for the tax return is usually the end of May or the beginning of June.

Are there any deductible debts?

Deductible debts can be expenses related to the improvement of the property, extension, reconstruction, maintenance of the real estate, or any taxes related to the property (for instance property tax).

The debts that could be subtracted must meet these criteria:

- be related to taxable assets
- be dependent on a member of the tax household
- exist as of January 2021

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What is Cotisation Foncière des Entreprises - (CFE) tax France?

CFE is a tax that is **paid annually** by owners of **furnished real estate in France** and is based on the theoretical rental value of the property. If the rented property is leaseback or unfurnished, no CFE is due.

The tax is usually between €100 and €1.500. The great news here is that most property owners pay too much CFE tax and are entitled to a tax refund.



Who is exempt from CFE tax in France?

PTI Returns specializes in property tax, and we have more than 20 years of experience. Our tax experts have the competence and skills to quickly and efficiently handle the tax issues of both French and non-resident landlords.

They will also figure out which are the tax deductions that you can avail of, depending on personal circumstances.

Contact us to learn more about how we can assist you.

We will relieve you of the stress of dealing with your tax obligations, so you can enjoy your time as a landlord!

Homeowners will not have to pay CFE tax in their first year of ownership or if their annual turnover is less than €5,000.

PTI Returns can help you claim part of the CFE if it is overpaid from the tax authorities.

[CLAIM MY CFE REFUND](#)

Can you reclaim VAT on the buy-to-let purchase?

Foreign and French buyers can reclaim the VAT (20%) on the price of new-build real estate by committing to renting it out as leaseback.

If the property is sold before 20 years of detention and not as leaseback, the VAT must be paid back to the French tax authorities, prorated of the years of detention.

If the owner decides to sell the property or take it out from the real estate market, then they must pay back a portion of the VAT (on a pro-rata basis).

- Non-residents should not file annual VAT returns. They can claim a VAT refund if the paid VAT in the tax year is more than €150.
- Since there is no VAT collected on the rentals, any amounts paid to French service providers can be claimed back.

PTI Returns is able to help with the submitting of the French business income tax return and VAT return.

THE FRENCH LEASEBACK SCHEME WAS INTRODUCED IN 1967.

Information from: **PTI Returnsreturns.com**

- Designed for those investing in a holiday shelter
- Leaseback of property in France has serious tax advantages
- Buyers are entitled to a refund of 20% VAT on the purchase
- The deduction for rental payments may be greater than depreciation and interest

[REQUEST A CALLBACK FROM OUR TAX EXPERTS](#)



What are the changes for UK resident landlords of French properties after Brexit?

Higher social charges on French rentals and gains on French property for UK citizens, limits on time spent in France, rising costs, and administration are all consequences of Brexit.

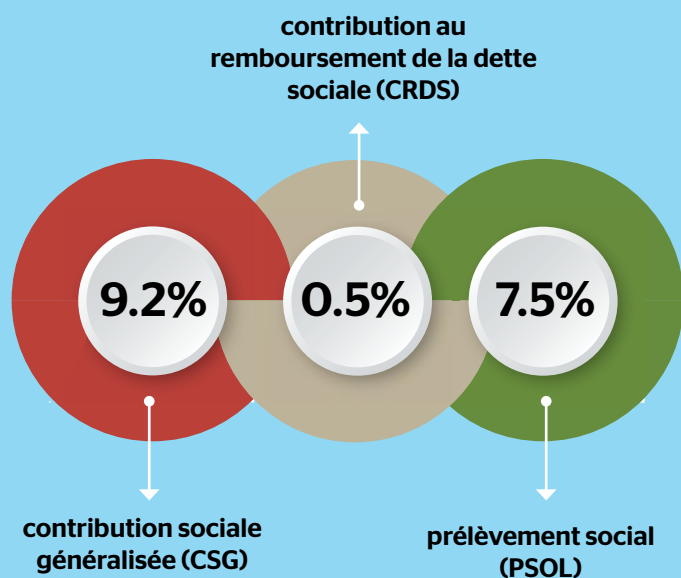
As UK citizens are no longer EU citizens, this will affect their French tax requirements.

They will be taxed on the profits from their French property under the terms of the double taxation agreement between France and the UK.

If you are renting out a French property as a UK resident **the income from real estate is taxed at 20% up to €25.710 and at 30% for the income bigger than that (2020).**

If the landlord is prepared to make a full declaration of their worldwide income and gains to the tax authorities in France, these tax rates could be reduced.

Landlords must pay the following social charges, in addition to income tax:



From **January 1, 2021**, UK citizens are paying all three of these social charges, instead of only PSOL. This is an increase from 7.5% to 17.2%.

CRDS and CSG only refer to non-residents (EEA countries plus Switzerland) who are not covered by the social security system of another European country.

Furnished lettings must be properly registered with a unique business reference number known as SIRET because it is treated as a commercial activity.

Without needing to apply for a visa, UK residents will be able to visit for 90 days in every 180-day period in any EU country in the Schengen zone.

Stays for over 90 days will be allowed only if the citizen has a working or residence visa. This 90 days period includes time spent in all the EU countries, not just in one.

If a UK citizen sells a property after owning it for more than 30 years, the benefit of the sale is excluded from Capital Gains Tax and social charges due to the use of taper relief.

In other situations, Capital Gains Tax would be 19% plus 17.2% social charges on the taxable gain, resulting in a total tax charge of 36.2%.

The CSG, CRDS, and PSOL, as mentioned above, make up the social charges. For gains made before 2021, only the PSOL is payable by a UK citizen with a UK NIC record.



What are the US tax obligations for owners of French properties?

If you are an **American citizen**, you don't need to report your investment in French property on your US tax return, **unless the real estate is rented out**.

If the property is not rented, you only need to keep the records of the purchase, and any costs and expenses incurred as part of the purchase for when you decide to sell it.

A notary or a French tax specialist can assist you in interpreting any applicable exemptions, calculating the tax owed, and paying the tax.

Capital gains may also be expected to be reported on your French income tax return.

Generally, in France, non-primary residence capital gains are taxed. The capital gains tax rate is 19% for all, with an additional "prelevements sociaux" of 17.2% for French tax residents and 15.5% for non-residents.

The selling of a property owned for more than 22 years is excluded from the capital gains tax, and the sale of a property owned for more than 30 years is exempt from "prelevements sociaux."

Americans should report the sale on **Schedule D** and **Form 8949**, claim foreign tax credits for French taxes on **Form 1116**, and either pay the difference in taxes or carry forward their excess foreign tax credits for up to ten years.



Reporting requirements for French property taxes for foreigners

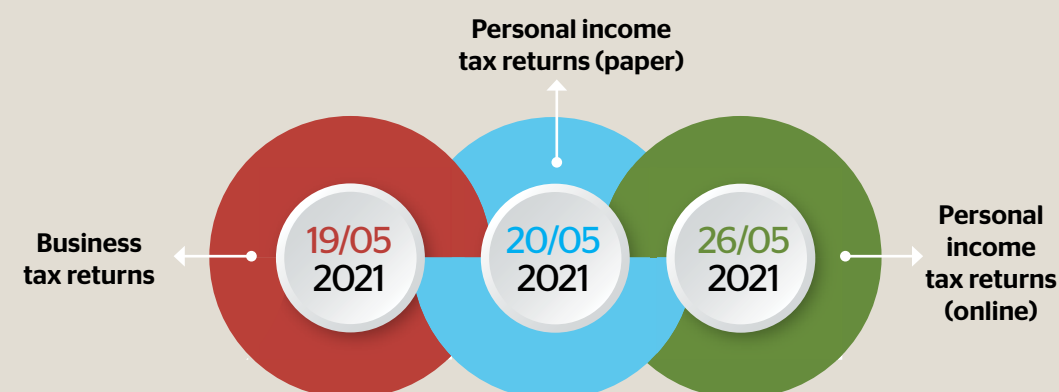
Purchase: None; keep strict records.

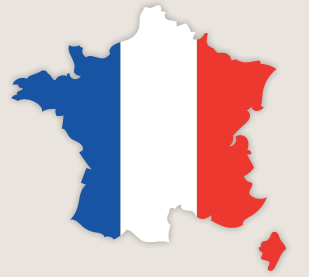
During ownership: If the property is not let out, keep good records. If you rent it out you will need to file a French tax return and keep detailed receipts of every rental property's income and expenditures.

A French tax advisor should be contacted for **accurate information** about your personal financial situation.

What are the income tax deadlines in France?

The deadlines for tax returns vary slightly every year and are announced in late spring. The deadlines for filing a French tax return online differ by département (101 regions in total).





Short summary of what is most important

Property tax in France for foreigners:

- » You will be taxed on your property income as a non-resident in France if you live in the country for less than 6 months throughout the year.
- » It is possible to be considered a tax resident in two countries.
- » You need to look at the double taxation agreements between the two countries to determine where you should pay tax.
- » France has signed tax treaties with more than 120 countries. So you can avoid double taxation and remain tax compliant both in France and in your home country.
- » French property tax for UK residents, as no longer EU citizens, will be taxed on the profits from their property under the terms of the double taxation agreement between France and the UK.
- » Your real estate could be liable to French local taxes, income, succession, capital gains, and wealth taxes, that you need to comply with.
- » You can claim the VAT back on the newly built leaseback rental property that you invested in France.
- » “Taxe foncière” and “taxe d’habitation” apply to residents and French non-residents.
- » Do not forget you must file a tax return on income from your French real estate each year.
- » If you have missed the deadline for your French tax return, you will have to pay a fine.
- » You can avoid missing the deadlines and paying penalties, by turning to reliable property tax filing assistance. This decision can also help you minimize your taxes.

Depending on how late you file, you can expect to pay the following:

- 10 %** if you make your declaration before receiving formal notice from the tax office
- 20 %** if you submit your declaration within 30 days of receiving the formal notice
- 40 %** if you fail to make a declaration within 30 days of receiving the formal notice
- 80 %** if the tax office discovers that you are performing undeclared work or engaging in illegal activity without receiving formal notice

In addition to this, you may be required to pay late interest on your French tax bill.

Even if you are not required to pay income tax, you must still file a declaration in order to obtain a notice of non-taxation, which can be useful for certain administrative procedures.

However, you will not be penalized for making a late declaration.

At Property Tax International (PTI Returns), our team of tax experts specializes in property tax returns for French property investors.

[HELP ME FILE MY FRENCH PROPERTY TAX RETURN](#)



Why is it important to choose a reliable property tax filing assistance? Who can help with income tax advice in France?

When working, living, and filing taxes in a foreign country, it's crucial to seek advice from tax experts because they can help you minimize your tax liability and ensure compliance with the French tax system.

This is even more important if you have a complicated tax situation or own property. So, you can avoid problems and penalties by getting appropriate financial tax advice.

Sure, you can always file your tax return directly with the French authorities yourself.

However, if you do so, the responsibility of filing correctly and claiming every tax relief you're entitled to will lie solely with you.

If you are earning rental income as a non-resident and have property expenses to declare, if you want to minimize your tax burden, and improve profitability, you will benefit from enlisting the services of a property tax specialist for non-residents.

At Property Tax International (**PTI Returns**), our team of tax experts specializes in property tax returns for French property investors.



We will handle all your foreign tax return preparation, and follow any changes in the French legislation.

Our property tax specialists will minimize your tax liability by applying every international tax agreement, tax relief, allowable expenses, and property tax deductions you are entitled to.

PTI Returns will keep you updated throughout the process and communicate directly with the French tax office on your behalf.

PTI Returns has multilingual support via phone and email. Our tax experts can answer any of your international property tax-related questions.

The PTI Returns team will:

- help you avail of all international tax agreements and allowable expenses
- help you avoid overpaying tax
- keep you up to date with the latest changes in legislation
- deal with the language barriers with the local tax office
- make the preparation and filing process easy and fast
- help you file your tax return and pay taxes online

So you can sit back and drink your coffee while we take care of all the filing.

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