



## France– August 2020

---

### CONTENTS

FRENCH CAPITAL GAINS TAX ON THE SALE OF A FRENCH PROPERTY: WHAT YOU NEED TO KNOW 2020.....1

---

### **French Capital Gains Tax on the sale of a French property: What you need to know 2020**

#### Who is affected?

Anyone who owns a French property or land is liable to pay French capital gains tax (CGT). Some exemptions may be available for example, if the property sold is your main residence at the time of sale.

#### How is the tax calculated?

##### The sale price

The net sale price is the price agreed between the parties after deduction of sale costs payable by the seller, such as estate agent's fees (if paid by the seller), costs of the technical reports on the property, costs of tax representation if applicable.

##### The acquisition costs

Some acquisition costs will be deducted from the net sale price to work out the gain before application of taper relief. The seller can deduct the purchase price, acquisition costs (e.g. legal costs and registration tax) and the cost of any enhancement expenditure such as cost of building an extension, swimming pool or other construction costs. The French tax authorities will expect you to be able to provide all evidence of the costs you deduct so keep good records to be able to justify your expenditure.

If you have owned the property for over 5 years, you may instead deduct the acquisition costs at a flat rate of 7.5% on the purchase price. The building costs can also be deducted for a flat rate at 15% of the purchase price. This can be advantageous if you are not able to provide evidence of all costs incurred at the date of sale, or this calculation would produce a smaller gain.

##### Taper relief

If you have owned the property for over 5 years, you can get taper relief for each year of ownership that exceeds 5 years, so that the taxable gain is reduced to nil after 22 years of ownership.

### **International Property Tax Institute**

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

If you have owned the property for less than 22 years, the gain, once reduced by taper relief, will be taxed. For example, if you have owned the property for 11 full years at the date of sale, the gain will be exempt (taper relief) up to 36% and the remaining gain (54%) will be taxed.

Taper relief also applies to social contributions, which are currently payable on the gain, unless you have owned the property for more than 30 years.

What is the rate of French Capital Gains Tax?

The current basic rate of French CGT on the sale of a French property is 19%.

If the gain exceeds €50,000, so that any gain exceeding €50,000 there is additional tax to pay ranging from 2% to 6%. Therefore the maximum rate of capital gains tax is currently 25% on gains exceeding €260,000.

The gain is also subject to the French social surcharges [Contribution Sociale Généralisée (CSG), Contribution pour le Remboursement de la Dette Sociale (CRDS) etc] at a rate of 17.2%. If you are not affiliated to the French social security system but depend on the social security and health care system of another EU/EEA country, you may be eligible for a refund of the social surcharges if they were applied on the gain made on the sale of your French property. Legal and tax advice should be sought.

How is the tax paid ?

The French Notaire in charge of the sale will be responsible for filing the French Capital Gains Tax return and paying the related tax liability from the sale proceeds (French CGT and French social contributions) within a month from the date of sale.

Although British nationals selling French properties currently do not have any obligation to appoint a French tax representative, this requirement will apply after the Brexit transitional period ends on 31st December 2020. Therefore, British nationals selling French properties on or after 1st January 2021 will be required to appoint a French tax representative in France, if the taxable gain exceeds €150,000.

## International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.