

Life's Certainties - Taxation

Capital Gains Tax – Now and February 2012

The two certainties of life, so we are told, are death and taxes, and at this time all Governments seem to be looking at ways to collect more money from us – **TAXES**. Amongst other measures, the French have revised the *Capital Gains Tax* structure: this will be the third time in the 17 years we have lived here!

As from *1st October 2011* all property sale completions are subject to the new rate of Capital Gains Tax. If you are a French tax resident (i.e. declare your income, be it wages, investment or pension in France) and it is your principle residence, you will be exempt from CGT liability, or if you have owned the property from more than 30 years (this is a major change), or if the sale price of the property is under 15,000 Euros.

If you are a non-French tax payer, even if it is your only property, or it is a second home (wherever you pay tax) then you will fall within the provisions of the CGT rules.

The rate of the tax is 19% - that is *19% of the profit* on the sale.

From *1st February 2012* the period of ownership over which the tax will be levied changes from 15 years (current) *to 30 years*. To calculate your liability yourself (although your Notaire is responsible for this calculation come the time of signature):

- 1. Start with the cost of purchase; *House + Agent's fees + Notaire fees and taxes.***
- 2. Add to that any major work done to improve or extend the property, *when that work has been done by French registered artisans*, with full invoices in French. Alternatively, when the property has been owned for *over 5 years there is a 15% cost allowance for work* (as a percentage of the purchase price you paid) that the Notaire can deduct within the calculation.**
- 3. In addition add the costs of sale, i.e. the various *"Diagnostics" reports*.**
- 4. That figure is then deducted from the sale price of the house, and the tax is due at *19% of the resulting "profit"*. **Giving you a taxable amount due.****

For the sale within the **first 5 years** of ownership - *100% is payable*.

Years 6 – 17, *2% is deducted each year*, so for year 10 - 90% is payable.

Years 18 – 24, *4% is deducted each year*, so for year 20 - 50% is payable.

Years 25 – 30, *8% is deducted each year*, so for year 30 - 2% is payable,

Years 30+ nothing.

In addition, those French Tax payers selling a second home will also be subjected to the *Social Charges Tax* (applied on income from capital) at 13.5% giving them a total maximum tax liability of 32.5%.

All of the above relates to EU tax payers. If you live outside of the EU and have a holiday home in France which you sell, having owned it for less than 30 years, you will be liable for CGT at a rate between 33.3% and 50% depending on the tax agreement between your country and France.

So there are some advantages to being in the EU.

Susan Dixon
Papillon Properties

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This is a simplified guide – for advice and actual calculation you should consult your Notaire.