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TAG TAX CONFERENCE CALL

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Tax implications of real estate investments in France

I. Acquisition costs

1. Normal case: transfer duty
 - a. 5,09% on purchase price / market value
 - b. Reduced rate 0,715% for:
 - i. Constructible land
 - ii. New properties
 - iii. Purchase for resale (broker)
 - c. Notary fees: 0,825%
2. VAT (19,6%) on:
 - Constructible land
 - New constructions
 - + Notary fees
3. Transfer Duty on shares of real estate companies:
 - 5% computed on Building Value – outstanding financing of the acquisition
 - No notary fees

II. Structuring housing property investment (self-used)

1. No corporate tax entity (otherwise taxation of deemed income)
 - ⇒ Direct ownership or holding via transparent partnership (SCI)
No income, no taxation (except Land tax – “taxe foncière”- housing tax – “taxe d’habitation”)
2. Sale: capital gain tax:
 - Basis
 - Sale price – acquisition price
 - Deduction of Lump sum acquisition cost: 7,5%
 - Reduction for holding period → full exception after 30 Years
 - Tax rate:
 - 19% for French and EU residents
 - 33,33% otherwise
 - + social contributions 15,5%



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- Appointment of a tax representative for non-residents
- 3. Wealth Tax
- 4. Inheritance tax

III. Structuring of a corporate investment

1. Rental income
 - Profit determination: P&L basis
 - Cost deduction
 - Acquisition costs
 - Depreciation
 - Financing cost
 - Tax rates
 - Standard: 33,33%-34,43%-36,09%
 - Reduced rate 15 % up to 38.120 € profit for small private companies
2. Capital gains taxation:
 - a. Asset deal:
 - Corporate tax: ordinary rates
 - WHT for non-residents
 - Tax representative (for non-residents)
 - b. Share deal:
 - Taxable in France under national law (no parent company exemption if real estate company)
 - But Treaty provisions → Structuring possibilities
3. Other taxes
 - a. Land Tax
 - b. Tax on office and commercial spaces
 - c. “Contribution Economique Territoriale” (CET)
 - CFE (“Contribution Foncière des entreprises”)
 - CVAE (“Contribution sur la valeur Ajoutée des Entreprises”)
 - d. VAT
 - e. 3% Tax (exemption subject to filing obligations)

IV. Special Vehicles

- a. French REIT (SIIC):
 - Corporate tax exemption
 - Other benefits



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- b. Open ended funds:
 - SPICAV: corporate entities: taxed like REIT
 - Tax transparent vehicles: SCPI, FPI...: taxation at investor level

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