

QUICK OVERVIEW OF FRENCH REAL ESTATE

Rental income and capital gains of French real estate

Taxpayer	Basis of tax	Tax levied	Tax rates (2024)
Resident individual	<i>Rental income</i>	Individual income tax	Progressive scale + 7,5% or 17,2%
	Capital gains	Real estate profit tax	36,2% or 26,5%* + additional tax 2% to 6% if CG > €50,000
Non-resident individual	<i>Rental income</i>	Individual income tax	20% or 30% + 7,5% or 17,2%
	Capital gains	Real estate profit tax	36,2% or 26,5%* + additional tax 2% to 6% if CG > €50,000
Resident company	<i>Rental income</i>	Corporate income tax	Up to 25%
	Capital gains	Corporate income tax	Up to 25%
Non-Resident company	<i>Rental income</i>	Corporate income tax	Up to 25%
	Capital gains	Corporate income tax	Up to 25%

*Depending on the social security regime – see below

Rental income

Individuals

Resident individuals

Introduction

Rental income is taxable as ordinary income and should be disclosed in tax returns on an annual basis.

Basis to tax

Renting a real estate property in France generates rental income. The tax regime applied to rental income depends on whether the property is furnished or not:

- **If the property is rented furnished** (i.e. "Location meublée non professionnelle") rental income is treated as a commercial activity, taxed in the BIC category. The individual can opt for one of the following sub regimes:
 - o **The micro-BIC**: if the total income of all the furnished properties does not exceed €77,700/year. The individual benefits from a 50% allowance on the income but cannot deduct the actual expenses related to the rented property. But this is for long term/period of rent (with a minimum of one year).
 - o **Réel** : If the total income exceed €77,700/year, or under option if less, the "régime réel" applies. This regime is applicable for 2 years minimum. The individual does not benefit from an allowance but can deduct all the expenses related to the property. This regime allows the deduction of the depreciation of the rented property, which represents the loss of value of the property over time.
 - o The micro-BIC regime for **furnished properties rented with tourist accommodation and classified**, the income is taxable as micro-BIC if does not exceed € 77,700. The allowance is 50%.
 - o The micro-BIC regime for rentals of **furnished properties with tourist accommodation but unclassified (with the 2025 French Financial Act)** is aligned with that for unfurnished rentals covered by the micro-foncier regime. Thus:

- Income from the rental of properties classified as furnished tourist accommodation is taxable under the micro-BIC scheme if the amount of revenue excluding tax for the previous calendar year or the penultimate year does not exceed €15,000.
 - The flat-rate allowance applicable in this case is 30%.
 - An additional allowance of 21% is granted to companies for sales relating to their business of renting out properties classified as furnished tourist accommodation located in non-tensioned rural areas, if sales relating to all furnished accommodation rental activities do not exceed €15,000 excluding tax in the previous calendar year.
- **If the property is rented unfurnished** (i.e. "Revenus fonciers") rental income is not treated as a commercial activity, and taxed in the rental income category. The individual can opt for one of the following sub regimes:
- o **Micro-foncier**: if the total rental income of all the non-furnished properties rented does not exceed €15 000/year. The individual benefits from a 30% allowance on the income but cannot deduct the actual expenses related to the rented property.
 - o **Réel**: if rental income exceeds €15 000/year, or under option if less the "régime réel" applies. The individual does not benefit from an allowance but can deduct all the expenses related to the property rented supported. This regime is applicable for 3 years minimum.

Rate

Regardless whether the property is rented out furnished or unfurnished, French source rental income is taxed at the income tax progressive scale and subject to a 17,2% social contribution.

However, individuals affiliated to an EEA country (EU, Island, Norway, Liechtenstein) or Switzerland, except France, are exempted from CSG and CRDS and subject to a 7,5% social contribution.

Rental income must be reported on the individual annual French income tax return. The payment of the income tax and social contributions is made through a monthly (or on option a quarterly) debit on the individual's bank account since the implementation of the withholding tax in France on January 1st, 2019. In addition, an additional tax (*Contribution Exceptionnelle sur les Hauts Revenus* or CEHR) of 3% to 4% can apply if the individual's reference income exceeds the following thresholds:

Fraction of the reference income	Applicable rate for a single person	Applicable rate for a married couple
Less or equal to €250,000	0%	0%
Between €250,001 and €500,000	3%	0%
Between €500,001 and €1,000,000	4%	3%
Exceeding €1,000,000	4%	4%

Non-resident individuals

Non-French tax residents are taxable in France on their French source rental income. The same tax regime applies. However, non-residents are subject to a minimum income tax rate of 20% up to €29,315

and 30% on income exceeding that amount. Social contributions are reduced to 7.5% instead of 17.2% if the individual is affiliated to an EEA country or Switzerland.

French incorporated Companies

Introduction

Rental income is taxed as business income.

Liability to tax

Rental income earned by companies is subject to corporate income tax as business income. The French corporate income tax applies to companies that have an active business in France (companies established in France and foreign companies' permanent establishment located in France). The French corporate income tax also applies to benefits for which taxation is attributed to France by tax treaties.

Basis to tax

For 2024, business income is subject to tax rate of 25%. A specific reduced corporate income tax rate of 15% exists for small and medium business and applies up to € 42,500.

Capital gains

Resident individuals

Introduction

Capital gains on the sale of real estate are taxed at a fixed rate after application of an allowance, depending on the length of detention of the estate (see below).

Basis of tax

According to article 150 V of the French tax Code, the real estate property capital gain equals the difference between the sale price and the acquisition price.

Capital gain = sale price – acquisition price.

With the 2025 French Financial Act, for the sale of a property that was rent as furnished under the "reel tax regime" the capital gain is different: Capital gain = sale price + depreciation deducted during the rental period – acquisition price

The sale price is the actual price stipulated in the deed.

The acquisition price is the actual price paid to purchase the property as stipulated on the deed. This price is increased by some expenses, which will enable to reduce the amount of the capital gain, and thus the tax to be paid on the sale such as:

- The acquisition costs: for their real amount (if justified) or at a 7,5% flat rate calculated on the acquisition price.
- The work expenses: for their real amount, or on a 15% flat-rate basis calculated on the acquisition price, which is only possible if you owned the property for at least 5 years at the sale.

The depreciation for the properties rent as furnished real estate under the "reel tax regime": this regime allows the deduction of the depreciation of the rented property, which represents the loss of value of the property over time.

Exemptions

Individuals may be exempted from income tax on the capital gain realized as part of the sale of a property, such as:

- The capital gain on the main resident,
- Under conditions, the first sale of a property to invest the capital gain into the acquisition of a main residence is also exempted.
- If the sale proceeds are less than 15 000 €.

The income tax base

The gross capital gain amount is reduced by an allowance for each year beyond the 5th year of detention. The detention period must be calculated from the acquisition date to the sale date. The allowance for holding period are the following:

- Regarding Income tax:

6% allowance for each year beyond the 5th until the 22nd,

4% allowance at the 22nd year.

Individuals are fully exempted from income tax in France as of 22 years of detention.

- Regarding Social contributions:

The allowance is 1.65% from the 6th year of ownership, 1.60% from the 22nd year and 9% from the 23rd year. Individuals are fully exempted from social contributions in France as of 30 years of detention.

Rates

After deduction of the allowances, the net real estate capital gain is subject to a 19% income tax and 17.2% of social contributions. An additional tax of 2% to 6% applies to capital gain exceeding € 50,000.

Non-resident individuals

Non-residents are treated the same way as residents. For individuals affiliated to an EEA member state or Switzerland (except France) the social contributions are reduced from 17.2% to 7.5% (*prélèvement de solidarité*).

Non-residents of a non-EU country must appoint a tax representative in France if the sale price exceeds € 150,000 unless the real estate was owned for 30 years or more (tax treaties can suppress that rule).

Companies

Introduction

Capital gains and losses realised on fixed assets by companies liable to corporate income tax are taxable as business income in accordance with ordinary law.

Liability to tax

As described above, for 2024, business income is subject to a tax rate of 25%. A specific reduced corporate tax rate of 15% applies for small and medium businesses up to € 42,500 of benefits.

A specific reduced tax rate applies in certain circumstances:

- Capital gains on real property realised by listed real estate investment companies (French "SIIC") are subject to a tax rate of 19%.
- Capital gains on the sale of professional premises converted into dwellings, or building land on which dwellings are built, are subject to a reduced tax rate of 19%.
- 3,07% applies for capital gains on the sale of shares of subsidiaries and affiliate.

French VAT & transfer taxes

Taxpayer	Basis of tax	Tax levied	Tax rates (2024)
Resident individual	<i>Rental income</i>	Value Added Tax	20%
	Transfer of real estate services	Transfer Taxes	Up to 5.81%
Non-resident individual	<i>Rental income</i>	Value Added Tax	20%
	Transfer of real estate services	Transfer Taxes	Up to 5.81%
Resident company	<i>Rental income</i>	Value Added Tax	20%
	Transfer of real estate services	Transfer Taxes	5%- 5.81%
Non-Resident company	<i>Rental income</i>	Value Added Tax	20%
	Transfer of real estate services	Transfer Taxes	5%- 5.81%

Value Added Tax

Individuals

Introduction

Value added tax is a tax based on the increase in value of a product or service at each stage of the supply the chain.

Liability to tax

If a company or an individual performs commercial or professional activities in France, it will be in principle subject to the VAT.

The supply and lease of buildings within 5 years of its creation, as well as land plot transfers, are subject to VAT at a rate of 20%. The supply and lease of old immovable property (buildings after 5 years of its creation) are in principle exempt of VAT. However, when the sale is realised by a professional liable to VAT (either company or individual), an option to VAT is possible. The same rules apply in case of transfer of property rights on immovable property (bare ownership, usufruct, etc).

Basis of tax

VAT is in principle paid by the seller at a rate of 20%.

Interaction with transfer tax

In principle, if VAT is charged because a newly created building is sold within five years after it is built, or in case of VAT's option, the transfer of the real estate is subject to transfer tax at the reduced rate of 0.70%.

The same rules as for individuals apply to companies.

Companies

A specific rule applies to transfers of total or partial universality of goods, leading to the total neutralisation of the effects of this tax. The article 257 bis of the French Tax Code provides for an exemption from the payment of (compulsory) VAT subject to the fulfilment of several conditions by the vendor and the purchaser:

- Vendor and purchaser must be liable to VAT;
- the real estate must be assigned to a rented activity liable to VAT; and
- the real estate must be registered as a fixed asset on the balance sheet.

Transfer Taxes

Individuals

Introduction

Transfer tax is a tax on any transfer of real estate or real estate company's shares. Rights on real estate are assimilated to real estate.

Liability to tax

The transfer of real estate located in France or abroad is subject to transfer tax if it is carried out by a French tax resident. If carried out by a non-resident, transfer tax only applies to the transfer of real estate located in France.

Basis of tax

The basis of the tax is the price agreed upon if the real estate is transferred against payment and the market value in other cases.

Rate

Transfer tax represents approximately 7 to 8% of acquisition price but can be reduced to 2 to 3% if the property is brand new. The fees depend on the nature of the property, its localisation and whether or not furniture is sold with the property.

Inheritance / gift tax

Inheritance and gift tax are levied at progressive rates between 5% and 45% between relatives in direct line (parents / children) after application of an allowance of € 100,000 per parent, per child. This allowance is renewed every 15 years.

Companies

The same rules apply as for individuals.

French Local taxes

Taxpayer	Basis of tax	Tax levied	Tax rates
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Resident individual	Market value	Municipal Tax	Depends on the municipality
Non-resident individual	Market value	Municipal Tax	Depends on the municipality
Resident company	Market value	Municipal Tax	Depends on the municipality
Non-Resident company	Market value	Municipal Tax	Depends on the municipality

Individuals

Introduction

Taxe foncière (tax on ownership of real estate) is a communal tax on the ownership of real estate.

Liability

Ownership of a real estate on 1 January of the year considered makes one liable to this tax for the entire year.

Rate

The rates are fixed by municipalities.

Companies

Introduction

The Local Economic Contribution is a local tax based on two components: The Business Premises Contribution (French "*Contribution Foncière des Entreprises (CFE)*") and the contribution on the company's value-added amount (French "*Contribution sur la valeur ajoutée des entreprises (CVAE)*"). The latter will not be developed further, as it is not a real estate component of the tax, and will be removed from the law in 2027, after being progressively reduced.

Liability to tax

Business Premises Contribution applies to any habitual professional self-employed activities realised in France are subject to Business Premises Contribution any lease and sublease activities on immovable properties. The reference period is the penultimate year preceding taxation or, if the fiscal year does not coincide with the civil year, the last fiscal year of 12 months.

Basis of tax

Business Premises Contribution is based on the rental value of real estate properties liable to French property tax ("*taxe foncière*") owning by the company within the referential period. The Business Premises Contribution base is composed of the rental value (less 30% for industrial establishments) which the taxpayer used for business purposes during the reference period. The business premises contribution is calculated by multiplying the tax base (less reductions and allowances) by the rate fixed by each commune.

French Real Estate Wealth taxes

Taxpayer	Basis of tax	Tax levied	Tax rates (2024)
Resident individual	Net value of worldwide real estate	Individual income tax	0.5 to 1.5%
Non-resident individual	Net value of real estate located in France	Individual income tax	0.5 to 1.5%
Resident company	Not applicable	Not applicable	Not applicable
Non-Resident company	Not applicable	Not applicable	Not applicable

Individuals

Introduction

A Real Estate Wealth tax (*impôt sur la fortune immobilière* or "IFI") is levied on the holding of real estate only by individuals (it was levied on the total wealth including movable property, before 2018).

Liability

Resident individuals are subject to this tax when their worldwide net real estate wealth exceeds €1.3 million. Non-resident individuals are subject to this tax when their French net real estate wealth exceeds € 1.3 million.

The taxable wealth tax base equals the market value of the property assets after deduction of the following expenses:

- Loan left to be paid on January 1st,
- Property taxes (the TOM and the dwelling tax are not deductible),
- Works made in the property left to be paid on January 1st,
- The theoretical wealth tax.

Basis of tax

Value of real estate exceeding € 800,000. An allowance of 30% is granted on the value of the main residence.

Rates

Progressive rates range from 0.5% to 1.50%.

Vehicles for French real estate

Commonly used vehicles for French real estate

Limited

The so called "SARL", the French limited liability company (*société à responsabilité limitée*), is the most frequently used vehicle for the ownership of French real estate. The equity is divided into shares and the shareholders of the SARL are not personally liable for the business debt. Profits made by the SARL itself are subject to the corporate income tax at a normal rate.

Partnership and joint ventures

Investments in real estate are often done on a collective basis by some of the entities and/or individuals. For French tax purposes, there is no distinction between taxation of partnerships and joint ventures.

Limited partnership

A typical limited partnership is the SAS ("*Société par Actions Simplifiée*"). The SAS shares are held by two types of shareholders, the managing partners, and the limited partners. The managing partners bear unlimited liability, while limited partners are only liable with the amount of their capital's contribution. The SAS is usually used for its flexibility.

The SAS is treated as a corporate entity for tax purposes and subject to corporate income tax at a rate of 15% / 25%. An option for the French personal income tax regime is possible for small and medium enterprises. If the option is applied, the SAS is treated as a transparent entity for tax purposes.

Transparent partnership

Partnerships can be structured as tax transparent entities. The profits and losses will hereby be allocated directly to the partners.

Foreign partnership

The residence of a partnership is determined by the place where the crucial decisions are made. Usually, the residence is the place where all partners meet. If a foreign partnership carries a permanent establishment in France, the benefits realised through this establishment are liable to corporate income tax in France, or the partners or subject to French personal income tax. French real estate will usually lead to a permanent establishment in France, but this is not the only possibility.

Trust

It should be noted that French Domestic law does not recognize trusts and does not have similar purpose vehicles. However, regardless this legal void, the trust assets may be subject to tax in France. Until 2011, the rules were unclear and could not be determined precisely the tax implications on trusts. Such legal void led the French legislator to clarify the taxation of trust through article 14 of the Finance Law Act 2011-900 of July 29th, 2011, to avoid tax fraud.

- The beneficiaries may be subject to income tax on:
 - o Distributed income: treated as investment income and subject to a 30% flat tax regardless the nature of the trust and the income.
 - o Undistributed income –exemption if the trust is discretionary and irrevocable.
- The beneficiaries may be subject to inheritance tax/gift tax on the trust assets transferred as part of a succession/donation, if the one of the trustees, the settlor, or the beneficiary is French tax resident, or if the asset transferred is French source.
- The settlor may be subject to wealth tax on the real estate property assets held in the trust – exemption if the trust is discretionary and irrevocable. At the settlor's death, beneficiaries are assumed to be the settlor.
- The trustees are subject to declaratory obligations in France if one of the trustee, the settlor, the beneficiary is French tax resident, or if the trust holds French assets :

- An annual Trust return form 2181 Trust 2 : to declare the trust assets on January 1st,
- An event-related Trust return form 2181 Trust 1 : to declare any modification made to the Trust.

Failing these declaratory obligations, the trustee may be applied a €20,000 penalty to be paid jointly by the settlor and beneficiaries.

Specific real estate vehicles for French real estate

Sociétés civiles immobilières de location (real estate rental company)

This type of company is generally chosen by individuals to manage their real estate. It is a patrimonial structure as opposed to professional / commercial company.

This type of company can be subject either to:

- Personal income tax: by default, the company does not pay corporation tax, but the benefits or losses are taxed directly in the hands of the associates, subject to the personal income tax rates (tax transparency). See "Rental income" for taxation of the benefits;
- Corporation tax: the company can opt for corporate income tax.

Sociétés d'investissement immobilier cotées (listed real estate investment companies)

These companies aim at buying and building real estate in order to give it to rent. They can opt for an exemption of corporate income tax on the fraction of benefits corresponding to rental income, capital gains, and dividends from subsidiaries. This type of company has very special rules. The option for this type of structure requires deep analysis.

Organismes de placement collectif immobilier (OPCI) (real estate investment funds)

Sociétés de placement à prépondérance immobilière à capital variable (real estate investment company with variable capital)

These companies are exempted from corporate income tax. They are exonerated from the 3% tax on immovable property. The income of these shares cannot benefit from the dividend allowance of 40% but the income is treated as a dividend nonetheless. It is consequently submitted to the progressive rate with the global income (rate from 14% to 45%). The capital gains on these shares are treated as capital gains of investment.

Fonds de placement immobilier et fonds professionnels de placement immobilier (real estate funds)

They don't have legal personality, so they are exonerated from corporate tax. The incomes collected by these funds keep their nature (unfurnished rental income, commercial income if rented furnished, dividends if they own shares in other real estate companies, capital gains, etc.) and are taxed in the corresponding category in the hands of the individual taxpayer, meaning it is submitted to the progressive rates of income tax (14% to 45%).