# SELLING AND TRANSFERRING FRENCH REAL ESTATE

## DIRECT SALE OF REAL ESTATE

### Resident individual

*Capital gains*

*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 gains 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 in order 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 is reduced by an allowance for each year beyond the 5$^{th}$ 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 5$^{th}$ until the 22$^{nd}$,
4% allowance at the 22$^{nd}$ year.

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

- Regarding Social contributions:

1,65% allowance for each year beyond the 5th until 21st,
1,60% for the 22nd year,
9% for each year beyond the 22nd.
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% social contributions. An additional tax of 2% to 6% applies to capital gain exceeding € 50,000.

*VAT / transfer tax*
No VAT is ever due by the vendor of real estate.

*Losses*
Losses on the sale of real estate cannot be imputed on capital gains of the same nature. There is a no compensation principle.

**Non-resident individual**
Non-residents are treated the same way as residents. There is an exception for non-residents affiliated to an EEA member state or Switzerland (except France): 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).

**Resident company**

*Capital gains*
Capital gains on French real estate realised by companies are subject to French corporate income tax as business income.

A reduced tax rate of 19% applies to capital gains realised on French SIIC shares (French listed real estate investment companies) and to capital gains realised on the sale of professional premises converted into dwellings or building land on which dwellings are built.

The corporate income tax on capital gains is based on the difference between the net sales proceeds and the fiscal book value.

*Sale of business premises converted to residential use*

The Finance Act extends until December 31, 2026, the reduced 19% rate on net capital gains for companies subject to corporation tax on the sale of business premises converted to residential use, or of land intended for residential construction (art. 210 F CGI). This extension also applies to sales made after 2026, if a promise to sell is signed before then. In addition, the LF extends the scheme to mixed-use premises, allowing conversion to residential use if 75% of the total surface area is reserved for housing. Lastly, the law extends the deadline for completion of conversion or construction work to 6 years for large-scale development projects creating a footprint of 20,000 square meters or more. These provisions apply to sales taking place on or after January 1, 2024.

*VAT/transfer taxes*
The supply and lease of real estate is generally exempted from VAT. An option for VAT is possible for sellers who are liable for VAT purpose (French "*assujettis*"). Thus, the input VAT should be deductible. The applicable VAT rate is 20%. VAT is always charged if a building is sold within 5 years after it was built.

Transfer taxes apply by the acquisition of the legal or economic ownership of French real estate and is normally payable by the purchase. The market value of the immovable property constituted the basis of the transfer tax. The transfer tax rate amounts to 5.81% in general cases.

*Losses*
The losses realised on the sale of the real estate may be offset against taxable income. A loss carry-forward is also possible.

### Non-resident company
Non-resident companies are treated in the same manner as resident companies. However, the non-resident company is limited taxable in France with the income generated in France.

## INDIRECT SALE

### Resident individuals

*Sale of shares of a tax transparent company (SCI)*
The sale of the shares of a tax transparent company (subject to individual tax) owning real estate is treated as a direct sale of real estate by the shareholders, who personally subject to income tax on the capital gain in proportion of their shares. It is therefore subject to a tax rate of 19% and to 17,2% of social security contributions.

*Sale of shares of a company subject to company income tax*
The sale of the shares of a company owning real estate and subject to company income tax is subject to tax on capital gain. The gain is subject to a flat tax of 30% or the taxpayer can opt for the application of the progressive rate with an allowance (50% to 85%, depending on how long the person owned the titles). This option for the progressive tax rate is only available for shares acquired before January 1, 2018.

If a company is said to be a real estate company (*"à prépondérance immobilière")* i.e. consisting in more than 50% of real estate, and subject to income tax, the sale of its shares is treated like a capital gain on direct sale of real estate.

*Deferral of tax*
If an individual contributes with shares of a company A to the capital of a corporate-tax company B which they control, the tax payment is deferred, but the tax is calculated at the time of the operation.

If an individual contributes with shares of a company A to the capital of a corporate-tax company B which they do not control, the payment and determination of the capital gain are deferred. The operation of contribution to the capital of company B is neutral in terms of tax and the capital gain will be determined by the difference between the cession price of company B's shares and the acquisition price of company A's shares.

*Losses*
If the sale concerns shares of a company which is not "real estate company" (*à prépondérance immobilière*, i.e. consisting of more than 50% of real estate) or a company *à prépondérance immobilière* subject to corporate tax, the regular regime of capital gains on shares is applicable and the losses can be imputed on same type revenues (capital gains on shares).

If the sale concerns shares of a company which is *à prépondérance immobilière* (consisting of more than 50% of real estate) and subject to personal income tax, the regime of capital gains on the sale of real estate applies, meaning it is impossible to impute the losses even on same type revenues.

**Non-resident individual**
Non-residents are treated as residents; exonerations are very rare.

**Resident company**

*Capital gains*
Capital gains realised on the sale of the shares of a French company are subject to French corporate income tax as business income.

A reduced tax rate of 19% applies to capital gains realised on French SIIC shares (listed real estate investment companies) and to capital gains realised on the sale of professional premises converted into dwellings or building land on which dwellings are built.

The corporate income tax on capital gains is based on the difference between the net sales proceeds and the fiscal book value

*VAT/transfer taxes*
The supply and lease of real estate is generally exempted from VAT. An option for VAT is possible for sellers who are liable for VAT purpose (French "*assujettis*"). Thus, the input VAT should be deductible. The applicable VAT rate is 20%. VAT is always charged if a building is sold within 5 years of its creation.

Transfer taxes apply by the acquisition of the legal or economic ownership of French real estate and is normally payable by the purchase. The market value of the immovable property constituted the basis of the transfer tax.

Transfer taxes apply at a rate of 5,81%.

*Losses*
The losses realised on the sale may be offset against taxable income.

**Non-resident company**
Non-resident companies are treated in the same manner as resident companies. However, the non-resident company is limited taxable in France to the income generated in France.

## DIRECT TRANSFER INTRA CONCERN (FRENCH REAL ESTATE TO FRENCH COMPANY)

### Resident Company

*Capital gains*
Capital gains on French real estate realised by companies are subject to French corporate income tax as business income.

A reduced tax rate of 19% applies to capital gains realised on French SIIC shares (listed real estate investment companies) and to capital gains realised on the sale of professional premises converted into dwellings or building land on which dwellings are built.

The corporate income tax on capital gains is based on the difference between the net sales proceeds and the fiscal book value.

*VAT/transfer taxes*
The supply of real estate is generally exempted from VAT. However, VAT is charged if a new building is sold within 5 years after its creation. Nevertheless, an option for VAT is possible for sellers who are liable for VAT purpose (French "*assujettis*"). Thus, the input VAT should be deductible. The applicable VAT rate is 20%.

Transfer taxes apply at a rate of 5,81 %.

*Losses*
The losses realised on the sale of the real estate may be offset against taxable income. A loss carry-forward is also possible.

*Fiscal unity*
Under French law, it is possible to form a fiscal unity if the holding company owns 95% of the shares in its subsidiaries. A fiscal unity can only be formed in case both of the entities are French residents. The intra-group transactions are neutralised for tax purposes. Thus, the transfer of real estate within a fiscal group are not visible for tax purposes and not subject to tax. However, it exists certain anti-abuse rules in case the fiscal unit will be broken after transferring the real estate.

### Non-resident company

Non-resident companies are treated in the same manner as resident companies. However, the non-resident company is limited taxable in France with the income generated in France. A foreign company cannot be part of a fiscal group; however, it is possible to form a fiscal group with a foreign company's permanent establishment. Various conditions apply.

## INDIRECT TRANSFER INTRA CONCERN (FRENCH REAL ESTATE TO FRENCH COMPANY)

### Resident company

*Capital gains*
Capital gains realised on the sale of the shares of a French company are subject to French corporate income tax as business income.

A reduced tax rate of 19% applies to capital gains realised on French SIIC shares (listed real estate investment companies) and to capital gains realised on the sale of professional premises converted into dwellings or building land on which dwellings are built.

The corporate income tax on capital gains is based on the difference between the net sales proceeds and the fiscal book value.

*VAT/transfer taxes*
The supply of immovable property is generally exempted from VAT. However, VAT is charged if a new building is sold within 5 years of its creation. Nevertheless, an option for VAT is possible for sellers who are liable for VAT purpose (French "*assujettis*"). Thus, the input VAT should be deductible. The applicable VAT rate is 20%. Transfer taxes are due by the purchaser and amount to 5.81% in general cases and to 5% for transfer of SIIC's shares.

*Fiscal group*
Under French law, it is possible to form a fiscal unity if the holding company owns 95% of the shares in its subsidiaries. A fiscal unity can only be formed in case both entities are French residents. The intra-group transactions are neutralised for tax purposes. Thus, the transfer of real estate within a fiscal group are not visible for tax purposes and not subject to taxation. However, its certain anti-abuse rules exist in case the fiscal unit will be broken after transferring the real estate.

### Non-resident company

Non-resident companies are treated in the same manner as resident companies. However, the non-resident company is subject to limited taxation in France in respect of the income generated in France. A foreign company cannot be part of a fiscal group. However, it is possible to form a fiscal group with a foreign company's permanent establishment (various conditions apply).

## DIRECT TRANSFER INTRA CONCERN (FRENCH REAL ESTATE TO FOREIGN COMPANY)

### Resident company

*Capital gains*
Capital gains realised on real estate are subject to French corporate income tax as business income.
A reduced tax rate of 19% applies to capital gains realised on French SIIC shares (listed real estate investment companies) and to capital gains realised on the sale of professional premises converted into dwellings or building land on which dwellings are built.

The corporate income tax on capital gains is based on the difference between the net sales proceeds and the fiscal book value.

*VAT/transfer taxes*
The supply of real estate is generally exempted from VAT. However, VAT is charged if a new building is sold within 5 years of its creation. Nevertheless, an option for VAT is possible for sellers who are liable for VAT purpose (French "*assujettis*"). Thus, the input VAT should be deductible. The applicable VAT rate is 20%.

Transfer taxes are due by the purchaser and amount to 5.81% in general cases and to 5% for transfer of SIIC's shares.

*Losses*
The losses can be offset against other taxable French income.

*Fiscal unity*
A foreign company cannot be part of a French fiscal group.

**Non-resident company**

Non-resident companies are treated in the same manner as resident companies. However, the non-resident company is subject to limited taxation in France in respect of income generated in France.

## INDIRECT TRANSFER INTRA CONCERN (FRENCH REAL ESTATE TO FOREIGN COMPANY)

**Resident company**

*Capital gains*
Capital gains realised on the sale of the shares of a French company are subject to French corporate income tax as business income.

A reduced tax rate of 19% applies to capital gains realised on French SIIC shares (listed real estate investment companies) and to capital gains realised on the sale of professional premises converted into dwellings or building land on which dwellings are built.

The corporate income tax on capital gains is based on the difference between the net sales proceeds and the fiscal book value.

*VAT/transfer taxes*
The supply of immovable property is generally exempted from VAT. However, VAT is charged if a new building is sold within 5 years of its creation. Nevertheless, an option for VAT is possible for sellers who are liable for VAT purpose (French "*assujettis*"). Thus, the input VAT should be deductible. The applicable VAT rate is 20%.

Transfer taxes are due by the purchaser and amount to 5.81% in general cases and to 5% for transfer of SIIC's shares.

*Losses*
The losses can be offset against other taxable French income forward and backward.

*Fiscal unity*
A foreign company cannot be part of a French fiscal group.

**Non-resident company**
Non-resident companies are treated in the same manner as resident companies. However, the non-resident company is subject to limited taxation in France in respect of the income generated in France.

A foreign company cannot form a fiscal group for French tax purposes but can indirectly be a member of the group relief (through French permanent establishment).

## TRANSFER OF FRENCH REAL ESTATE TO AN EU-COMPANY

**Individuals**
The transfer of French real estate to an EU-company is the same treatment as the transfer of French real estate to a French company. This transfer is assimilated for tax purpose to a sale, therefore it triggers all the tax due by a such operation.

***Resident individuals***

*VAT / transfer tax*
No VAT is ever due by the vendor of real estate.

*Losses*
Losses on the sale of real estate cannot be imputed on capital gains of the same nature. There is a no compensation principle.

***Non-resident individuals***

The same treatment applies to non-residents.

**Companies**

***Resident company***

*Capital gains*
Capital gains realised on the sale of the shares of a French company are subject to French corporate income tax as business income. A reduced tax rate of 19% applies to capital gains realised on French SIIC shares (listed real estate investment companies) and to capital gains realised on the sale of professional premises converted into dwellings or building land on which dwellings are built.

The corporate income tax on capital gains is based on the difference between the net sales proceeds and the fiscal book value.

*VAT/transfer taxes*
The supply of immovable property is generally exempted from VAT. However, VAT is charged if a new building is sold within 5 years of its creation. Nevertheless, an option for VAT is possible for sellers who are liable for VAT purpose (French "*assujettis*"). Thus, the input VAT should be deductible. The applicable VAT rate is 20%.

Transfer taxes are due by the purchaser and amount to 5,81%. The transfer tax is not deductible from the profits as business cost but is part of the acquisition costs for tax purposes.

*Losses*
The losses can be offset against other taxable French income.

*Fiscal unity*
A foreign company cannot be part of a French fiscal group.

*Non-resident company*

Non-resident companies are treated in the same manner as resident companies. However, the non-resident company is subject to limited taxation in France in respect of the income generated in France.

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