



## FRANCE – February 2022

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### FRANCE'S 'GARDEN SHED TAX' IS UP 7% ON LAST YEAR

*This one-off tax, officially called the *taxe d'aménagement*, is paid on most constructions requiring authorisation so covers structures such as sheds giving it its colloquial name*

The so-called 'garden shed tax' has shot up this year, linked to rising construction costs.

This one-off tax, officially *taxe d'aménagement*, is paid on most constructions requiring authorisation from the council, whether formal planning permission or just prior declaration.

It is known as the garden shed tax because, unlike most property taxes, it is also payable on simple sheds, as long as they have a ground surface area of at least 5m<sup>2</sup> and a ceiling height of at least 1.8m.

Compared to last year, the tax has risen around 7%, whereas rises in the previous two years were limited to 1.1% and 0.7%. This hike, confirmed by decree in *Le Journal Officiel*, is said to be linked to the cost of construction, which is the main factor in the formulas used.

The latest Insee figures show a rise in these costs of around 3.5% between the first and third quarters of 2021, but do not account for the last quarter, when prices are said to have risen steeply.

The *taxe d'aménagement* is worked out using a formula which takes the surface area in square metres multiplied by a set value, which this year is €929 (up from €870) in Ile-de-France and €820 (up from €767) elsewhere.

A percentage tax rate set by local councils is then applied to this figure, so, for example, if your local rate is 7% and you built a 6m<sup>2</sup> shed outside Ile de France, you would have paid €322 last year and this year would pay €344.

In some areas, people will pay even more if their councils choose to increase the rates this year.

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The tax is payable only once, in the 12 months after obtaining authorisation, or in two payments spread over 24 months if the amount is above €1,500. In the case of prior declaration, authorisation is given tacitly one month after the declaration if you do not hear otherwise.

## HOMEOWNERS' LOCAL TAX TO INCREASE BY AT LEAST 3% THIS YEAR IN FRANCE

*The taxe foncière is facing a certain rise due to increases in its key components*

Property owners face a certain rise in taxe foncière this year as key components have risen.

First, the property's notional rental value (valeur locative) rises with the 2.8% inflation rate due to higher energy costs. Figures for December and November show inflation at 2.8%, after 2.6% in October.

Secondly, the government has increased its base taxation level by 3.4%. This is the highest since 1989 and a significant increase on 2021's 0.2%.

The remaining factor is local councils' tax rates but these are not yet known.

However, national statistics agency Insee said the other rises meant taxe foncière would increase by at least 3%.

Taxe foncière, paid by owners of main homes and holiday homes, has risen by 28% over the past 10 years, mainly due to increases in local councils' tax rates. It raises €27billion a year.

With taxe d'habitation all but phased out, councils facing budget shortages due to the loss of this income will look to taxe foncière to help fill some of the gap.

However, it is also used in the calculation of other local taxes, including the taxe d'habitation on holiday homes.

Only 20% of households still pay taxe d'habitation but their bills for main homes were cut by 30% in 2021 and fall by 65% this year to mean abolition for main homes in 2023. The tax will be retained for holiday homes.

Full details on the taxe foncière rate must wait for decisions in autumn – but councils varied enormously last year, from -16.2% in Toulouse to +17.7% in Montrouge, Hauts-de-Seine.

## ARE FRENCH SECOND HOME PROPERTY TAXES DIFFERENT FOR NON-RESIDENTS?

*Second-home owners in France must pay two types of 'council tax': taxe foncière and taxe d'habitation*

Reader question: We are UK residents intending to purchase a holiday home in France. Am I right in thinking legislation in France means the property taxes we face as non-residents are stiffer than before? Are they at the same level as for French residents who also own a holiday home in France?

Properties in France are subject to both land tax (taxe foncière) for owners and residence tax (taxe d'habitation) for occupants, although the latter is gradually being phased out for main homes (see below for more on this).

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All second-home owners, whether French residents or not, must also pay these taxes, and the rate depends on the type and location of the property rather than the nationality of the owner.

#### Taxe foncière on second homes

People are required to pay the taxe foncière ownership tax, unless exempt, if they owned a French property on January 1 of the year in question.

The revenue goes to the local town hall (mairie) and in some areas a part goes to an intercommunal body, to fund local schools, sports facilities, roadworks etc. A part also used to go to departmental councils, but that is not the case since 2021.

Taxe foncière is based on a theoretical annual rental value calculated by the tax office, called the valeur locative cadastrale (VLC).

This figure, which will probably not bear much resemblance to the actual market value you would obtain if you rented it out, takes into account various factors such as location, quality of construction, local amenities and comfort.

The amount payable therefore varies depending on the value and location of your house, and the rate decided by local authorities.

Until 2020, homes with a particularly high value and secondary residences were subject to an additional payment, known as the prélèvements pour base élevée et sur les maisons secondaires, but this has now been abolished.

#### Taxe d'habitation on second homes

The French occupants' tax (taxe d'habitation) is gradually being phased out for main residences, but this does not apply to second homes, whether their owners are French or international.

By 2023 no one will have to pay taxe d'habitation on their principal residence, but secondary residences will be billed according to the property that they owned, rented or occupied on January 1 of the year in question. Therefore, even if you were not staying in the property on this date, you will still be charged as long as it is fit for habitation.

You will only have to pay if your income exceeds certain thresholds calculated on the basis of the number of people (described as 'units') who occupy it. Two adults would, for example, count as two units, as would one adult and two children (counted as one full and two half units).

The rate of taxe d'habitation is decided by the local council but is generally based on the amount that the property could in theory be rented out for its valeur locative cadastrale, and is recalculated each year.

Taxe d'habitation rates are generally higher in towns than in the countryside, but vary greatly between areas.

You could under certain conditions be exempted from taxe d'habitation payments if you rent out your second home as a furnished letting for most of the year, but then you would probably be subject to business rates and income tax.

#### Taxe d'habitation surcharge in certain areas

Since 2017, municipal councils in towns of more than 50,000 inhabitants where there is a severe housing shortage have also been allowed to implement a taxe d'habitation surcharge of 5-60% for second-home owners.

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Most councils only apply a surcharge of around 20%, but several cities – including Paris, Lyon, Montpellier, Nice and Bordeaux – have decided to impose the maximum 60% in a bid to ease pressure on local housing supply.

So, if you buy a second home in a city or city region where *taxe d'habitation* surcharges apply, you may face higher rates than would have been applied before 2017.

There are, however, certain exceptions for people who own a second home for work purposes.

When are *taxe d'habitation* and *taxe foncière* bills sent out?

*Taxe foncière* bills are sent out in September and *taxe d'habitation* bills in October, with details of the payment deadlines, which may be slightly different for second-home owners.

You can also choose to pay on a monthly basis, or on an annual basis by direct debit.

You can view and manage your bills online via the [impots.gouv.fr](https://impots.gouv.fr) portal if you select an 'online only' payment system.

Emails should normally be sent out to homeowners to remind them to pay before the deadline arrives.

Other things to consider

People buying a second home in France should also be aware of the costs of buying and selling a house in France, which includes a higher rate of capital gains tax than is applied to EU/EEA residents.

The UK's exit from the EU also means, of course, that second-home owners will only be able to stay at their property for 90 days in every 180, unless they obtain a visa.

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