



## FRANCE – April 2022

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### HOW TO WORK OUT IF YOU OWE FRENCH PROPERTY WEALTH TAX IN 2022

If you owned French real estate assets worth more than €1.3million on January 1, 2022, you may be subject to the impôt sur la fortune immobilière (IFI) property wealth tax.

In 2020, 143,000 French tax households paid €1.56billion in IFI.

If you have eligible property wealth it is your responsibility to make a declaration.

What is IFI?

IFI applies to built buildings and undeveloped property including land as well as certain investments where property-owning is a key factor, such as shares in an SCI.

The IFI owed will be calculated based on the value of the property concerned on January 1 of the year in question. However, a person's main residence benefits from a 30% reduction on its value.

There are also certain other reductions and exemptions, for example the €1.3million does not include property used for your main occupation, including shops or offices for example.

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Professional furnished rentals would also count as property required for the pursuit of occupation.

In addition, exemptions are applied to land given over to woodland or farming purposes.

Savings accounts, life insurance schemes, furniture, cars, jewellery, works of art and other movable goods are not subject to IFI, only property in the land or bricks-and-mortar sense.

However IFI can also relate to property 'rights', such as a lifetime usufruct right to use the land, and to certain shares if they relate to investment in real estate, or if of a mixed nature, in proportion to the investment in real estate.

Resident or non-resident?

If you are a resident of France then you are assessed to the IFI tax on worldwide property holdings. For non-residents it mostly relates to properties and property rights in France and companies set up to own property there.

For people moving to France there is also an exemption for foreign assets until the end of the fifth calendar year starting after the year when you became fiscally resident.

How is it calculated?

The amount payable is calculated based on the circumstances of the tax household in question.

A single person living alone would count as a single tax household, as would a married or cohabiting couple.

The tax authorities will take into account all of the property owned by the tax household as a whole, rather than the individuals within it.

There do exist deductible liabilities including ongoing property loans, debts relating to construction or improvement works and as yet unpaid property ownership tax (such as taxe foncière).

For example, if someone bought a property worth €4million to be their main home and took out a loan of €2million to finance the purchase, then the value is subject to a 30% reduction as the main home, giving a declarable value of €2.8million from which the outstanding finance can also be deducted.

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This potentially leaves only around €800,000 which is below the threshold to pay the tax if no other taxable property is involved.

Deductible liabilities are calculated according to the amount that was still owed on January 1 of the year in question.

When the net value of the assets exceeds €1.3million, IFI will be charged on a progressive scale of six bands ranging from 0-1.5%.

Although your assets are assessed for IFI on property exceeding €1.3million in value, in practice it will only be applied to the proportion of your assets which exceed €800,000 in value as the first, zero-rated, band is up to that amount.

If, for example, the net taxable asset value sits between €800,000-€1.3million, tax will be applied at a rate of 0.5%, while for property worth €1.3million-€2.57million it will be 0.7%.

Fraction of taxable net worth of wealth	Applicable rate
Not more than €800,000	0%
Higher than €800,000 and less than or equal to €1.3million	0.5%
Higher than €1.3million and less than or equal to €2.57million	0.7%
Higher than €2.57million and less than or equal to €5million	1%
Higher than €5million and less than or equal to €10million	1.25%
Higher than €10million	1.5%

### Discounts and exceptions

Households with property worth between €1.3million and €1.4million can benefit from a reduction in their IFI due to a calculation called the *décote*.

Also, if you are a French tax resident, the amount you pay in IFI may be capped (income tax and social charges on 2021 income plus 2022's IFI should not be more than 75% of 2021's income).

There are also various possible reductions, for example, IFI tax payable can be reduced if the household in question donates a certain amount to charity over the course of the year.

IFI declarations should be made by the same date as French income tax declarations.

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If you are a French resident or a non-resident who has income to declare to France, then in most cases you will do this via your personal space at [impots.gouv.fr](https://impots.gouv.fr) as part of the online income declaration, by selecting the *Impôt sur la fortune immobilière* option when choosing the sections you require.

People declaring by paper should use a 2042-IFI form which can be found using the search box at the tax website (check you have the one for 2022).

If you are not subject to French income tax, you should fill in a 2042-IFI-COV form as well as the 2042-IFI.

This year, the deadline for returning paper declarations is May 19.

For online declarations coming from departments 1 to 19, non-residents and Monaco, the deadline is May 24, while for departments 20 to 54 it is May 31 and for departments 55 to 976 it is June 8.

## UNDERSTANDING FRENCH WEALTH TAX: ARE YOU LIABLE?

If you're a High-Net-Worth Individual (HNWI) or property investor and you live in France or have French property or real estate investments, you may find that you are liable to pay French Wealth Tax—*Impôt sur la fortune immobilière* or IFI. Here's what you need to know.

### ***What is French Wealth Tax or IFI?***

Wealth tax or *Impôt sur la fortune immobilière* (IFI) is a tax levied on individuals owning high-value or high combined-value real estate in France. The IFI is a progressive tax payable by French residents (and sometimes non-residents too – more on that in a moment) with worldwide real estate assets valued over €1.3 million.

Introduced in 2018, the IFI replaced the previous *Impôt de solidarité sur la fortune (ISF)*, which had been in place since 1989. While the previous tax (ISF) took into account all assets, including property, savings, investments, and other assets, the reformed tax is now only applied to real estate assets.

Long regarded as one of France's most controversial taxes, it's often been a sticking point for wealthy expats looking to move or invest overseas, as well as coming under fire for being a tax that targets residents who own 'capital' but do not necessarily receive high incomes. Despite the bad reputation, it's important to remember that this tax is only paid by a small number of the wealthiest French households (around 350,000 each year), and the majority of these pay

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comparatively minimal amounts in ISF (some 250,000 households are reported to pay less than €5,000 annually).

### ***Who has to pay Wealth Tax or IFI in France?***

Wealth Tax in France is payable by individuals who own real estate assets with a combined value of more than €1.3 million. Both French residents with global assets and non-residents who own French real estate may be liable for this Impôt sur la fortune immobilière or IFI.

There are two ways this is calculated:

- For French residents, this figure is calculated on all global real estate assets. So, if you own property or have real estate assets in the United States, the UK, or any other country, it is the total value of all of these properties plus any French properties you own that is taken into account.
- If you are non-resident, this figure is calculated based on the total value of your French property and real estate assets only. So, if you own more than €1.3 million in global property assets but just one €500,000 property in France, you will not be liable for French wealth tax.

### *What properties are exempt from French wealth tax?*

The €1.3 million threshold is calculated taking into account all built property (houses, apartments, and outbuildings), historical monuments, property under construction, real estate land, some real estate investments, and immovable rights. However, there are some full or partial exemptions available, including:

- A 30% allowance on the value of your principal residence
- Real estate used for your professional activity
- Woods/forests under professional use
- Rural property leased long-term or for professional use (such as agricultural land)
- Furnished rented property under the LMNP regime

The calculation of your taxable property assets and exemptions can be complex, so it's highly recommended to seek professional advice.

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*What about if I move to or return to France?*

There are some important exceptions to Wealth Tax liabilities for foreign citizens who move to France, as well as French citizens or permanent residents who return to France after having lived overseas for more than five years.

For these individuals, IFI will only be calculated on and applied to property assets located in France for the first five years of their residence or return to France. This means that if you move to France, you do not need to be concerned about paying wealth tax on your global real estate assets for the first five years. After this grace period, all your global property will potentially be subject to the wealth tax.

### ***How much is French Wealth Tax?***

Although French Wealth Tax is only payable on real estate assets valued over €1.3 million, the tax-free threshold is actually set at €800,000. This means that once you pass the €1.3 million trigger point, you will be liable to pay taxes on anything over €800,000. In other words, it is only the first €800,000 of the combined value of your property assets that is tax free.

There is an online simulator (Patrim) accessible via your French tax account that can be used to estimate the value of your property(s) – find it [here](#).

French Wealth Tax or IFI is a progressive tax, with rates ranging from 0.5% to 1.5% . You can see the breakdown of Wealth Tax bands below:

<b>Band of value</b>	<b>Rate of tax</b>
Up to 800,000 €	0%
800,001 € to 1,300,000 €	0.5%
1,300,001 € to 2,570,000 €	0.7%
1,300,001 € to 2,570,000 €	0.7%
2,570,001 € to 5,000,000 €	1%
5,000,001 € to 10,000,000 €	1.25%
Above 10,000,000 €	1.5%

Progressive rates of French Wealth Tax

### ***How does marriage and PACS affect Wealth Tax?***

Wealth tax is calculated for each fiscal household rather than for each individual (see our guide to [Understanding the Fiscal Household in France](#)). Married couples are generally subject to

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common taxation on the sum of their property regardless of the property ownership (exceptions are made in the instance of separated couples who live separately).

It's also important to note that cohabiting couples or those in a [PACS](#) (civil union) may also be subject to IFI on their combined assets — and your 'fiscal household' for IFI purposes may be different to that of your 'fiscal household' for income tax purposes. If you have concerns or questions regarding your personal situation, it's highly recommended to seek professional tax advice.

### ***Paying your French wealth tax***

If you own more than €1,300,000 in property assets, you are legally required to make a French Wealth Tax Declaration or Déclaration de l'Impôt sur la Fortune Immobilière. This is made annually at the same time as you file your annual tax declaration and can be made online or via the paper form No. 2042-IFI.

### ***Paying Your Taxes in France***

Whether you are moving to France, own French property, or have business interests, assets, or investments in France—FrenchEntrée is here to help with all your tax questions. Our [Essential Reading articles](#) will talk you through all the basics, from income tax and social charges to wealth tax and property taxes. However, international tax liabilities can be complicated, so if in doubt, we always advise discussing your personal situation with one of our recommended [financial or tax advisors](#).

## **THE PROPERTY TAX WILL INCREASE, OWNING WILL COST YOU MORE IN 2022**

The property tax is expected to reach record highs this year. The municipalities are starting to vote on the rates that will be applied in 2022 and the bill should increase a little more for the owners.

Since 2018, the revaluation coefficient of cadastral rental values is no longer fixed after the vote of the finance law. From now on, it is the evolution over 12 months of the harmonized index of consumer prices (HICP) which is taken into account.

If, in 2021, this new calculation had been favorable to owners, in 2022 it is the opposite. The calculation led to 3.4% the revaluation of cadastral rental values this year, a record!

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This phenomenon is linked to inflation. It will have an influence on the reference rent index but also on local taxes.

#### Additional pressure for landlords

In France, 58% of households are owners, according to INSEE. In this context, more than half of French people should be affected by this increase in 2022.

For landlords, rents will rise less quickly than taxation, as noted by Pierre Hautus, director general of the National Union of Real Estate Property (UNPI) at the microphone of Europe 1 in January.

The repercussions could be felt, with landlords who could have to pass on this increase to rents.

#### “A catapult effect”

According to our colleagues from Parisian Pierre Hautus speaks “catapult effect” for this year 2022: “This will have a considerable influence, because, when the rate increases at the same time as the base, it multiplies the increase tenfold”, he asserted.

For the past few weeks, municipalities and intermunicipalities that collect this local tax have been voting on the 2022 rates that apply on the rental basis. Some municipalities decide to play the stability while others intend to take advantage of this lever of action.

#### Cities wishing to use this lever

The cities evoke the weight of the charges due to inflation, the costly investments to accelerate the energy transition or even the slate left by their predecessor.

This is the case of the city of Strasbourg (Bas-Rhin), which recorded an increase in the intermunicipal property tax rate from 1.15% to 4.46%, which represents a property tax increase of 12.6%. With a new tramway line and new infrastructures, it is a decision fully accepted by the metropolis.

“This represents an increase of 65 euros per year for individuals on average. It is a marginal contribution, since we estimated that taxpayers would benefit from 600 euros of equivalent additional public services per year” affirms, Pia Imbs, president of the Eurometropolis of Strasbourg.

Other municipalities will not spare owners either. This is the case of Dijon (Côte-d’Or), where the increase in property tax should be 5%.

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In the Grand Paris Seine & Oise urban community (Yvelines) it will be 6%; in Annecy (Haute-Savoie) by 8.6%; in Strasbourg (Bas-Rhin) by 12.6%; and in Tours (Indre-et-Loire), it should even reach 15.3%.

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