



## FRANCE – September 2022

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### CONTENTS

<b>PROPERTY TAX: WHY IT WILL BE EVEN WORSE NEXT YEAR .....</b>	<b>1</b>
<b>DO NON-RESIDENTS PAY MORE FRENCH TAX ON SECOND HOMES THAN RESIDENTS? .....</b>	<b>1</b>

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### PROPERTY TAX: WHY IT WILL BE EVEN WORSE NEXT YEAR

Ready to get your hands dirty? The thirty million French owners risk, in fact, paying much more next year. In question, explains Le Parisien, a sharp increase in property tax from 2023. This has already increased considerably this year, due in particular to the revaluation of cadastral values, which has been capped at 3.5%. But in the months to come, specify our colleagues, the addition should be considerably more salty. And for good reason: the government has not yet decided on the cap of the revaluation that will then take place.

Some government sources, mentioned by Le Parisien, also mention the absence of a ceiling, which would de facto lead to an increase in the property tax. Of course, the deputies could then table an amendment to debate the question, but it is also important to remember that a large part of the amount of this local tax depends on the communities, which are responsible for setting the rate finally applied.

Several scenarios make it possible to claim an exemption from property tax, recall the Bercy teams on the website of the Ministry of the Economy, Finance as well as Industrial and Digital Sovereignty. There is thus:

A temporary exemption from property tax for two years, relating to new constructions or additions to constructions.

### DO NON-RESIDENTS PAY MORE FRENCH TAX ON SECOND HOMES THAN RESIDENTS?

#### International Property Tax Institute

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Since Brexit there can be an additional expense for Britons - the fees for a fiscal representative to calculate capital gains tax when you sell. This has been the case for other non-EU citizens for some time.

Property taxes are the same in buying a second home whether resident or non-resident, and this has not changed. The only French residence of a person with their main domicile in the UK is still considered a second home.

In terms of property taxes, the French resident and the non-French resident are liable to pay both *taxe foncière* and *taxe d'habitation*.

Under recent changes, French residents are mostly exempt from paying *taxe d'habitation*, but only on their principal private residence.

Local councils set the rates of both taxes, which in some areas include an additional surcharge on *taxe d'habitation* on second homes. This has applied for several years.

Another factor affecting the amount to be paid is the theoretical rental value of the property, called *valeur locative cadastrale*. MPs usually vote annually to increase this, related to rises in the cost of living. Other factors, including an extension to the home, can also affect this.

A general revision of the values has long been proposed but has now been put off to 2026.

The amount of each of these taxes will vary across France for a similar property, but when buying a property, you should be informed in the sale details of the amount of the *taxe foncière*, and you can also request to know the amount of the *taxe d'habitation*.

Should you rent out your property, UK tax residents must declare the income first in France, where non-residents are liable to a flat rate of income tax (usually 20%), which is then used as a credit against income tax liability in the UK when declaring the taxable French rental income figure.

Also due will be social charges, which should be only 7.5% – or 17.2% if you are not liable to social security in the UK.

Since Brexit, in the event of selling a property for more than €150,000, one additional expense is the requirement to use a French fiscal representative to calculate the capital gains tax liability, costing around 0.5% of the sale price. This fee is deductible from the taxable gain.

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