



# FRANCE - January 2017

**PARIS TO TRIPLE TAX ON SECOND HOMEOWNERS ..... 1**  
**BRITONS WITH PROPERTY IN PARIS TO BE HIT WITH NEW TAX HIKE ..... 1**

## Paris to Triple Tax on Second Homeowners

Second homeowners in Paris will be hit next week with an increase in property taxes, as the city’s policymakers attempt to tackle its chronic housing shortage, but several experts believe the measure’s impact will be minimal.

Hot on the heels of other major cities, including Vancouver, that have made similar moves, Paris’s second homeowners, who currently pay an extra 20% tax in addition to regular property taxes, will see that jump to 60% on Monday.

This is part of Paris City Hall’s plan to reduce the number of vacation homes in the city, with the hope being that these measures will entice more well-off homeowners to either rent their properties to permanent tenants to recoup some of the costs, or sell them altogether.

According to The Atlantic’s CityLab, there are more than 100,000 second homes in Paris, accounting for almost 10% of the city’s housing stock, and the city is concerned that many of these will remain empty for large parts of the year.

However, several experts who spoke to Mansion Global are skeptical that the upcoming property tax increase will have the desired effect.

“It isn’t going to have the desired effect because if your second home is worth around €3 million and you have to pay an extra €1,000 a year in tax you’re not going to be that bothered,” Mark Harvey, a partner at real estate consultancy Knight Frank, said. “This is just hot air.”

Hugo Thistlethwayte, head of the international residential team at Savills, another real estate consultancy, added that while French taxes on property are already quite high (particularly the wealth tax), local taxes tend to be very low.

“It’s not a drop in the ocean, but it’s very manageable,” he said. “I don’t think it in itself will have a huge effect.”

Instead, Mr. Thistlethwayte believes that France’s presidential election this spring will have more of an impact on the second home market, as a right-wing government would be more likely to review the wealth tax. This, however, would encourage demand for second homes.

Laurent Lakatos, a director at Databiens, a Paris-based real estate data firm, also doesn’t believe that this new tax will encourage second homeowners to rent out their properties, as there is too much protection for tenants instead of landlords.

“These properties are not rented because the regulation on the tenancies are too high. There’s too much tenancy protection, which cuts off the fluidity of the market,” Mr. Lakatos said.

In Paris, tenants can insist that landlords continue to rent a property to them for up to three years following notice to terminate a contract, while rent is also capped in certain areas.

## Britons with property in Paris to be hit with new tax hike

Britons with a pied-à-terre in Paris are due to be hit with hefty new taxes as the Socialist-run city hall takes steps to try to resolve the city’s chronic housing shortage.

## International Property Tax Institute

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The city council wants to stop foreign owners leaving their apartments empty for much of the year and hopes to coerce them into selling them off or putting them on the market for long-term rental.

A measure due to be adopted next Monday by the city council would triple the current 20 percent extra that non-resident owners have to pay in council tax, or *taxe d'habitation*, to 60 percent.

Ian Brossat, the Communist deputy mayor in charge of housing, said the aim of the tax was to ensure that Paris did not end up like London, with the working and middle classes increasingly priced out of the housing market.

"That is exactly the model we want to avoid here in Paris," he told the Telegraph.

The number of non-resident owned homes in Paris rose by 43 percent over the last 15 years, while owner-occupied homes rose by just three percent in the same period.

Non-resident owned homes now make up 10 percent, or around 107,000 residences, of the 1.1 million homes in Paris.

This growing trend is depriving Parisians of homes and driving up rents, the city argues.

The proposed rise in council tax for non-resident owners would bring an estimated extra 43 million euros a year into city coffers as well as making more affordable housing available to permanent Parisians.

The new tax plan is the latest in a series of measures the council, led by Socialist mayor Anne Hidalgo, has taken in recent years to try to ease the housing shortage.

Last year rent caps were rolled out across the greater Paris region, to the dismay of real estate agents and property owners who warned that they could discourage investment and bring down property prices.

The city is also fighting an ongoing battle with Airbnb and now makes the rental website collect tourist taxes for it from renters.

Estate agents in Paris differ on whether the plan to triple council tax would discourage investors buying second homes in Paris.

But several agreed that the measure would probably fail to achieve its stated aims.

"This would stop people buying in the future, but I don't think it would make anyone who is already an owner (of a second home in Paris) either sell or rent out their property long-term," said Trevor Leggett, whose estate agent's of the same name handles thousands of properties across France.

"It's bad press for Paris at a time when they are hoping to attract people from London who might want to relocate due to Brexit," he said.

But Alon Kasha, the owner of AB Kasha estate agent's which specialises in high-end property for foreign owners on the Left Bank, said the new measure would have limited impact.

"It's a non-issue," he said.

He noted that a rise of 60 percent on council tax of around 1,500 euros a year on a property worth a million euros would deter few people from buying.

"People might groan for a second but I don't think it would affect the value of a property," he said.

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