IPTI Xtracts

Property Tax and Assessment News from Around the World

FRANCE - February 2018

France increases council tax on second homes

Some 100,000 Britons who own second homes in France potentially face a significant hike in council tax under reforms put forward by French president Emmanuel Macron which are designed to discourage short-term holiday rentals

Macron authorised the changes, which will see council tax double for owners on properties that are not their main residence, in the national budget in 2017. At the same time he pledged to abolish council tax for owner-occupiers, with the French government promising to make up the funding shortfall.

The tax raising initiative took immediate effect in Paris and a total of 1,151 French councils, towns and cities with a population of more than 50,000 are eligible to impose the tax, which can be up to 60% on top of the basic council tax rate.

Nice and Bordeaux have already introduced it, and the tax increase on second homes is popular in tourist hotspots, where short-term rentals are widely viewed as having distorted the local housing market.

There are an estimated 3.4m second homes in France, 110,000 of them in Paris. The tax move does not affect the 200,000 Britons whose main homes are in France.

Taxes on Prestige Properties in France Can Be Complicated

There are upfront and annual costs to consider

Property taxes in France aren't exactly transparent, no matter the region. France has two annual property taxes: Taxe Foncière and Taxe d'Habitation, plus a wealth tax, according to experts.

Factored into the land or property tax (taxe foncière) is the "the cadastral income," which is determined by halving the property's rental value, said Jessica Duterlay, a tax associate at Attorney-Counsel, a law firm with offices in Nice and London.

"The property tax is equal to the cadastral income multiplied by the rates fixed by the local authorities," she said. "These rates may be modified from one year to the next."

Unless the home is rented out for most of the year property owners are also on the hook for the occupancy tax (taxe d'habitation).

"The tax is payable if the secondary home is habitable, meaning the individual has the right of occupancy and it is furnished, not empty," according to Delphine Belin, a lawyer who advises U.S. citizens on French property matters. If the tenant is there most of the year, he or she pays. If empty, the owner pays the tax.

French tax authorities use the rental value of the property to calculate the occupancy tax as well, the lawyers said. These are calculated annually, and each town has its own rates.

Deductions and income-based ceilings are available for primary residences, Ms. Duterlay said, but "since this is a secondary residence, the owner can not benefit from [those] allowances."

Some cities and towns also levy taxes if homes are vacant, she added. Those taxes are established by the cities and could result in the owner paying a range of 5% to 60% in extra taxes.

For individuals whose net taxable wealth is greater than €1.3 million (US$1.6 million), there is also an additional wealth tax (impôt sur la fortune immobilière), payable every year. This was previously an annual levy of up to 1.5% on the value French property and assets, including savings and investments, but, as of January 2018, it's now a tax on real estate only, Ms. Duterlay said.

There are upfront costs at the time of purchase as well, she said, including a communal tax at the rate of 1.20% on the purchase price and a departmental tax on the purchase price. That tax is 4.5% on the purchase price in almost all areas, she said. Also, there is another government one-time levy of 2.37%.