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WHAT ARE THE PROPERTY TAXES ON A £2 MILLION VACATION HOME IN BORDEAUX? 1

What Are the Property Taxes on a £2 Million Vacation Home in Bordeaux?

Second-home owners are seeing changes in France

Q: I live in England and am looking to buy a vacation home in Bordeaux. I understand France increased property taxes. What can I expect to pay on £2 million home?

A: Second-home owners in France could see a jump in their tax d'habitation, or residence tax, under French President Emmanuel Macron's budget.

For 80% of households in France, the tax d'habitation, one of two property taxes there, will be phased out by 2020, said Jessica Duterlay, a tax associate at Attorney-Counsel, a law firm with offices in Nice and London.

The benefit is based on household income, so only the highest earners will have to pay the tax after it is phased out. By 2020, single-person households making less than €27,000 will be exempt, as will couples making under €43,000 or couples with one child who make less than €49,000.

That tax is calculated by French tax authorities "based on the cadastral rental value of the dwelling and its outbuildings," she said. The government is offering rebates based on household income, with the lowest earners seeing the most relief.

The tax d'habitation is essentially a tax on the person living in the home. Since this is a secondary residence, the homeowner isn't eligible for a tax cut, Ms. Duterlay said.

If the home is rented out, the tax is paid by the occupant. But if not, a tax on vacant housing could apply. This is an optional surtax municipalities can charge, and many have raised the amount they charge to make up for the loss in revenue from the tax d'habitation.

"It's possible to have an increase established by the cities going from 5% to 60% for the share of contribution of tax," Ms. Duterlay said.

In fact, a total of 1,151 French councils, towns and cities with a population of more than 50,000 are eligible to impose the tax hike, according to Les Echos, a French financial daily publication. Municipalities have been able to charge owners of vacant homes since 2015, but the loss of income from the tax d'habitation has translated into higher rates on those homes.

Bordeaux charges an additional 50%, according to reports. But it's still impossible to say how much tax would be paid on a £2 million (US\$2.6 million) home, said a representative from the French tax firm Roche & Cie.

"The local taxation is quite opaque in France and does not only depend on the market value of the property," he said in an email.

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Taxing authorities look at not only the size and location of the home to assess its taxable value, but also things like the quality of the building materials, whether the owner is married, his or her income and other factors.

Bordeaux has one of France's higher tax d'habitation rates, with occupants paying on average €1,242 per year, as of 2017, according to the Forum pour la gestion des Villes et des Collectivités.

The rates change yearly, but rates from previous years can be a good guide, Ms. Duterlay said.

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