

A photograph of a teal double door with ornate ironwork and a stone lintel. The door is set in a stone frame with a decorative lintel above it. The door has two panels with intricate ironwork. The text "SAVILLS BUYING GUIDE" is centered over the door.

SAVILLS BUYING GUIDE

FRANCE

FRENCH REAL ESTATE OFFERS A GREAT DEAL OF VARIETY. TAKE YOUR PICK FROM CHIC CITIES, WINE REGIONS, THE CÔTE D'AZUR AND STUNNING SKI RESORTS

There truly is a France for everyone – but whichever one you choose, life is more relaxed. It is easy to be alone in beautiful countryside, yet nowhere feels cut off, thanks to fast-flowing autoroutes and excellent air connections.

France's prime property markets include the unrivalled city chic of Paris, lush wine country in the Dordogne, prestigious ski resorts in the French Alps, and the elite Mediterranean playgrounds of the Côte d'Azur and Provence.

The area you choose will determine the homes on offer. Historic cities are heavily protected, with new builds mostly on the outskirts. Rural areas provide renovation opportunities, sometimes with grants and tax rebates available. Planning permission is often essential, particularly where listed buildings are concerned. Here, we highlight 12 French property styles.



01



02

01. CHÂTEAU

A château is any historic castle or stately home of significant size. Châteaux of more national or regional importance are listed officially (*classé* or *inscrit*) as *Monuments Historiques*. The term château is used for larger unlisted homes and for any house at the heart of a winemaking estate in the Bordeaux area. A château-style building in an urban setting is a *palais*.

02. CHALET

These wooden homes with large balconies are typically found in the mountains, where new and converted properties are a base for skiing and other Alpine sports.



03

03. CHARTREUSE

Essentially a smaller château, these 18th-century properties are generally found in Charente and around Bordeaux. They are usually built around a square courtyard, enclosing it on three sides. >



04

04. MAISON DE MAÎTRE

Many of these smaller mansions were built during the 18th century, reflecting France's wealth and power. They can be found in the country and in towns, and often include staff accommodation.

05. PÉRIGOURDINE

These single-storey houses from the Périgord region have steep, high roofs.

06. MANOIR

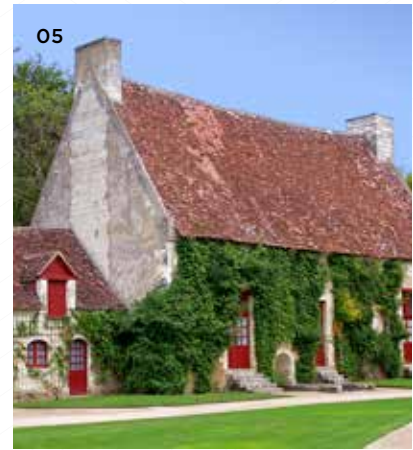
A manoir is a local landowner's house with an elegant stone or brick design, set in substantial grounds.

07. MAS

In high demand for their attractive, simple style, these Provençal farmhouses are usually made of stone, with a gently sloping roof and pale, shuttered windows.

08. BASTIDE

The Provençal term for a manor house, a bastide is larger and more elegant than a mas, and many have now been turned into holiday homes. Often built around a courtyard, bastides can be found in villages and countryside settings. >



05

"MANY MAISONS DE MAÎTRE WERE BUILT IN THE 18TH CENTURY, REFLECTING FRANCE'S WEALTH AND POWER"



06



07



08

“A TYPICAL
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09

09_HAUSSMANN APARTMENT

In the 19th century, Georges-Eugène Haussmann oversaw the rebuilding of Paris to create the elegant, standardised architecture for which the city remains famous. A typical Haussmann apartment is light and spacious, with herringbone floors, marble fireplaces, mouldings and floor-to-ceiling windows. They are spread throughout the city, most notably in the 8th, 10th, 16th and 17th arrondissements.

10_HÔTEL PARTICULIER

Not a hotel, but a private and substantial townhouse built for an aristocrat or other person of means and standing. Elegant and imposing, with a private courtyard and generous windows, they are found in cities such as Paris, Toulouse, Bordeaux

and Aix-en-Provence, sometimes having been converted into apartments.

11_BEAUX-ARTS VILLA

From 1871 to 1914, in the era known as the Belle Époque, some of today's most sought-after waterfront villas were built in the graceful, classically influenced Beaux-Arts style along the Côte d'Azur.

12_NEW BUILDS AND GATED DEVELOPMENTS

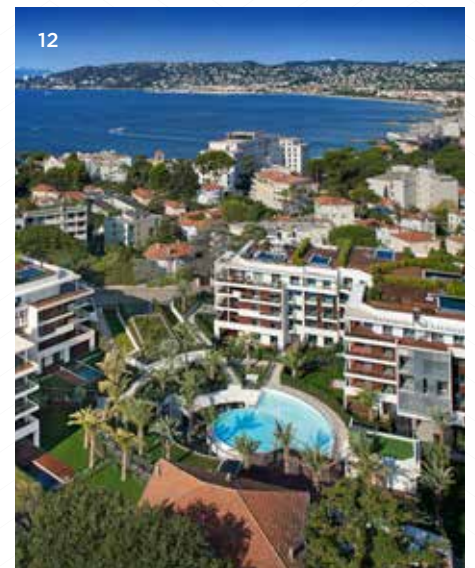
New builds and gated communities are increasingly popular in and around the Côte d'Azur. Central developments may feature balconies and underground parking, while edge-of-town locations commonly include gyms, pools, spas and communal gardens. ■



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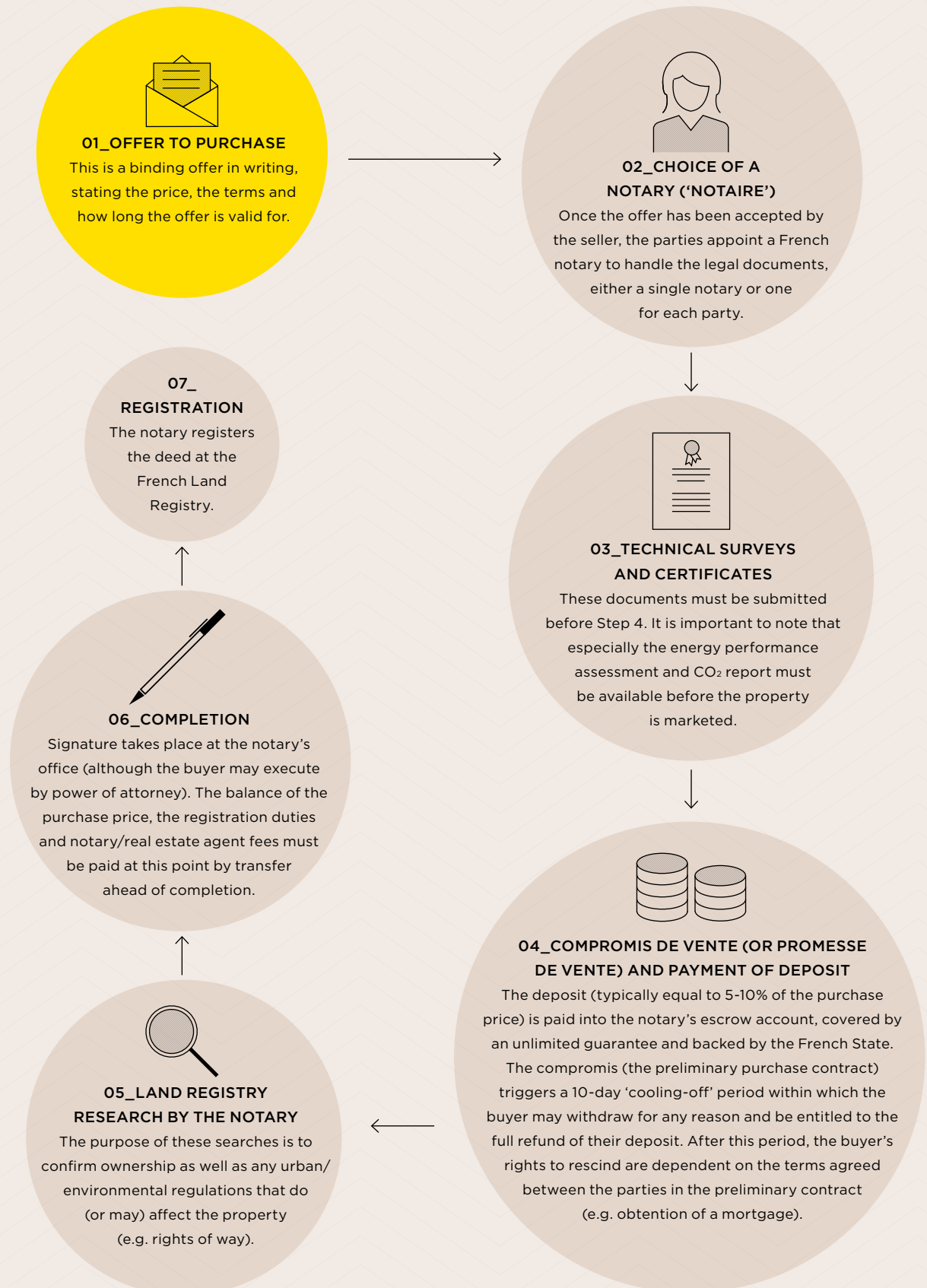


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12

BUYING REAL ESTATE IN FRANCE





THE PROCESS IN DETAIL

There are a number of legal procedures to complete ahead of a French property changing hands and being registered in a new name. Here are the steps in detail.

01_OFFER TO PURCHASE

In France, a verbal offer holds no legal value. The first stage of the legal process is when the buyer makes a formal written offer to purchase the property. This states the price that the buyer is willing to pay and how long the offer will be valid for (usually between five to 10 days). The offer becomes null and void after the validity period if the seller has not responded in time.



02_CHOICE OF NOTARY ('NOTAIRE')

Once the offer has been accepted in writing by the seller, the parties appoint a French notary ('notaire'). Typically, the seller and the buyer will each appoint a notary, although it is possible that the same notary will act for both parties.

For non-residents wishing to purchase in France, the role of the notary is crucial throughout all stages of the sale, from the preliminary searches through to sale and registration.

In addition to the notary, who can also assist on the civil law and process to organise the future transmission of the asset, some buyers choose to appoint a lawyer to help with certain aspects of the purchase, such as, for example, tax planning. A tax lawyer familiar with the cross-border situation is crucial in order to structure the acquisition of the property in an efficient manner.



03_TECHNICAL SURVEYS & CERTIFICATES

After the offer has been made, several survey documents (*diagnostics techniques*) must be obtained to ensure that the buyer is sufficiently informed of the physical state of the property.

These documents evaluate environmental risks such as asbestos, lead content, termites, fungi, natural risks (floods, seismic risk, etc). They also include electricity and gas surveys to assess energy performance, and measurement of living area for flats and, in some cases, for houses within an estate.

The *diagnostics techniques* are a mandatory part of the sale process and must be submitted before Step 4. The energy performance assessment and CO₂ report must be undertaken prior to marketing the property as available for sale.

For flats, the official measurements of the living area need to be received ahead of marketing in accordance with the *loi Carrez* (a French law). If the property is co-owned by several parties, further documents may be needed (for example, the rules regulating the use of the private and communal parts of the building), in addition to all relevant annual charges or associated costs.

A structural survey is not mandatory in France, but is advisable in some cases. >



04_COMPROMIS DE VENTE (OR PROMESSE DE VENTE) AND PAYMENT OF DEPOSIT

Once the buyer's offer has been accepted, the buyer and seller sign a preliminary contract called a '*compromis de vente*'. There are two important steps:

A. The buyer must pay a deposit.

This is typically equal to 5-10% of the purchase price. The deposit should be paid into an escrow account held by the notary or estate agent and not provided directly to the seller. Savills favours the notary's escrow account as it is covered by an unlimited guarantee provided by the French State.

B. It triggers a 10-day 'cooling-off period',

within which the buyer can withdraw from the purchase without penalty and without losing the deposit. This period begins from the date on which the buyer receives a countersigned copy of the *compromis* by recorded post (or by digital notification, which is often used). If the buyer is signing by power of attorney, the 10-day period runs from the day after the receipt of the *compromis* by recorded delivery. (Note: If the first day of the period would fall on a weekend or a French public holiday, the period starts from the next working day.)

This cooling-off period only applies to the buyer. After this, the seller or buyer can only withdraw from the purchase without paying a penalty (or losing their deposit, in the buyer's case) in the circumstances set out in the *compromis*. These conditions are known as *clauses suspensives*, or *condition precedent* (escape clauses). The most common clause is the right to withdraw if the buyer is unable to secure a mortgage offer within the terms and time frame agreed in the *compromis*. If this happens, the buyer may choose to withdraw from the agreement and they are then entitled to recover the deposit.

If the buyer withdraws after the cooling-off period and no *clauses suspensives* apply, the deposit will be forfeited.



05_LAND REGISTRY RESEARCH BY THE NOTARY

The notary then carries out due diligence, such as searches at the French Land Registry, to confirm that the seller is the legal owner of the property and to determine any urban or environmental regulations that affect, or may affect, the property.

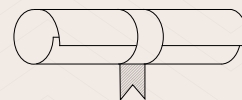
The notary will send this confirmation to the buyer, along with a draft version of the sale agreement. This provides an opportunity for the buyer to ask the notary for clarification of any points they are unsure of before final signature.



06_COMPLETION

Before completion can take place, the remaining purchase price, the registration fees and notary/real estate agent fees must be paid.

Signature of the sale deed takes place at the notary's office. However, the buyer can sign at a distance via a power of attorney prepared by the notary.



07_REGISTRATION

After signature, the notary will register the sale with the French Land Registry. In the interim period, after signature by the parties and before registration, the buyer receives a completion certificate (*attestation de vente*), which can be used as proof of ownership. >

ACQUISITION FEES AND TAXES

PURCHASE COSTS

Acquisition of real estate assets located in France would trigger real estate transfer tax (RETT) and/or value added tax (VAT) depending on whether the property is considered to be a new building or not.

The property cannot be regarded as a new building

If the property was constructed more than five years before the acquisition date, or if the buyer has no intention of carrying out a reconstruction of the building, in principle the acquisition would not be subject to VAT.

Other taxes applicable in this case:

- Real estate transfer tax, due upon the acquisition (5.09% of the purchase price)
- Contribution of real estate security (*contribution de sécurité immobilière*) (0.1%)
- Adding notary fees, the total purchase cost is circa 7%.

The property can be regarded as a new building

If the building was constructed less than five years before the acquisition date, it may be considered a new building and the acquisition would be subject to VAT at the rate of 20% of the sale price.

Other taxes applicable in this case:

- Land registry tax (*taxe de publicité foncière*) (0.715%)
 - Contribution of real estate security (0.1%)
 - Notary fees (0.825%)
- These taxes should be levied on the net purchase price (which may be increased by any additional charges stipulated in the sale deed)
- The total purchase cost is circa 2.5%.

Rental income

Rental income is usually taxable in France according to international tax treaties.

If the real estate is held directly by an individual, rental income is taxed at progressive tax rates of income tax (up to 45%). It is also subject to social contributions at a rate of 17.2%.

The net rental income (*revenus fonciers*) is equal to the difference between:

- (a) the rental income, and
- (b) the expenses related to the property.

If the property is rented unfurnished, no depreciation allowance can be deducted from the rental income.

If the property is rented furnished, a depreciation allowance applies, calculated on the purchase price (not the value of the land).

If the property is held through a company, rental may be subject to French corporate income tax, at a rate of 33.33%, depending on the legal form of the company.

ONGOING COSTS OF OWNERSHIP

IFI (*Impôt sur Fortune Immobilière*)

IFI is a new tax, which replaced wealth tax from 1 January 2018. This new tax applies only to real estate assets (including shares of real estate companies not tied to the professional activity of their owner).

The primary features of the IFI:

- IFI has kept the essential aspects of the previous wealth tax. The threshold remains at €1.3 million, the rate scale is the same (from 0.5 to 1.5%), and reporting obligations remain similar
- The tax base includes real estate properties held directly by individuals, as well as shares in companies (regardless of legal status and localisation), at the portion of their value represented by real estate properties or property rights. All movable assets are therefore excluded (including shares in companies not holding real estate assets, and other financial assets)
- Specific and complex rules apply for the deduction of debts (for example, to limit or cap deductions when debts exceed 60% of the value of real estate assets, if this value is greater than €5 million).

Other ongoing taxes (rates vary depending on the municipality where the property is located):

- *Taxe foncière*: Property land tax due by the owner annually
- *Taxe d'habitation*: Due by the occupant of the property annually
- *Contribution Foncière des Entreprises* (CFE): An additional tax due where the property is rented furnished. This is based on cadastral value of the property (i.e. the specific location and boundaries of the property on a map). >

SALES TAX**CAPITAL GAINS**

Capital gains on French real estate, or on shares of real estate companies where the assets are mainly composed of French real estate, are usually taxed in France according to international tax treaties.

Capital gains is taxed at 36.2% for resident and non-resident individual sellers (composed of 19% income tax and 17.2% social contributions). As of January 2019, however, the social contribution element may no longer apply in full in certain circumstances (see below).

For capital gains higher than €50,000, realised by individuals, an additional tax applies (between 2% and 6% depending on the amount of the capital gains).

Reductions and exemptions on capital gains:

- From 1 January 2019, exemption of capital gains on the principal residence is available when the owner is selling their former principal residence at the latest on 31 December of the year following the transfer of domicile outside of France. This implies that the owner has been a tax resident in France and is selling their residence in France further to their definitive move from France to an EU or tax treaty country. Still, a specific €150,000 exemption applies to the capital gains realised on the sale of a property, provided that the seller has been a French tax resident during a minimum two-year period at any moment before the sale and that the sale is realised during the 10 years following their departure from France

- Capital gains tax is reduced if the property has been held for at least five years
- Full exemption applies after the property has been held for 22 years (for income tax) and after 30 years (for social contributions). A full exemption also applies upon sale of the property where it is the principal residence, although this exemption is unlikely to apply to non-residents
- Following the 2019 French finance bill, social contribution will no longer apply in full to a person (either resident or non-resident in France) if they are already subject to social contribution (meaning they are covered by a mandatory social security scheme) in another state within the European Economic Area (EEC). The rate has thus been reduced to 25%. This exemption only applies to EEC states and not, for example, contributions in the US. However, the same finance bill introduced a new social levy at a rate of 7.5%, replacing the previous social contributions of 17.2% as a whole. As a consequence, the rate applicable is 26.5%.

GIFT OR INHERITANCE TAX

Gift or inheritance tax is generally due in France according to French tax law and/or applicable tax treaties. The applicable rate would depend on the family ties between the deceased/donors and the heirs/donees. ■

WITH THANKS TO...

The conveyancing and tax advice in this section of the guide has been written with the help of CMS France. To contact CMS France, please get in touch with:
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