

FRENCH PROPERTY TAX : THE 3% TAX

1 PRINCIPLE OF TAXATION

The legal entities that, directly or through an intermediary entity, have one or more properties situated in France or are holders of real rights over such properties shall pay an annual fee equal to 3% of the market value of such properties or rights.

REFER TO : Code Général des Impôts (CGI), art. 990 D to 990 G

2 TAXABLE ENTITIES

The 3% tax applies not only to all legal persons, irrespective of their legal status or nationality, but also to all legal entities, whether or not having their own personality distinct from that of their members.

Therefrom, fall within the scope of the tax not only entities like trusts or other similar entities (fiduciaries for instance), but also pension funds and investment funds.

The 3% tax applies regardless of the number of legal entities interposed. However, the tax is payable by the legal entity which is, in the chain, the closest to the property itself or to the real rights over it.



3 LEGAL ENTITIES TO WHICH THE 3% TAX IS NOT APPLICABLE

Are not subject to the 3% tax the corporations, organizations, trusts or similar institutions whose real estate assets located in France represent less than 50% of all French assets held directly or through one or more legal entities.

Some legal persons, entities, trusts or similar institutions established in France, or in a member state of the European Union, or in a country bound to France by an international treaty on administrative assistance or any convention which contains an equal tax treatment clause for entities headquartered in France, are also exempted from the 3% tax.

REFER TO : Countries and territories with which France has signed a treaty on administrative assistance for the purposes of the 3% tax are listed here:
<http://bofip.impots.gouv.fr/bofip/4837-PGP.html?identifiant=BOI-ANXX-000349-20121119>

Countries and territories with which France has signed a specific convention for the exchange of informations for the purposes of the 3% tax are listed here :
<http://bofip.impots.gouv.fr/bofip/4838-PGP.html?identifiant=BOI-ANXX-000350-20121119>

Must be regarded as domiciled in France, in another member state of the European Union or in a country or territory conventionnaly bound to France, the legal entities which have, in one of these states or territory, their place of effective management, ie their bodies of legal, financial and administrative management.

4 CONDITIONS UNDER WHICH THOSE ENTITIES WILL NOT BE TAXABLE

The legal entities concerned must complete and submit to the tax authorities, by 16 May each year, a printed form n° 2746 containing the following information:



- The location, description and value of the properties owned as of 1 January,
- The names and addresses of all shareholders, partners or other members who own in any capacity whatsoever, over 1% of the shares or other rights,
- The number of shares or other rights held by each of them.

Here is the link to form 2746 :

http://www.impots.gouv.fr/portal/deploiement/p1/fichedescriptiveformulaire_6603/fichedescriptiveformulaire_6603.pdf

IMPORTANT : The disclosure to the French administration of the identity of the members of the entity holding the property in France does not prevent the subjection of the entity to the 3% tax when the state in which the entity is headquartered has not signed with France a treaty on administrative assistance or a convention containing an equal treatment clause.

