

FRANCE – TAX CONSIDERATIONS ON LETTING PROPERTY

The following information is a guide to help you get started in learning about some of the tax requirements that are likely to apply to you when providing short-term accommodation in France.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are an individual supplying short-term accommodation in France, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you;

- Income taxes and social contributions
- Value added tax (VAT)

Please understand that this information is not comprehensive, and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Please note that we do not update this information in real time, so you should confirm that the laws or procedures have not changed recently.

INCOME TAX AND SOCIAL CONTRIBUTIONS

Where you earn income from letting accommodation in France, it is likely that you will be required to pay a percentage of the tax on this income to the French tax authority. The following is a brief outline of the tax (income tax and social contributions) that will arise on income earned from short-term lettings in France and some information on how this tax is to be paid on a monthly or quarterly basis to the French tax authorities.

France's tax year runs from 1 January to 31 December.

France specific rules applicable to income earned in relation to short-term lettings.

If you earn income from directly or indirectly leasing furnished property, this income has the character of industrial and commercial income for the purposes of income tax. Two options of taxation are possible (which are not linked to the length of the rental but rather the level of rental income):

1. Régime Micro

The "régime micro" applies to a lessor whose annual income, adjusted in proportion to the operating time during the calendar year, does not exceed a certain threshold:

- Regarding non-classified tourism accommodation - €70,000 with a standard abatement representative of expenses of 50%.
- Regarding tourism accommodation* - €170,000. A standard abatement representative of expenses of 71% will be applicable to determine the taxable income.

*Note**: The special regime (underlined above) which allow a standard abatement representative of expenses of 71% with a limit amounting to €170,000, does not concern all the tourism accommodation but only the classified one according to the tourism Code Article L324-1. That classification decision is taken by an appointed body following a visit. The accommodation must meet a certain number of criteria, and the request have to be made by the lessor.

Non-classified tourism accommodation will benefit of the standard abatement representative of expenses of 50%, as outlined above with a limit amounting to €70,000.

2. Régime Réel

In accordance with the provisions of the Code Général des Impôts and article 39 of the CGI, the net taxable profit is determined under common law conditions by listing all the income and expenses that originate from operations of any kind carried out by a company or you as an individual.

Reporting tax in France.

Paper tax forms:

- Form 2042: General tax form
- Form 2042 C PRO: Rental income (Furnished – régime micro or régime réel)
- Form 2044: Rental income (unfurnished)
- Form 2031 – 2033: Rental income (Furnished –régime réel)
- Form 2047 – To report foreign income received by French tax resident
- Form 2048–IMM – Capital gains (filled by the Notary at the time of the sale of the property)

Online tax forms:

- All the forms can be found online via the website www.impots.gouv.fr (please note, the online submission of a tax return is not available for a first time filer).

Reporting tax - filing deadline.

- **Form 2048-IMM** - Filed by the Notary at the time of the sale. The corresponding tax is paid at the time of the sale.
- **Form 2031 – 2033: Rental income (Furnished – régime réel)** - 3 May or 18 May (exact date to be confirmed each year).
- **Income tax:**
 - **Online** - Beginning of June (exact date to be confirmed each year)
 - **Paper** - Mid May (exact date to be confirmed each year)

Reporting tax - payment deadline.

Monthly or quarterly instalments and balance of tax due to be paid upon issuance of the annual tax bill. This is generally issued between 15 September and 15 December of the year following the receipt of the income.

France Tax Authority contact details.

This depends on where you and/or your property are located. The correct tax authorities' contact details can be found on www.impots.gouv.fr/portail/contacts

French income tax rates.

2017 tax rates (on 2017 incomes for a single taxpayer):

- Up to €9,807: 0%
- From €9,807 to €27,086: 14%
- From €27,086 to €72,617: 30%
- From €72,617 to €153,783: 41%
- More than €153,783: 45%

Coming within the charge to income tax in France.

The following rules apply if you are a French tax resident (single taxpayer):

- Up to €9,807: 0% tax rate applicable
- Social surtaxes of 17,2%.

The following rules apply if you are a non-resident French taxpayer:

- Income tax as from the first euro: Progressive tax rate applicable which range from 20% to 45% (plus exceptional surtax on high income if applicable).
- Social surtaxes of 17.2%.

Typical expenses that can be deducted from an individual's income in relation to short-term lettings.

1. Régime Micro

Standard abatement applicable only.

2. Régime Réel

All expenses that originate from operations of any kind carried out by a company, or you as an individual, are allowable expenses i.e. utilities, maintenance, repair costs, land tax (except "taxe d'enlèvement des ordures ménagères), property management fees, insurance, interests paid during the tax year and insurance on the mortgage, depreciation etc. (Note: this is not an exhaustive list).

Are there any reliefs from income tax in your territory that an individual providing short-term lettings may be able to avail of?

The article 35 bis of the CGI stipulates that if you rent or sublease part of your principal residence you are exempt from income tax:

- for the rental income where the furnished rented rooms constitute for the tenant or the sub-tenant's principal residence or his temporary residence (since it justifies a contract of work), and that the rental price is set within reasonable limits;
- when the products of the usual renting to people who do not elect residence do not exceed €760 per year (please note that an amendment to the draft finance law for the year 2019 threatens to repeal this legal provision).

These two exemptions can be accumulated in the case of a room rented for the benefit of high school students or students during the school year and to tourists during the summer period.

Deductions available for tax depreciation (e.g. capital allowances / wear and tear).

The deduction for depreciation on premises provided as furnished rental accommodation is subject to the limits fixed by article 39C of the CGI. Thus, if you let a furnished property, the amount of depreciation on the property (building and furniture garnishing it) is allowed as a deduction from taxable income, for the same financial year, within the limit of the amount of the rental income, less the amount of the other expenses relating to these goods. These deductions have to be calculated under accounting rules.

French income tax obligation for non-resident individuals.

If you are non-resident you are required to pay French income tax on French source income. Please refer to section "Coming within the charge to income tax in France".

French income tax obligations for a French individual in receipt of foreign rental income.

If you are French tax resident, you are required to report your worldwide income via your French tax return.

This is subject to the any relevant tax treaties, for the avoidance of double taxation.

General property taxes payable.

There are three taxes which have to be considered:

1. Real estate tax "taxe foncière"

This tax based on the cadastral rental value, to be paid by the owner of the property on 1 January of the given year (values and rates are calculated locally).

2. CFE

The CFE is payable by companies and individual persons who habitually exercise a self-employed professional activity, whatever their legal status, activity or taxation system. The activities of renting and subletting buildings (except those concerning unfurnished buildings for residential use) are covered by the CFE, with the exception of certain furnished rentals included in the owner's principal residence.

3. IFI (Impôt sur la fortune immobilière)

The IFI is applicable to worldwide real estate properties value (for resident taxpayers), or French estate properties value (for non-residents taxpayers), that exceed €1,300,000 on January 1st of the given year. Please refer to "Other" below.

Capital taxes in France.

Capital taxes are applicable to the sale or transfer of property located in France or outside of France (subject to the application of double tax treaties) for monetary consideration. The tax is calculated (for French tax residents and non-French tax residents) with an allowance based on the duration of ownership being factored in.

The applicable tax rate on the taxable capital gain is 19% + social surtaxes of 17.2% + surtax from 2% to 6% applicable to non-resident tax payers only, for capital gains above €50,000

Note: the sale of the principal residence is tax exempt, as well as any sale below €15 000.

Other

From January 1st 2018, the ISF is replaced by a tax on real estate property (IFI). The IFI is applicable to real estate property held (in France and abroad for French tax resident - in France only for non-residents) for personal purposes and not attributed to the professional activity of the owner.

The threshold for taxation remains at €1,300,000 and the rate of tax is the same as for the ISF. Additionally, the 30% reduction on the value of the principal residence is maintained.

Sample Tax Computation.		
Laura owns a 2 bedroom house in France. She occasionally rents out a room from time to time at the weekends.		
The total gross rent received for 2018 was €6,000.		
There are two possibilities to determine the net taxable rental income.		
<i>Scenario 1</i> - Régime Micro-BIC - the taxpayer can deduct 50% of the gross income as expenses (Non-classified tourism accommodation)		
		€
Gross rental income		6,000
<i>Less allowable expenses:</i>	50% tax rebate	(3,000)
Net taxable income		3,000

<i>Scenario 2</i> - Régime Réel - the taxpayer can deduct 71% of the gross income as expenses (Classified tourism accommodation)		
		€
Gross rental income		6,000
<i>Less allowable expenses:</i>	71% tax rebate	(4,260)
Net taxable income		1,740

Scenario 3 - Régime Réel - the taxpayer can deduct the actual expenses supported from the gross income

		€
Gross rental income		6,000
<i>Less allowable expenses:</i>	Management expenses	(250)
	Insurance premiums	(150)
	Repairs, maintenance and improvement expenses	(500)
	Mortgage loan interest	(300)
	Real estate expenses	(100)
	Depreciation	(2,000)*
Net taxable income		2,700

* Please note that, depreciation could be deducted within the limit of the amount of the rental income, less the amount of the other expenses relating to these goods. The surplus is reportable.

VALUE ADDED TAX

Value added taxes can be complicated and you should take time to understand the rules as they apply to you and your particular situation.

Broadly speaking, Value-Added Tax (VAT) in France is a tax on consumption. Most goods and services supplied in France are subject to VAT.

A person who supplies goods and/or services in France may have to charge VAT and pay this to the French tax authority. As with all taxes, we encourage you to consult with a tax advisor regarding your potential VAT obligations in France.

If you are currently renting a room to guests, you may be required to apply VAT to your rental charge and to pay this VAT amount to the French tax authorities. As Airbnb is not supplying the rental, it is the responsibility of the host to consider local VAT obligations of the rental charge.

Do I need to collect any VAT from guests if I am letting short-term accommodation in France?

In general, individuals who are considered to be in business in France need to charge VAT on their supplies, once the criteria for VAT registration is met.

In France, the rental of accommodation is, generally, exempt from VAT. However, if the accommodation is rented on a permanent basis with at least three of the following services; breakfast/cleaning/supply of linen services/reception services (i.e. similar to hotel-type conditions) then it may be subject to VAT. As such, where you supply short term accommodation and you satisfy these conditions, then you should register for VAT.

However, there is an exemption from being required to VAT register in France if you are considered to be a “small undertaking” (i.e. if your annual turnover is less than €82,800).

Where you are an individual who is not resident in France, but your accommodation is located in France, then you should register for VAT, as no registration threshold applies to you.

We encourage you to consult a tax advisor if you need assistance in determining whether you need to register for and charge French VAT.

For further guidance on registering for VAT, please see the French tax authorities' website.

VAT applies to me. How do I determine how much tax I need to collect from my guests?

VAT rates differ per country and change periodically. We recommend you to check on a regular basis with the local tax authority to get the most up to date VAT rates for the country where you are required to pay VAT.

For example, at the date of issuance of this document, the VAT rate applicable to the supply of accommodation on a permanent basis with breakfast, cleaning, supply of linen services and with a reception in place is 10% in France.

However, there are other VAT rates currently in force in France, so we recommend that you confirm with a local tax advisor the VAT rate applicable to your supplies.

VAT applies to me. How do I collect VAT from guests?

If you determine that you need to charge VAT on the supplies that you make to guests, please keep in mind that you have to collect this VAT from your guests and report and remit this VAT on a periodic VAT return. In France, the VAT return typically covers a monthly or quarterly period (VAT returns can be filed quarterly if the VAT due is less than €4,000 annually) and is required to be filed between the 15th and 24th of the following reporting period (i.e. the January VAT return is due to be filed between the 15th and 24th of February). The VAT payment is required to be made on the same day that the VAT return is required to be filed. There are also certain simplified regimes that you may be able to avail of in which case an annual return may be filed.

Some formalities, such as issuing a receipt or an invoice to your guests, may be required. Please find more information on this [here](#).

For further guidance on filing returns, please see the French tax authorities' website.

There may also be requirements around whether you use VAT-inclusive or VAT-exclusive pricing. We recommend that you check your obligations in terms of pricing and the applicable invoice requirements with a local tax advisor.