



France - Property Buying Guide

This buying guide has been designed to give you a general overview to purchasing and owning your own property in France.

It is meant to provide you with an insight into the steps you will take, as well as answer some of the questions you may have. It is not meant to be a definitive guide to purchasing property in France, but to assist you with some of the knowledge you will need.

The Buying Process

As in a number of other European Countries, in France you require a Notary to process the sale. One Notary generally acts on behalf of the purchaser and seller. Should the purchaser however wish to use their own appointed notary, this is also possible and the two notaries share the total fee between them.

There are two parts to the formal process of buying a property in France, the first is known as;

The Compromis de Vente (re-sale property) / Reservation Agreement (off-plan property)

Once the offer is accepted, the Notary will draw up the legal document "Compromis de Vente / Reservation Contract" and this is the agreement signed by the seller and buyer. For those residing in France this is normally done in the Notary's office, while for those living outside of France, the contract is sent to them.

This document is valid for several months and is normally prepared and signed within 7 days of an offer being accepted. A deposit of usually between 2 - 10% (depends on property) is made onto the notary's client account at the same time.

Both the Compromis or Reservation documents allow the Notary time to prepare the final documents of the sale and gather all of the relevant information pertaining to the sale. This typically takes around 3 months.

Clauses are written into these contracts to allow them to be invalidated and release the buyer and seller if certain conditions are not reached, such as failure of the buyer to attain the level of borrowing required.

Cooling Off Period

Under French Law, once the Buyer receives the signed the first contract (signed by both Buyer and Seller), there is a mandatory 10 day cooling off period, where the Buyer has the chance to withdraw from the sale, should they wish.

The second stage of the process is the;

Acte Authentique

The Acte Authentique otherwise known as the Acte de Vente, is the final contract signed by both the buyer and seller in front of the Notary. It is possible to sign a proxy either in France or in the country of residence, should you not be able to return easily.



In the latter, buyers need to go to their local Notary (not Solicitor). All documents for UK buyers need to be validated by the Foreign Office in London.

At the point of signing the Acte Authentique, all relevant funds will need to have been paid onto the Notary's Client Account and the Buyer becomes the registered owner of the property.



Courchevel - 14 off plan luxury 1 - 5 bedroom apartments. Prices from €775,830 - €1,888,640

Legal Fees

If the property of choice is new, the legal costs (a combination of Notary fees and taxes), typically amount to approximately 2.5% to 3.5% of the purchase price. In the case of resale French properties the fee is approximately 5 to 7%, based on a sliding scale of the value of the property.

It is sometimes worth purchasing a finished property in the name of a French Company that you set up known as an SCI, particularly if friends or two families are buying together. While there are no savings on purchase, the company is not liable to pay any annual Wealth Tax, minimises Inheritance Tax and allows you the ability to change ownership more easily.

However any usage of the property free of charge by the company members, or any rental income, must be declared in their personal tax returns. Similarly on selling the property, all Capital Gains must be declared when the sales process is completed.

In the case of land purchase to build a chalet, this is better done as a personal sale vs a SCI to avoid VAT. Taxes are only levied on the plot and not the chalet to be built.

If you would like more information on setting up an SCI, we would be pleased to discuss this further with you when you visit. The information above merely acts as a basic guide to what you can look at when purchasing.

We would be pleased to provide details of legal professionals to speak to in more detail that can advise you further on the merits / disadvantages of the SCI.



[Click here for options](#)

Chatel off plan and resale chalets with prices from €475,000

Commission

No commission is paid by the buyer directly. The agency commission is included in the sales price. The buyer is however responsible for paying the Notary fees, as described above.

Mortgages

We work with a number of UK and French Banks specialising in Mortgages for property purchase in France. We would be very pleased to provide you with a list of contacts to assist you in this process, once you have decided on the property you wish to purchase. 70% to 80% mortgages are now most common (subject to circumstances) with typical lending terms over 15 years.

Under French Law, French lenders are not allowed to offer mortgages where the purchaser's repayments total more than 30% of their monthly income. This 30% must also include any existing mortgage you may have in your home country.

Purchase Payments

The details below are meant as a guide. Once you decide on the property you can discuss the payment structures specific to the property you wish to purchase.

New builds

These take the form of stage payments and are typically:

- 5% - Reservation deposit
- 25% - Sign Acte de Vente
- 15% - Roof in place
- 30% - Watertight
- 20% - Completion of Apartment
- 5% - Key hand over

Note: some developers have less or more stage payments and therefore less / higher % amounts at each stage.

Re-sales

5 - 10% deposit on signing the Compromis de Vente. Balance when transfer of ownership takes place.



Vaujany (Alpe d'Huez) - Off plan 1 – 4 bed apartments from €219,000 & 5 – 6 bed chalets from €614,000

Construction Guarantee

All new build construction in France must have a 10 year guarantee against defects, that is supported by an insurance policy to protect the purchaser should the constructor cease trading, thereby protecting the purchaser.

Inheritance

Most important are the French inheritance laws which will relate to your new French home, even if you are a resident outside France. The fact that you may have a Will in your country of residence, will not necessarily mean that it is appropriate to be translated to relate to French Law.

Succession must be dealt with in France, as the laws are complicated and effectively prevent a parent



disinheriting one or more of their children. Similarly if a French Will is not drawn up, the succession of the property to the surviving spouse may not be in its entirety, with portions been passed to children.

It is thus strongly advised, that those purchasing French property make a French Will to deal with your property. Any Will outside of France, should then exclude your property in France.

When buying property in France, it is worth speaking to legal representation about the purchase, to minimise the effects of French Inheritance, thereby ensuring the property passes to directly to the surviving spouse.

Capital Gains Tax

Capital Gains Tax is charged on the difference between the purchase price (plus any renovation work completed) and the sale price. The gain is then taxable at a set rate of 16% for European's (extra 10% Social tax for French Residents) or flat 33% for non-Europeans. The new rules state renovation work, must have been completed by a French artisan, who has produced an invoice for the work.

There are however deductions based on how long you have owned the property. There is no deduction for the first 5 years of ownership but every year from then on allows you to deduct a certain amount off your Capital Gain.

In France, until recently properties owned for more than 30 years were free of Capital Gains Tax, in September 2013 this was reduced to 22 years.



[Morzine - 1 - 4 bedroom off plan apartments for sale. Prices from €285,000](#)

Renting

Local rental agencies can be found in all major resorts in the French Alps, providing full rental and



management services. There are two forms of rental options, touristic (weekly) and long term lets. In the former, this is the most popular form of renting, where owners use the property for themselves a few weeks a year, while the latter is certainly an option in those resorts which are open all year round.

We would be happy to advise you on rental potential of the properties you might be interested in, but we do recommend clients who plan to rent the property they are purchasing, talk directly with the local agencies to get an accurate idea of what occupancy and returns they can expect, as well as what the charges are.

One option of ensuring a rental return (often guaranteed) is the Leaseback Property scheme run in France, where owners lease their apartment or chalet back to the developer, having a set number of weeks where they can use it themselves.

By leasing back the property for more than 9 years, it is also possible to reclaim the VAT of 20% from the French Government. Most developers will deduct this from the advertised sale price automatically.



Chamonix - 6 off plan luxury 4 en-suite bedroom chalets. Prices from €3,750,000

It is also possible to reclaim the VAT if you purchase a brand new property, but don't want a Leaseback property (where usage can be restricted). By putting in place a formal rental agreement, with a property management company, who provide hotel like services (key holding, laundry, cleaning and/or breakfast), you are able to use the property when you want to without limit, but must make the property available to be rented, for a reasonable number of weeks per season.

This appeals to owners who don't plan on using their property for more than a few weeks each season, who welcome the peace of mind knowing their property is looked after whilst they are not there and provides an additional income stream, to help with the running costs of the property.

For VAT reclaim on a Classic Freehold Property, the full price needs to be paid when the Acte de Vente is signed and then reclaimed. The notary will be able to help with this process.

Rental Taxes

All rental income in France is subject to tax and must be declared to the French Tax office by 30th April each year. For amounts under €75,000 per annum, the owner can simply pay tax on 30% of the gross income

For more information on this subject, we would be happy to make an introduction to one of the tax advisors we work with as part of your purchase procedure.

Running Costs and Taxes

The two local property taxes in France are "Taxe Fonciere" (exempt for the first 2 years in a new build) and "Taxe d'Habitation".

In the case of re-sale properties these figures are readily available and can be obtained for you when you decide on the property you wish to purchase.

It is very difficult to provide an estimated general figure for the annual service charges as this depends on the size of the apartment/chalet as well as extraneous costs such as lift, shared swimming pool, caretaker and need for a grounds man (snow clearing / grass cutting). Typically charges are from €25 to €300 per m2, per annum.

We would be happy to provide an estimate of these costs on the property you choose, to assist you with the decision making process.



Megeve - 5 bedroom luxury chalet in highly sought after Mont d'Arbois area. Price €5,300,000

Surveying

It is not a legal requirement to carry out a survey. However, the seller has to provide the buyer with asbestos, termite and lead certificates and certified area measurements, according to the type of property and area in France.



Should you wish a survey to be carried out for the peace of mind of your purchase, we do know professionals that will do this for you at a cost and you can discuss this further once you have found the property you wish to buy.

Wealth Tax

If you are resident in France, then all of your worldwide assets will be taken into consideration for the purposes of calculating tax.

However non-residents are only assessed on the net value of any assets held in France, so if a property in France is purchased through a mortgage, then this can be deducted from the value of the assets, before calculating the tax owed. In addition, if the property is owned by two families, related or otherwise, then the value is essentially reduced by half.

Wealth Tax is complicated and we would be happy to put you in touch with someone who specialises in this field, to advise you on your own particular situation and suggest the best structure for your purchase.

Purchasing through a company

In France it is entirely possible to buy a property in the name of company and there may be tax advantages in doing so. If you form a French company (an SCI), there is no tax saving to be made on the purchase of the property, the usual purchase taxes will apply (4.89 for an older property and 0% for a newer property). The costs for setting up an SCI will be in the region of €1500, plus annual maintenance fees.

The main advantage of an SCI is that provision can be made to minimise inheritance tax and also allows for a great flexibility with regards to change of ownership (for example, giving a share of the property to your children, during your lifetime), without any tax liability or professional legal fees being incurred.

A further advantage of an SCI is that the company is not liable for Wealth Tax, however if the company elects to make the property available for the personal use of its members, without charge, then the members must declare this in their personal tax returns, any rental income or capital gains, at the point the property is sold.

If purchasing a property, which is already registered in a company, a saving can be made by transferring the shares of the company, into the name of the new buyer. An additional saving can also be made, as there will be no land registry fees but the government purchase tax on the transfer of the shares will be 4.89%, whether a new or old property. It is also very important to ensure the existing company has no undisclosed liabilities against it, which could then be transferred to the new owner.

Disclaimer

Please note the information provided in this document have been prepared as a guide only. We recommend you take further advice with the Notary handling your purchase, Accountant, Tax Specialist or Rental Agency on anything you wish clarified before signing any contract of sale as we cannot be held legally responsible.