



## LEGALESE: PAIN & CAPITAL GAINS

with resident lawyer  
and notary Michael Bula

### What are the new Capital Gains Tax changes when selling French Real Estate?

The French Government announced in June and July 2013 a reform on the capital gains tax for real property. Details will follow and these provisions apply from 1 September 2013 as follows:

In order to stimulate the real estate market and remove the fiscal incentive to defer property transfers, the period for total exemption of capital gains tax will be reduced from the current 30 years to 22 years; with the same objective, an exemption for social contributions (CSG and CRDS)<sup>1</sup> shall occur on a progressive annual basis and will be exempt in full at the end of the 30 years.

To amplify the effect and to allow for an immediate freeing up of the real property market, a one-off exceptional additional rebate of 25 per cent shall apply to transfers effected between 1 September 2013 and 31 August 2014.

The CGT rate was increased from 16 per cent to 19 per cent from 1 January 2011 and presently remains unchanged.

### What is the current position on Wealth Tax in France?

The Wealth Tax in France is known as the impôt de solidarité sur la fortune (ISF). If your net taxable assets in France exceed 1.3 million euros as at 1 January 2013, you are liable to pay the ISF, which is calculated on the following basis:

BRACKET	ASSESSMENT BASE	RATE
1st bracket	not exceeding €800,000	EXEMPT
2nd bracket	between €800,000 and €1,300,000	0.50 %
3rd bracket	between €1,300,000 and €2,570,000	0.70 %
4th bracket	between €2,570,000 and €5,000,000	1.00 %
5th bracket	between €5,000,000 and €10,000,000	1.25 %
6th bracket	exceeding €10,000,000	1.50 %



If the net taxable amount is between €1.3 million and €2.57 million you need not lodge an ISF specific return but include details in Chapter 9 of your income tax declaration form [Déclaration No. 2042C].

The amount of tax is calculated after the application of any applicable rebate.

If your net taxable amount is over €2.57 million you must lodge the specific ISF return [Déclaration No. 2725]. Each year, taxpayers concerned must value their estates as at 1 January and pay the tax in or before mid June of that same year.

Wealth tax is only payable by

individuals. Therefore companies are not liable for the tax, however each individual shareholder would be so liable.

Certain assets are exempt from wealth tax. Professional advice should as always be sought.

*Note: Social Contributions tax [CSG and CRDS] on property income. The CSG is the general Social Contributions tax or contribution sociale généralisée. The CRDS is the Social Debt Reimbursement Contribution or contribution pour le remboursement de la dette sociale. FL*

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