

JAMES HOWES & CO

MEMORANDUM ON OWNERSHIP STRUCTURING OF FRENCH SITUS PROPERTY As at 1 June 2026

TABLE OF CONTENTS

The present memorandum provides an analysis of different ownership structures available to acquire a French residential property valued at € 2 million for illustrative purposes. It provides an overview of the French tax implications and other relevant considerations for each option.

The memorandum examines appropriate ownership structures for the following two intended uses of the acquired property:

- A. An individual who wishes to use the property privately; and
- B. An individual who intends to acquire the property as a rental investment.

We will consider the tax implications for both a resident of France and a non-resident of France who is a tax resident of the UK.

Table of contents based on individual circumstances:

	Situation	Ownership structure
Case A Private use	A1 Principal residence (French tax resident)	A1 Direct purchase
	A2 Second home (private use only)	A2.1 Direct purchase
		A2.2 SCI
Case B Rental investment	B1 Unfurnished letting	B1.1 Direct purchase
		B1.2 SCI
	B2 Furnished letting	B4 Direct purchase
	B3 Holiday letting	B5 SARL de Famille
		B6 Company subject to corporation tax

JAMES HOWES & CO

MEMORANDUM ON OWNERSHIP STRUCTURING OF FRENCH SITUS PROPERTY

CASE A: PRIVATE USE ONLY

As at 1 June 2026

1.0 INTRODUCTION

1.1 Acquiring French real property will always give rise to French tax obligations regardless of the form of ownership chosen. Before considering any of the potential cases mentioned above it is important to understand the tax residence of the buyer as the tax obligations depend on whether the owner is a French or non-French resident.

1.2 A **French resident** is taxed on his worldwide income and gains, including the French property and any gains arising from its disposal.

1.3 A **non-French resident** is only assessed on his French source income and gains. Income arising on French property is always taxable in France. Potential issues of double taxation are usually mitigated through double taxation treaties.

2.0 CASE A: PRIVATE USE ONLY

2.1 The simplest option for an individual buyer is to purchase his property in sole ownership with or without a loan. If two or more individuals buy together, they purchase undivided shares (in a so-called *indivision*). In both cases, French stamp duties (and TVA if purchasing a new build), and notary's fees, are payable.

3.0 DIRECT OWNERSHIP OF A PRINCIPAL RESIDENCE (CASE A1)

3.1 It is usually advisable to purchase a principal residence directly as there are various tax advantages to this form of ownership which would not be available if a property was owned through the intermediary of a civil or commercial French company.

3.2 When the property acquired directly will be used privately, the compliance obligations in France are limited to declaring the occupation of the residential property, and filing a wealth tax return (if applicable, see below).

3.3 Taxation on principal residence

3.3.1 If the property is to be a principal residence, it usually follows that the individual will be French resident for tax purposes. This is because the principal criterion for French residence is the location of his household (*foyer*).

3.3.2 A French resident is taxed on his worldwide income and gains, including the French property and any gains arising from its disposal. The disposal of a principal residence is normally exempt from French capital gains tax.

3.3.3 France levies wealth tax on owners of real estate with a value net of debt of € 1,300,000 or more. This applies to both residents and non-residents, though the scope differs. New French residents must pay wealth tax on all their worldwide property holdings only once they have lived in France for at least five consecutive years. As the property is the owner's principal residence, there is a 30 % reduction applied to its market value when calculating the net taxable value. Deductible debts include outstanding capital on mortgages taken out to acquire the house and local taxes i.e. *taxes foncières*. The starting rate is 0.5% payable on the value of the asset in excess of € 800,000 and rises on a sliding scale to a maximum of 1.5% for assets valued over € 10,000,000. A rates table is shown in Appendix 1.

JAMES HOWES & CO

MEMORANDUM ON OWNERSHIP STRUCTURING OF FRENCH SITUS PROPERTY

CASE A: PRIVATE USE ONLY

As at 1 June 2026

3.3.4 *Taxes foncières*, a tax on the owners of the property rather than the occupier, is the only local tax in point.

3.4 Advantages of a direct purchase

3.4.1 This is the most straightforward form of ownership as each co-owner can use the property as they wish in accordance with their ownership share (if co-owned *en indivision*).

3.4.2 If purchased via a commercial company a deemed rent would have to be declared (even if there was no actual tenant). This is not the case when purchased directly. Accounting costs would usually therefore be lower than for corporate ownership.

3.5 Disadvantages of a direct purchase

3.5.1 Co-ownership *en indivision* is intrinsically unstable as any co-owner may call for the end of the joint ownership at any time. Consequently, a disagreement between co-owners could lead to the sale of the property.

4.0 PRIVATE USE ONLY OF A SECOND HOME (CASE A2)

4.1 Individual(s) who do not intend to let out a property and wish to use it freely as their second home only, should consider either purchasing the property in their own name or purchasing it using a *société civile immobilière* (SCI).

5.0 DIRECT PURCHASE OF A SECOND HOME (CASE A2.1)

5.1.0 Taxation for a French resident

5.1.1 If a second home is acquired by a French resident in his own name the advantages are largely the same as described in Case A1, except that the capital gains tax exemption associated with the ownership of a principal residence is not available.

5.1.2 Wealth tax will be in point subject to the same conditions as described on page 2, except there is no 30 % reduction on the market value of the property.

5.1.3 The disposal of the property will be subject to French capital gains tax. Unless the property has been used for business purposes, gains on the disposal are taxed under the regime for individuals. The maximum current rate of capital gains tax under the individual regime (a combination of basic tax, social charges and an additional tax) totals 32.5% for EU residents and 42.2% for French residents. The rate falls progressively with each year of ownership, reaching 0% after 30 years. Full details of the tapering rates are shown in Appendix 2.

5.1.4 The local taxes which are payable annually are *taxes foncières* (ownership tax) and *taxe d'habitation sur les résidences secondaires* (a tax payable by the occupier of second homes).

JAMES HOWES & CO

MEMORANDUM ON OWNERSHIP STRUCTURING OF FRENCH SITUS PROPERTY

CASE A: PRIVATE USE ONLY

As at 1 June 2026

5.2 Taxation of a non-resident

5.2.1 If the property is purchased directly by a non-resident, any gain on disposal of the property is still taxable in France in the same way as described for French residents above. Wealth tax is only levied on French situs immovable property (rather than worldwide property). Where the disposal gives rise to a taxable gain in France and the UK, the double taxation treaty between France and the UK should be consulted. It is usually the case that the UK will allow a tax credit equal to the French tax paid.

5.2.2 French death duties apply to the transmission of French situs properties regardless of the deceased's tax residence. French compulsory laws of succession will *prima facie* apply if the deceased's habitual residence was in France before their death. See paragraphs **11.0-11.7** on successions.

6.0 SECOND HOME PURCHASED VIA A SOCIETE CIVILE IMMOBILIERE (TAX TRANSPARENT) (SCI) (CASE A2.2)

6.1 An SCI is a French company specifically designed as a property holding vehicle. It may not carry on a trade and is not liable to French corporation tax. An SCI is essentially transparent for French tax purposes making it an appropriate structure for private use and it is frequently used by French families as a means of diversifying ownership of family real estate between different members and generations of the family. There is no minimum capital requirement, and it is managed not by a board of directors but by one or more *gérants* (managers). The manager may be resident anywhere in the world and may be a company, if required.

6.2 An SCI requires a minimum of two shareholders (strictly “associates”, as there are no actual shares in an SCI) but one of these can hold a nominal one share. The shareholders may be husband and wife. The choice of shareholder determines the French tax regime that will apply to a future sale of the property at a profit.

6.3 French taxes

6.3.1 For French tax purposes an SCI is a transparent entity. Normally it is taxed as “a predominantly land-owning company” (*société à prépondérance immobilière*) and its shares are treated for tax purposes in the same way as if the owner owned the property directly.

6.3.2 The taxes in point may be summarised as follows:

6.3.3 3% tax. All French and foreign companies owning land in France are *prima facie* liable to pay an annual tax of 3% of the market value of the property. However, the filing of an annual claim n° 2746 will obtain exemption from this tax where the owner is a French SCI which reveals the identities of its associates and where none of them are companies incorporated in tax havens.

6.3.4 Wealth tax is payable by the associates in the same way as when the property is owned directly. There is no 30% reduction for a principal residence when the property is owned by an SCI even if it is used as the principal residence of an associate.

JAMES HOWES & CO

MEMORANDUM ON OWNERSHIP STRUCTURING OF FRENCH SITUS PROPERTY

CASE A: PRIVATE USE ONLY

As at 1 June 2026

6.3.5 Capital gains tax will apply to disposals. If no trade has been carried out and the associate of the SCI is an individual, the individual tax regime will apply in the same way as for a direct purchase (**case A2.1**). This applies to disposals of the underlying property and of the “*parts*” in the SCI.

6.3.6 Both local taxes (*taxes foncières* and *taxe d'habitation sur les résidences secondaires*) are in point and payable annually.

6.4 Advantages

6.4.1 The *parts* (shares) of an SCI are easily transferrable by comparison with changing the percentages of an indivision. Additional owners may be added at a later stage (including minor children under certain conditions). Capital taxes will be levied on the value of the shares owned by each individual member of the SCI. Consequently, wealth tax which may be applicable to single or joint owners, may be reduced when the asset is owned by three or more members of an SCI.

6.4.2 There are further benefits in terms of estate tax as the shareholdings in the SCI can be changed progressively over time via tax-free gifts made to children or grandchildren, thus giving them an increasing proportion of the value of the SCI. This reduces tax payable on the death of the principal owners. International private law considerations may result in a non-French resident's succession being dealt with either by the law of his last domicile, by French law or the law of his nationality, depending on what he opted for in his will. Real property, whether owned directly or through an SCI, will nevertheless still be liable to French estate tax.

6.4.3 On creation of the SCI, the rights attached shares will be set out explicitly in the *statuts* (constitution). On the death of one associate, for example, remaining associates may be granted pre-emption rights to purchase the shares of the deceased. Furthermore, *parts* may be allocated in different proportions to children, other relatives, or whoever it is so wished, right from the outset.

6.5 Disadvantages

6.5.1 There is an administrative burden as statutes must be drawn up, accounting records kept and an annual general meeting held.

6.5.2 An SCI is a civil (as opposed to a commercial) entity so cannot carry out furnished lettings or other businesses. If the desired usage changes in the future this would create adverse tax consequences, possibly including a deemed disposal of the underlying property.

7.0 Conclusion

7.1 Both methods discussed are suitable for exclusive private use of a second home; however, there are certain circumstances where one might be preferred. If family succession planning is the main objective or if the property is being purchased by multiple individuals, an SCI might be favoured due to its flexibility in structuring and restructuring ownership. However, an SCI does come with more compliance obligations. On the other hand, if the property is acquired alone or by a married couple who prefer to lower their administrative burden, direct ownership might be favoured.

MEMORANDUM ON OWNERSHIP STRUCTURING OF FRENCH SITUS PROPERTY CASE B: RENTAL INVESTMENT As at 1 June 2026

CASE B: RENTAL INVESTMENT

- 1.1 When a client acquires a property with a view to generating rental income in France, they should first decide how they wish to let it out before deciding which ownership structure would be appropriate for their needs. It should also be noted that in France rents from long-term letting in many high demand areas (such as Paris) may be capped and rental returns are relatively low.
- 1.2 There are three standard rental regimes to choose from:
 1. Unfurnished lettings
 2. Long term furnished lettings
 3. Short-term holiday lettings
- 1.3 The regime chosen is largely determined by the length of time the property will be let out. In each case it is also important to consider the personal tax residence of the buyer as that will impact the overall taxation of the profits.

2.0 CASE B1: UNFURNISHED LETTING

- 2.1 Unfurnished letting is favoured when a client intends to let out a property on a long-term basis. Three years is the minimum tenancy length for an individual owner, and it is only possible to remove a tenant when the lease is renewed and then for a specific set of reasons, such as an intention to sell the property. Six months' notice prior to the renewal of the lease must be given to the tenant. This makes the investment quite inflexible should the owner's circumstances change.
- 2.2 Unfurnished letting is a civil not a commercial activity in French law. The taxation of the income arising depends on the ownership of the property. It is usually advisable to own the property **directly (paragraph 3.1)** or through an **SCI (paragraph 4.1)** subject to the income tax regime. Regardless of the ownership method, stamp duties (and TVA if the property is a new build) and notary's fees will be payable on the purchase in the same way as described in **Case A**.
- 3.0 **Taxation of unfurnished rental income if owned directly**
 - 3.1 Rent arising from unfurnished letting is taxable under the *régime des revenus fonciers*. There are two options: *régime réel* and *régime micro*. The *micro foncier* regime can be used if gross income is less than € 15,000 per annum. A flat 30% deduction is given in lieu of actual expenses. If the income is returned under the *régime réel*, actual expenses are offset against rental income. It should be noted that amortization is not a deductible expense for this regime.
 - 3.2 For French residents, the net taxable income will be assessed to income tax according to the owner's marginal tax rate (see appendix 3) and social charges will be applied at 17.2%.
 - 3.3 Non-French residents will pay income tax at 20% up to the second tax band of € 29,579 (as of 2026), and at 30% thereafter. Social charges are payable at 7.5% for EU, UK and Swiss tax residents and at 17.2% for the rest of the world.
 - 3.4 Irrespective of whether the property is rented under the *régime réel* or the *régime micro*, the disposal will fall under the individual capital gains regime unless the property was rented for business use. Under the individual regime, it is taxed in the same way as outlined in **Case A2.1**.

JAMES HOWES & CO

MEMORANDUM ON OWNERSHIP STRUCTURING OF FRENCH SITUS PROPERTY CASE B: RENTAL INVESTMENT As at 1 June 2026

3.5 Wealth tax will still usually be in point if the property's net taxable value is over € 1.3 million unless the property is used in the taxpayer's business. Unfurnished rental does not qualify as a "business" for this purpose because it is civil in nature.

3.6 The only local tax in point will usually be *taxes foncières*.

3.7 Loi de finances 2026: statut du bailleur privé

The 2026 finance law introduced a new optional tax category for landlords renting newly constructed apartments unfurnished. Under the new regime landlords can amortize their property decreasing the taxable profit. This regime is available to landlords who own the property directly or via a civil company. To be eligible for the regime, significant commitment is required as the landlord must agree to rent the property for at least nine years. Other criteria include respecting rent caps, and renting to tenants below given income thresholds. On sale, the depreciation deducted during the rental period is deducted from the acquisition price to increase the capital gain.

4.0 SCI for unfurnished lettings

4.1 The *parts* are treated for tax purposes in the same way as if the owner owned the property directly. Therefore, each associate is taxed on their share of the rental profits and any capital gains on disposal are taxed under the individual capital gains regime (see **paragraphs 3.0 – 3.6** above). Note that when a property is owned through a *société de personnes* such as an SCI subject to income tax, the rental income cannot be returned under the micro-regime.

5.0 Conclusion

5.1 As with **case A**, the choice between direct ownership and the use of a civil company comes down to the desire to control and facilitate the transfer of ownership considered alongside the added compliance obligations associated with incorporating a civil company.

6.0 CASE B2 AND B3: LONG TERM AND SHORT TERM FURNISHED LETTING

6.1 Long term furnished lettings permit shorter tenancies of one year (9 months for students or second residences). The criteria for regaining occupation are slightly less strict than for unfurnished letting.

6.2 Possible ownership structures for this regime include direct ownership (**case B4**), or via an *SARL de famille* (**case B5**). An SCI is a civil entity so it cannot carry out furnished lettings or other commercial businesses, as the SCI would lose its civil status and profits would be taxed under the corporation tax regime.

6.3 Short term holiday letting, known as *meublés de tourisme*, is offered to temporary visitors who do not take up permanent residence in the property and who stay for a limited time, which may be a number of days, weeks or months. The maximum stay is 90 consecutive days.

6.4 Where a furnished rental is carried out other than on an isolated occasion, registration of the business is required to obtain a numéro SIRET. In cases of holiday letting, owners are also required to obtain a tourist rental registration number. Depending on the area the property is

MEMORANDUM ON OWNERSHIP STRUCTURING OF FRENCH SITUS PROPERTY CASE B: RENTAL INVESTMENT As at 1 June 2026

located, it may be necessary to get approval from the local town hall in France for any change of use from residential accommodation to tourist accommodation. It is recommended that owners consult their town hall for advice. Failure to comply will result in significant fines. A local tourist tax *Taxe de Séjour* is also due in certain areas with the associated declarations required thereby increasing the administrative burden for this type of letting.

- 6.5 Suitable ownership structures include direct ownership, or using a *SARL de famille* (as is commonly chosen with long term furnished letting). It is not generally advisable to own residential property via a French or foreign corporation tax paying company, principally due to the heavy taxation of profits and gains on disposal. However, in situations where an individual is a high earner and subject to upper rates of income tax, it might be preferable to accumulate profits within a company before distributing them to shareholders at a later date. In this instance a commercial company might be suitable. This is discussed in **case B6**.

7.0 Taxation of long and short term furnished rental income if owned directly (Case B4)

- 7.1 Both short and long term furnished rental income is returned under either the regime *location meublée non professionnelle* (LMNP), or the regime *location meublée professionnelle* (LMP). To fall under LMP, both gross rental receipts must be more than € 23,000, and other income earned from professional activities must be less than the gross rental income (including pension income). If either of these criteria is not met, the landlord falls under the LMNP regime.

Both are BIC regimes (for industrial or commercial profits). There are generally greater tax advantages for furnished rental income in France (as opposed to unfurnished) as there is a wider scope of allowable expenses. The thresholds for the flat-rate deduction are different according to whether the income arises from long or short-term letting

7.2 Long term furnished rental income can be returned under either:

1. The *régime réel*, under which actual expenses incurred are deducted and the property can be amortised and interest on allowable loans deducted. This lowers the French income tax liability. If a loss is made it can be offset against the profits from the same source of income within a ten-year period.
2. The micro-BIC regime, if rental receipts are lower than the threshold of € 83,600 for 2026. Under this regime, a flat rate deduction of expenses is 50% in lieu of actual expenses. Only the total gross rental receipt is returned in the income tax return, so accountancy fees are lower.

- 7.3 **Short term holiday lettings** also can be rented under the *régime réel* or the micro-BIC regime in the same way as the traditional furnished lettings described above. However, the threshold for the micro-BIC regime is much lower at € 15,000 for income received in 2026 and the flat rate deduction in lieu of expenses is 30%. These thresholds are, however, subject to frequent legislative change and should be verified in the tax year concerned. If a property valued at € 2 million was rented out as a holiday let, the threshold would likely be exceeded. The owner therefore has two options:

1. Obtain a tourist accreditation from an accredited organisation. This increases the threshold of gross rental income eligible to be returned under the micro-BIC regime to € 83,600 and raises the flat rate deduction in lieu of actual expenses to 50%. This also reduces the rate of social contributions applied.

MEMORANDUM ON OWNERSHIP STRUCTURING OF FRENCH SITUS PROPERTY CASE B: RENTAL INVESTMENT As at 1 June 2026

2. Return the income under the *régime réel* and produce a full profit and loss account. As with the long-term lettings, the taxable profit will likely be less, and any losses can be offset against future profits, but higher accountancy fees will be incurred.

7.4 Parahôtellerie

If the owner offers at least three of the following services in addition to accommodation: breakfast, regular cleaning, supply of linen, reception, the activity may be considered parahotelier (similar to hotel services). In this case, the rental income is treated entirely as BIC, and the business may be within the scope of TVA. It should be noted that the services only need to be made available to the client, whether or not the client actually uses them.

7.5 Income tax

For French residents, the net taxable income will be assessed to income tax according to the owner's marginal tax rate (see appendix 3) and non-residents will be assessed to income tax at 20% for the first € 29,579 and 30% thereafter.

7.6 Social contributions

The position for social charges or social contributions is more complicated. It depends on whether the letting is considered to be *revenus du patrimoine* or *revenus d'activité* according to French social security legislation.

Revenus du patrimoine:

For non- professional long term furnished letting (long term LMNP), and short-term letting generating less than € 23,000 gross, social charges will be applied at 18.6% for French residents.

Revenus d'activité:

Short-term letting generating gross receipts over € 23,000 falls within the scope of social security contributions, as does professional long-term letting. In such cases, the contributions will either be charged at a flat rate **on gross rental receipts** under the micro-regime, or under the régime de sécurité sociale des indépendants, which is applied to taxable profits (which are likely minimal if amortization is deducted). It is therefore preferable to return this type of income under the régime du réel to reduce social security contributions for both residents and non-residents of France (unless there is a social security treaty in place).

The rates for non-residents depend on if there is a social security treaty in place or if the taxpayer is a resident of another EU country.

7.7 Non-residents of France must consult double taxation treaties as minimising the taxable profit in France through the régime réel for both long and short term furnished lettings may not lower the overall tax liability if tax is payable in the resident's country. For example, a UK tax resident owning a French property will be taxed in France on their profits. However, the UK return is the primary return, where the owner will only be able to offset French tax paid. This means that there will often still be tax English tax to pay, so any tax saving resulting from completing a French profit and loss account may not lower the overall tax liability.

MEMORANDUM ON OWNERSHIP STRUCTURING OF FRENCH SITUS PROPERTY CASE B: RENTAL INVESTMENT As at 1 June 2026

- 7.8** Care may need to be taken not to meet the criteria of location meublée professionnelle (LMP) as if the rental receipts fell under this regime at the time of a sale, any gain would fall under the regime plus values professionnelles (see section 7.13 for details of the regime). The main advantage to this regime is that losses can be offset against total taxable income for the following 6 years.
- 7.9** **Wealth tax** will still be in point in the same way as in case A1 unless the property is attached to an operational business.
- 7.10** **Stamp duties** are payable on the purchase of the property (and TVA if it is a new build).
- 7.11** **Local taxes** including *taxes foncières* (a tax on the owners), *taxe d'habitation*, if the occupier of the flat is not occupying it as their principal residence, and *cotisation foncière des entreprises* (a local business tax on unsalaried commercial activity) are usually in point.
- 7.12** **Loi des Finances 2025: Capital gains tax**
Disposals of properties let under the LMNP real regime will be taxable to individual capital gains regime, but any amortization previously deducted in the annual tax returns will be added back, decreasing the base cost and increasing the capital gain. The gain will still be eligible for the abatement for duration of ownership, meaning that no French capital gains tax would be due on a gain after 30 years of ownership.
- 7.13** **Professional capital gains tax**
- 7.13.1** Individuals and transparent companies (such as an SARL de famille) who let out property under the LMP regime or who carry out a para-hôtellerie regime are subject to the professional capital gains regime.
- 7.13.2** If the property is held for more than two years, the gain is split into a short-term gain and a long-term gain. The short-term gain consists of the amortization that was deducted from the annual profit and loss account. It is subject to income tax at the tax payer's marginal rate and social contributions according to the *régime des travailleurs indépendants*. It should be noted the tax office considers that the flat rate amount deducted for the micro-BIC regime includes amortization which can be reintegrated into the capital gains and taxed on sale. The long-term gain is calculated as the difference between the acquisition and the selling price. Capital gains tax is applied at a flat rate of 31.4% for disposals from 1 January 2026.
- 7.13.2** There are two possible reliefs from capital gains tax and social charges that may apply once the property has been used in the professional business for at least five years:
1. According to l'article 151 septies du CGI when the property disposed of has been used for the professional business for at least 5 years, the short term and long term gain subject to income tax and social charges is exempt. Social contributions are still applied to the short-term gain. To obtain full exemption the gross rental receipts must be below € 90,000 for an average of the two years before sale. Partial exemptions are possible up to receipts of €126,000. The thresholds are higher for para-hôtellerie.
 2. Under l'article 151 septies B du CGI taper relief of 10% is applied for every year over 5 years that the asset has been used for the professional business.

JAMES HOWES & CO

MEMORANDUM ON OWNERSHIP STRUCTURING OF FRENCH SITUS PROPERTY CASE B: RENTAL INVESTMENT As at 1 June 2026

8.0 CASE B5 OWNERSHIP VIA SARL DE FAMILLE (option IR)

8.1 A SARL (*Société à Responsabilité Limitée*) is a limited liability company formed by at least two partners. There is no minimum capital contribution, and the partners are limited in liability to their contribution unlike for an SCI. The administrative burden of this structure is more onerous than for an SCI. The default tax regime of a SARL is the corporation tax regime. A *SARL de famille* is a company where the associates are all members of the same family. This type of entity may opt for the income tax regime.

8.2 Taxation of rental income

8.2.1 If the *SARL de famille* opts for the income tax regime, the entity is fiscally transparent, and net income and gains of the company are taxed at the partner level, like for an SCI (see section 4). Unlike an SCI, the *SARL de famille* must carry out an industrial, commercial or artisanal activity. It loses its income tax status if no business activity is carried on.

8.2.3 The taxation of the income depends on the use of the property. Considering each of the following options:

1. Private use only – In this case a deemed rent at market price will usually be charged to ensure that the partnership is considered to be carrying out a commercial activity. Otherwise, the company would not be fiscally transparent and would become a corporation tax payer.
2. *Location meublée non professionnelle (LMNP)* - This regime would be appropriate for a *SARL de famille* as this is within the BIC regime. The associates are taxed on their share of the profits according to their marginal income tax rate. If the property is rented under the LMNP regime, it can benefit from amortization being deductible against the income, as well as the deduction of applicable charges often resulting in minimal taxable income or a loss.

8.2.4 Note that unfurnished rental is a civil activity as opposed to commercial, which means that the SARL would be a corporation tax payer and would not be able to opt for income tax.

8.3 **3% tax** is in point in the same way as for an SCI.

8.4 **Capital gains** on disposal are taxed according to the fiscal regime of the partner (if eligible for IR), so it would usually fall under the *régime des plus-values des particuliers*. If the property was used for furnished lettings, any amortization deducted from the base cost will be added back to increase the capital gain on disposal. If the company is not eligible for IR, for example because they are carrying out unfurnished lettings, the company would be a corporation taxpayer and the gains would be taxed under the less favourable professional regime. It should be noted that this would also be the case if the property was rented under the professional furnished lettings regime.

8.5 **Wealth tax** will be in point if the property is used personally by the shareholder. If it is used for business, it might be partially or fully outside the scope of wealth tax.

8.6 The **local taxes** discussed in **paragraph 7.11** will also be in point.

8.7 **Stamp duties** are payable on the purchase of the property. If shares are sold and the company is a property-owning company, the buyer of those shares will also be liable to pay stamp duties.

MEMORANDUM ON OWNERSHIP STRUCTURING OF FRENCH SITUS PROPERTY CASE B: RENTAL INVESTMENT As at 1 June 2026

8.8 Advantages of an SARL de famille

An *SARL de famille* is often preferred where losses are incurred which can be offset against a taxpayer's other taxable income (but only if rented professionally).

It may also be chosen by taxpayers who pay income tax at a lower marginal tax rate as the income can be taxed at that rate instead of at the normal corporation tax rate.

Similarly to an SCI, an *SARL de famille* can be used for succession planning as the *parts* can be gifted progressively over time and estate tax is payable on the market value of the parts as opposed to the property itself. However, to remain subject to income tax, there are strict limits for the partners who must remain within the second degree (see paragraph below).

8.9 Disadvantages of an SARL de famille

Both at the time the option for income tax is made, and while it is in force, the company can only be owned by parents/direct line relatives (ascendants, descendants), sibling (brothers, sisters), and spouses or PACS partners up to the second degree. If a family member outside of this inner circle, such as cousins or an aunt or uncle, acquire shares of the SARL, or there is divorce and one-party refuses to sell their *parts* within six months, it is no longer able to opt for the partnership structure, and the company will become a payer of corporation tax.

Given the limited extent of eligible shareholders, it may be difficult to dispose of *parts* if one party wishes.

This form of entity has a significant administrative burden as the *statuts* (articles of association) must be lodged publicly with the French companies register, annual meetings must be held, and the annual accounts are filed with the registrar.

9.0 CASE B6: COMPANY SUBJECT TO CORPORATION TAX (e.g. SARL, SAS, SA)

9.1 Acquiring residential real estate in France through a company subject to corporation tax is generally not recommended. However, there are certain situations where this approach may be preferable. We will therefore review some of the possible structures below.

9.2 Comparison of legal structures:

9.2.1 SAS (Société par Actions Simplifiée) and SA (Société Anonyme)

Both are limited companies with a share capital. An SAS offers significant flexibility in governance making it well suited to smaller private companies, while the SA is more regulated and generally used for larger companies.

The minimum share capital of an SA is €37,000. Any increase to this amount must be recorded in the company's statutes and approved by a shareholder vote. In contrast, an SAS has no minimum capital requirement so is more suited to a private real estate investment. Both structures offer more flexibility for share transfers compared to an SARL.

9.2.2 SARL (Société à Responsabilité Limitée) and EURL (Entreprise Unipersonnelle à Responsabilité Limitée)

MEMORANDUM ON OWNERSHIP STRUCTURING OF FRENCH SITUS PROPERTY CASE B: RENTAL INVESTMENT As at 1 June 2026

As discussed in **case B5**, an SARL is a limited liability company with two or more associates; EURL is its one-person version. Associates' liability is limited to their contributions.

9.3 French taxes

- 9.4 In this section we are only considering the taxation of companies subject to corporation tax where letting is the sole business so the taxation will be largely the same for each of the structures above. Stamp duties will be payable on the purchase of the property in the same way as if the property was purchased directly.

9.5 Taxation of rental income

- 9.5.1 If the property owned by the company is let, it is taxed on the net rental income, after deduction of allowable expenses. Losses can be offset against future profits. Profits are taxed at the corporation tax rate of 25% (small companies may be eligible for the reduced rate of 15% on the first € 42,500 of taxable profits) and then again on the shareholder when they are distributed as dividends at a flat rate of 30% or marginal tax rate if the sliding scale option is chosen (for French residents).

- 9.6 **Wealth tax** could still be in point. For example, if the property is reserved for personal use/used personally by the shareholders.

- 9.7 **3% tax** must also be considered and the criteria for exemption are fulfilled in the same way as in **case A** paragraph 6.3.3.

- 9.8 The **capital gains tax** regime for companies that carry out a commercial activity is less favourable than for individuals as companies do not benefit from any relief on the capital gain for duration of ownership. The gain will be taxed in full at the Corporation Tax rate. Furthermore, there is a correction for depreciation whereby the original purchase price (excluding the land) and cost of improvement work is reduced by the amortization deducted in the annual corporation tax return in previous years. This decreases the base cost and increases the taxable capital gain when the property is eventually sold. Once the gain is taxed at the company level, it will also be taxed at the shareholder level upon the distribution to shareholders when dividends are taxed at a flat rate of 31.4% or marginal tax rate if the sliding scale option is chosen (for French resident shareholders).

9.9 New 20% tax on private holding companies

The *loi des finances 2026* introduced a new tax on patrimonial holding companies which applies to company's whose reporting date ends from 31 December 2026 onwards.

Companies within the scope of the new tax are either:

1. Corporation taxpayers; or
2. Foreign companies subject to an equivalent of corporation tax with a controlling French resident shareholder; and

who have a total market value of assets over € 5 million, who are owned by individuals with at least 50% voting rights, and who's passive income, which includes rental income, represents at least 50% of the company's total revenue.

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MEMORANDUM ON OWNERSHIP STRUCTURING OF FRENCH SITUS PROPERTY CASE B: RENTAL INVESTMENT As at 1 June 2026

The tax applies at a flat rate of 20% on the market value of luxury assets at the reporting date. Luxury assets include residential property reserved for shareholder use (unless rented at market value), yachts, non-business vehicles, jewellery etc.

9.9 The **local taxes** discussed in **paragraph 7.11** will also be in point.

9.10 Advantages

Companies subject to corporation tax are sometimes preferred when the shareholder is a high earner and would otherwise be liable to income tax at a higher rate.

The shareholders (or associates) are generally limited in liability to their initial capital contribution.

9.11 Disadvantages

There is a significant administrative burden, and costs associated with drawing up statutes and documenting distribution of profits at general meetings (which must follow corporate law procedures).

No capital gains relief available on disposal because the capital gains tax relief available to civil companies who carry out professional furnished letting is not available to commercial companies.

If the property is made available to shareholders or their family members, this may have tax consequences, such as reclassification of a deemed benefit or imputation of a market rent.

10.0 CASE B7: FOREIGN COMPANY SUBJECT TO CORPORATION TAX

10.1 As with French companies subject to corporation tax, ownership via foreign companies subject to corporation tax is generally also not recommended because of the compliance and heavy taxation associated with the structure.

10.2 Irrespective of the use of the property, income derived from French real estate is, in principle, taxable in France by virtue of the property's location, whether or not a permanent establishment exists in France. A foreign company receiving French-source rental income is thus subject to French corporation tax on that income even in the absence of a permanent establishment, in the same way as a French corporation tax paying company.

10.3 The **3% tax** is also in point.

10.4 **Capital gains tax** will be payable in France on disposal of the property in the same way as outlined in **case B paragraph 9.8** for companies whose head office is in the European Economic Area (EEA). The calculation is slightly different for countries outside the EEA.

10.5 The taxation of dividends distributed to the shareholders will depend on whether there is permanent establishment in France and whether the shareholder is a French. Dividends are generally subject to withholding tax at standard rates, such as 25 % for companies or 12.8 % for

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MEMORANDUM ON OWNERSHIP STRUCTURING OF FRENCH SITUS PROPERTY CASE B: RENTAL INVESTMENT As at 1 June 2026

individuals (plus social charges at 18.6% for French residents), unless a double tax treaty provides for a reduced rate or exemption.

10.6 Advantages

As with French commercial companies, it may be possible to optimise taxation by accumulating profits within a company before distributing them to shareholders at a later date.

10.7 Disadvantages

If the company is outside the EU, the directors may have to appoint a fiscal representative which is an organization approved by the French tax authorities to act as a tax representative for non-French resident individuals and corporate entities. They take on the legal responsibility of filing the relevant tax returns and paying any taxes due.

10.5 Conclusion re furnished letting

- 10.6 Direct ownership might be preferred where there is a single owner for simplicity (lower professional fees). Where higher profits are to be made, a commercial structure might be preferred, but consideration should be given to the higher capital gains tax that may be payable on disposal. Equally, in terms of estate planning an *SARL de famille* might be the preferred structure as it permits donations of shares valued at the net assets of the company (after deducting loans).

11.0 OTHER CONSIDERATIONS: SUCCESSION PLANNING

- 11.1 Firstly it is necessary to establish whether a) French succession law will apply to the estate, and b) whether an estate might fall into the scope of French duties.
- 11.2 The EU law n°650/2012 states that it is the habitual abode of the deceased that determines the country whose law will apply to the estate, unless the deceased elects the country of their nationality in a will (*professio juris*). So, if the deceased's principal residence was in France, French law will usually apply. However, it might not if they elect for the law of another country of which they are a national to apply. When French succession law applies to an estate the forced heirship rules will apply.
- 11.3 Concerning French duties, the deceased has no choice. If the deceased was a resident of France, death duties will be levied in France regardless of the residence of the recipient. Unlike in the UK where it is the estate of the deceased, which is liable to inheritance tax, in France death tax is imposed upon the donees (recipients) of the estate. It follows that if the donee is a resident for French tax purposes, French estate tax will be in point. To be considered a taxable person to succession duties, the donee must have been a French resident for at least 6 of the 10 years preceding the death. Notwithstanding the residence of the parties, real estate located in France will always be subject to French duties. Territoriality is therefore a key consideration when determining succession duties in France. It should be noted that France has double tax treaties in place with many countries to eliminate double taxation upon death.

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MEMORANDUM ON OWNERSHIP STRUCTURING OF FRENCH SITUS PROPERTY CASE B: RENTAL INVESTMENT As at 1 June 2026

Disclaimer: The information provided in this article is of a general nature. It is not a substitute for specific advice in your own circumstances. You are recommended to obtain advice from a professional accountant before you take any action or refrain from action. The data on this card was correct as at 31 May 2026.

APPENDIX

1 Wealth tax rates as at 1 January 2025

Tax bands	Rate
€ 0 - € 800,000	0%
€ 800,000 - € 1,300,000	0.50%
€ 1,300,000 - € 2,570,000	0.70%
€ 2,570,000 - € 5,000,000	1.00%
€ 5,000,000 - € 10,000,000	1.25%
Over € 10,000,000	1.50%

Note: Wealth tax plus income tax cannot exceed 75% of a taxpayer's total income for a given year.

2 Capital gains tax on disposal of real property

French residents will be taxed on a combination of basic rate, social charges and additional rate tax (note: the table assumes the maximum rate of additional rate tax applies).

Years of ownership	0-5	6	7	8	9	10	11	12	13	14	15	16	17
Overall tax rate	42.2%	40.4%	38.6%	36.8%	35.1%	33.3%	31.5%	27.9%	27.9%	26.1%	24.4%	22.6%	20.8%
Years of ownership	18	19	20	21	22	23	24	25	26	27	28	29	30
Overall tax rate	19.0%	17.2%	15.4%	13.7%	12.4%	10.8%	9.3%	7.7%	6.2%	4.6%	3.1%	1.5%	0.0%

3 Single person income tax bands and rates

Tax bands	Rate
€ 0 - € 11,600	0%
€ 11,600 - € 29,579	11%
€ 29,579 - € 84,577	30%
€ 84,577 - € 181,917	41%
Over € 181,917	45%

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