

Taxation of capital gains realized on the sale of a property located in France by a North American resident (United States of America and Canada)



This document applies to you if you are a resident of the United States or Canada and you sold real estate (house, apartment, land ...) located in France.

This information is for guidance only and does not replace the official documentation of the French tax administration.

What is a capital gain « *plus-value immobilière* »?



When you sell real estate, whether it's a house, an apartment or a piece of land, you realize, more often than not, what is called a capital gain ("*plus-value immobilière*").

Generally, you sell your property at a higher price than the one you bought it for. Gross capital gain is simply the difference between the selling price and the purchase price.

This gross capital gain may be high or even very high. It is also subject to corrective measures to reduce the amount and to achieve the taxable capital gain (after allowances, exemptions, etc.).

Where will the capital gain be taxed...

...if I am a resident of the United States and I am selling a house/apartment in France?



Article 13 of the French-US tax treaty states that capital gain on the sale of real property is taxable in the country where the property is situated.

However, this taxation isn't exclusive and the country of residency can also tax this capital gain.

In other words, the capital gain received by a US resident for the sale of a property in France will be subject to a withholding tax in France.

This capital gain will also be taxable in the US but the tax paid in France will be deductible from the US tax ("tax credit").

Please note that if your capital gain on real property was exempted in France, no tax credit will be granted in the US.

...if I am a resident of Canada and I am selling a house/apartment in France?



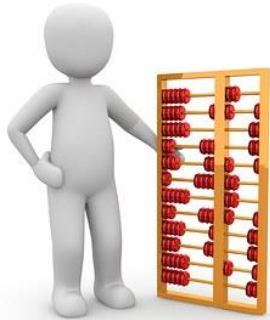
Article XIII of the French-Canadian tax treaty states that capital gain on the sale of real property is taxable in the country where the property is situated.

However, this taxation isn't exclusive and the country of residency can also tax this capital gain.

In other words, the capital gain received by a Canadian resident for the sale of a property in France will be subject to a withholding tax in France. This capital gain will also be taxable in Canada but the tax paid in France will be deductible from the Canadian tax ("tax credit").

Please note that if your capital gain on real property was exempted in France, no tax credit will be granted in Canada.

How is the gross capital gain calculated?



The gross capital gain is equal to the difference between the sale price of the property and its purchase price.

➤ Sale price

The sale price is the price indicated in the deed ("acte").

You can deduct from the sale price, **providing relevant proof**:

- the costs incurred in the sale. For example, you can deduct a mortgage release ("*main levée d'hypothèque*"), real estate agency commission, mandatory diagnoses (asbestos, lead ...);
- the amount of VAT paid.

However, the sale price must be increased by the expenses and indemnities provided for in the deed for the benefit of the seller, such as the reimbursement of costs incurred by the purchasers, an eviction indemnity paid by the buyer to the tenant in place etc.

➤ Purchase price

- **If the property was bought:**

If the property was bought, the purchase price is the price actually paid, indicated in the deed of sale.

It may be increased by the following costs, **providing relevant proof**:

- Expenses and allowances paid to the seller at the time of purchase.
- Acquisition costs (registration fees "*droits d'enregistrement*", notary fees "*frais de notaire*"). If you cannot justify them, you can deduct a lump sum of 7.5 % of the purchase price.

- Maintenance expenses (construction, reconstruction, expansion, improvement under condition). For properties owned for more than 5 years, you can deduct either the actual amount (with relevant proof) or a lump sum of 15 % of the purchase price.
- Road, networks and distributions costs (costs of development for subdivision for example).

○ **If the property was donated:**

If you received the property by gift or inherited the property, the purchase price is the value used to calculate the estate or gift taxes (“*droits de succession*” or “*droit de donation*”).

If you realize a capital loss (“*moins-value*”) you cannot deduct it from a capital gain realized on the sale of another property (with exceptions).

How is the taxable capital gain calculated?



The calculation of the taxable gain is done in two stages. Gross capital gains are calculated before applying the deductions (“*abattements*”). It is on the basis of the taxable gain that the tax is then calculated.

The deductions for length of ownership (“*abattement pour durée de détention*”) are not calculated in the same way to determine the taxable basis of the income tax (“*impôt sur le revenu*”) and the taxable basis of social contributions (“*prélèvements sociaux*”).

➤ **Income tax:**

Since September 1st 2013, a change in legislation on the taxation of real estate gains reduced from 30 to 22 years the period of ownership beyond which the gain on the sale of a property in France is totally exempt.

The years of ownership deduction (“*abattement pour durée de détention*”) is 6 % per year after the fifth year of ownership until the 21st year. The deduction applied on the 22nd and final year of ownership is 4 %.

Deduction rate applied for each year of ownership	
Years of ownership	Basis for income tax
Less than 6 years	0 %
From the 6th to the 21st year	6 %
22nd year	4 %
Over 22 years	Exemption
Over 30 years	Exemption

Important: the length of ownership must be calculated for each twelve-month period ("full years"), from the date of acquisition to the date of sale. Fractions of years are not taken into account for the calculation of the time of ownership. Thus, to qualify for a 12 % deduction, you must have held the property for at least 7 years; this means that you sell after 7 full years of ownership, i.e. between 7 and 8 years of ownership. In the same way, you benefit from a 100 % deduction for a sale that takes place after 22 full years of ownership.

➤ **Social contributions**

As mentioned above, the deductions for length of ownership ("*abattement pour durée de détention*") are not calculated in the same way to determine the taxable basis of income tax and the basis of social contributions.

After the fifth year of ownership, the deduction applicable on the realized capital gain is 1.65 % per year until the 21st year. It is 1.6 % in the 22nd year, then 9 % for each year beyond the 22nd year.

The total exemption from social security contributions is therefore only acquired after 30 years of ownership.

Deduction rate applied for each year of ownership	
Years of ownership	Basis for social contributions
Less than 6 years	0 %
From the 6th through the 21 st year	1.65 %
22 nd year	1.60 %
Over 22 years	9 %
Over 30 years	Exemption

Important: the length of ownership must be calculated for each twelve-month period ("full years"), from the date of acquisition to the date of sale. Fractions of years are not taken into account for the calculation of the time of ownership. Thus, to qualify for a 11.55 % deduction, you must have held the property for at least 12 years; this means that you sell after 12 full years of ownership, i.e. between 12 and 13 years of ownership. In the same way, you benefit from a 100 % deduction for a sale that takes place after 30 full years of ownership.

➤ **Taxes on high capital gains**



In accordance with Article 1609 nonies G of the French General Tax Code, a tax shall be applied on capital gains generated from the transfer of property, other than land used to build houses, for which the taxable amount exceeds **50 000 €**.

This tax is payable by individuals or companies or groups which are not subject to corporation tax. It is also due by taxpayers who are not domiciled in France and who are subject to the tax provided for in Article 244 bis of the French General Tax Code.

The tax is applied to capital gains realized on sales made on or after January 1st 2013. It is based on the amount of the taxable capital gain. Thus, where the capital gain subject to income tax is more than 50 000 €, the tax is calculated on the total amount, from the first euro, according to the following scale:

Amount of the taxable capital gain	Amount of the tax
From 50,001 € to 60,000 €	2 % PV-(60,000-PV) x 1/20
From 60,001 € to 100,000 €	2 % PV
From 100,001 € to 110,000 €	3 % PV-(110,000-PV) x 1/10
From 110,001 € to 150,000 €	3 % PV
From 150,001 € to 160,000 €	4 % PV-(160,000-PV) x 15/100
From 160,001 € to 200,000 €	4 % PV
From 200,001 € to 210,000 €	5 % PV-(210,000-PV) x 20/100
From 210,001 € to 250,000 €	5 % PV
From 250,001 € to 260,000 €	6 % PV-(260,000-PV) x 25/100
Over 260,000 €	6 % PV
(PV = Amount of the taxable capital gain)	

Can I claim the benefit of an exemption on the tax on capital gain on the sale of my property located in France?



As an individual nonresident of France for tax purposes, you can claim the benefit of a tax exemption on the capital gain on the sale of a property located in France stated in 2° of II of article 150 U of the French tax code “*code général des impôts (CGI)*” if the following requirements are met:

When the sale takes place within the 5 years following that of the departure of France:

- You have the citizenship of a Member State of the European Union (+ Iceland and Norway) or of another State if a tax treaty allows it;
- You must prove your tax residence in France for at least two consecutive years prior to the transfer;

When the sale occurs more than 5 years after the departure of France, a requirement is added:

- The property that is sold must be your residence in France: you must have had the free disposal of this property since January 1st of the year preceding that of the sale.

In all cases the exemption is limited to **150,000 €** of the net taxable capital gain realized **per seller** and you can benefit from this exemption only within the limit of one residence per taxpayer.

Partners each constitute a single seller and are therefore subject to a separate taxation on the capital gain. Consequently, each partner can claim the 150,000 € deduction on the share of the capital gain realized by each partner.

The same applies to couples bound by a **PACS** jointly selling a property. Consequently, each member of the PACS can claim the 150,000 € deduction on the share of the capital gain realized by each member of the PACS.

In the case of a property sold jointly by a **married couple**, the spouses are considered as co-sellers. However, each spouse can claim the 150,000 € deduction on the share of the capital gain realized by each spouse.

Example: Mr. and Mrs. X sell a jointly-owned property and realize a net capital gain of 240,000 € on this sale. Mr. and Mrs. X will be totally exempt from tax on the sale of their property in France since the share of capital gain attributable to each spouse (i.e. 120,000 €) is less than the 150,000 € allowed deduction.

The exemption cannot apply where the property is held through an entity such as an SCI (“*Société civile immobilière*”).

What is the tax rate for a capital gain?



Article 244 bis of the French General Tax Code provides that capital gains realized by non-residents of France are subject to a withholding tax on the sale of properties located in France.

The withholding tax rate was **33 ¹/₃%** for capital gains realized before January 1st 2015 by non-residents of France living in North America. This rate changed to **19 %** for capital gains realized after January 1st 2015 by non-residents of France living in North America.

Since August 17th 2012, real estate gains realized by non-residents are also subject to social contributions (CSG, CRDS ...) at a rate of **15.5 %**.

Examples of calculation of capital gain taxes

1st example



Mr. and Mrs. X are tax residents of the United States. On February 15th 2016, they sold a house they had bought ten years earlier in France. They do not meet all the requirements for exemption provided for in 2° of II of article 150 U of the French tax code.

The sale price is 120,000 € and the purchase price was 65,000 €.

The following works were carried out by a professional: repair of the electrical system the year of acquisition for 4,573 € and change of the boiler the following year for 1,067 €.

➤ Income tax on the capital gain

Sale price:	120,000 €
Purchase price:	65,000 €
Acquisition costs : lump sum of 7.5 %:	4,875 €
Increase of the purchase price because of the work done to the property (lump sum of 15 % as it is more advantageous than the actual cost of the work):	9,750 €
The adjusted purchase price is:	79,625 €
The gross capital gain is (120,000 – 79,625):	40,375 €
Deduction for the 10 full years of ownership (5 years at 6 % i.e. 30 %):	12,113 €
Net taxable capital gain (for income tax):	28,262 €
Income tax on the capital gain: 28,263 € x 19 %:	5,370 €

➤ **Social contributions on the capital gain**

Gross capital gain	40,375 €
Deduction for the 10 full years of ownership (5 years at 1.65 % i.e. 8.25 %)	3,331 €
Net taxable capital gain (for social contributions)	37,044 €
Social contributions on the capital gain: 37,044 x 15.5 %	5,742 €

➤ **Taxes on high capital gains**

In this example, the amount of the taxable capital gain (28,262 €) is lower than 50,000 €, therefore the tax on high real estate capital gains does not apply.

➤ **Total amount due (income tax + social contributions + high capital gain tax)**

Income tax on the capital gain:	5,370 €
Social contributions on the capital gain	5,742 €
Taxes on high capital gains	0 €
Total amount due	11,112 €

2nd example



Mr. and Mrs. Y are tax residents of Canada. On January 25th 2016, they sold an apartment that they had bought eight years earlier in France. They do not meet all the requirements for exemption provided for in 2° of II of article 150 U of the French tax code.



The sale price is 200,000 € and the purchase price was 70,000 €. Expansion and insulation work was carried out for a total amount of 8,325 €.

➤ **Income tax on the capital gain**

Sale price:	200,000 €
Purchase price:	70,000 €
Acquisition costs : lump sum of 7.5 %:	5,250 €
Increase of the purchase price because of the work done to the property (lump sum of 15 % as it is more advantageous than the actual cost of the work):	10,500 €
The adjusted purchase price is:	85,750 €
The gross capital gain is (200,000 – 85,750):	114,250 €
Deduction for the 8 full years of ownership (3 years at 6 % i.e. 18 %):	20,565 €
Net taxable capital gain (for income tax):	93,685 €
Income tax on the capital gain : 93,685 € x 19 %	17,800 €

➤ **Social contributions on the capital gain**

Gross capital gain:	114,250 €
Deduction for the 8 full years of ownership (3 years at 1.65 % i.e. 4.95 %):	5,655 €
Net taxable capital gain (for social contributions):	108,595 €
Social contributions on the capital gain: 108,595 x 15.5 %:	16,832 €

➤ **Taxes on high capital gains**

In this example, the amount of the taxable capital gain (93,685 €) is higher than 50,000 €, therefore the tax on high real estate gains applies and is calculated as follows: 2 % x 93,685 = **1,874 €**.

➤ **Total amount due (income tax + social contributions + high capital gain tax)**

Income tax on the capital gain:	17,800 €
Social contributions on the capital gain	16,832 €
Taxes on high capital gains	1,874 €
Total amount due	36,506 €

3rd example



Mr. and Mrs. Z are tax residents of Canada. On June 25th 2016, they sold a house they had acquired a little more than 10 years ago in France. They meet all the requirements for exemption provided for in 2° of II of article 150 U of the French tax code.

The sale price is 1,000,000 € and the purchase price was € 500,000.

➤ **Income tax on the capital gain**

Sale price:	1,000,000 €
Purchase price:	500,000 €
The gross capital gain is:	500,000 €
Deduction for the 10 full years of ownership (5 years at 6 % i.e. 30 %):	150,000 €
Taxable capital gain:	350,000 €
Exemption applied to non-residents meeting certain requirements:	150,000 €
Net taxable capital gain (for income tax):	200,000 €
Income tax on the capital gain : 200,000 € x 19 %:	38,000 €

➤ **Social contributions on the capital gain**

Sale price:	1,000,000 €
Purchase price:	500,000 €
The gross capital gain is:	500,000 €
Deduction for the 10 full years of ownership (5 years at 1.65 % i.e. 8.25 %):	41,250 €
Taxable capital gain:	458,750 €
Exemption applied to non-residents meeting certain requirements:	150,000 €
Net taxable capital gain (for social contributions):	308,750 €
Social contributions on the capital gain: 308,750 x 15.5 %:	47,856 €

➤ **Taxes on high capital gains**

In this example, the amount of the taxable capital gain (200,000 €) is higher than € 50,000, therefore the tax on high real estate gains applies and is calculated as follows: $4\% \times 200,000 = 8,000 \text{ €}$.

➤ **Total amount due (income tax + social contributions + high capital gain tax)**

Income tax on the capital gain:	38,000 €
Social contributions on the capital gain	47,856 €
Taxes on high capital gains	8,000 €
Total amount due	93,856 €

What are my filing obligations with the French tax administration?



Individuals domiciled or not domiciled in France who realized a capital gain on a real property located in France must file a “Capital gain on real property” tax form number 2048-IMM-SD with the French tax administration.

As a non-resident of France for tax purposes, you wouldn't have to file tax form 2048-IMM-SD if:

- your capital gain was completely exempted due to the “years of ownership” deduction or
- if the property you sold has a selling price lower than 15,000 €.

The “*notaire*” in charge of the sale should take care of everything. He should perform the following operations:

- Procedures with the French tax authorities;
- Calculation of the taxable capital gain and of the amount of tax payable;
- Filing the tax forms with the French tax administration;
- Payment of the tax on the real estate capital gain to the real estate tax services (“*Service de la publicité foncière*”) where the property is located.

Note that if you receive other French income subject to income tax in France that you are required to report on French tax form 2042, the amount of the net taxable gain must be reported on line 3VZ of the tax form 2042 C in order to be taken into account in the calculation of the reference tax income (for capital gains realized after January 1st 2011).

How can I pay my taxes?



The tax is paid by the “*notaire*” at the time of sale.

Thus, in a single formality, the “*notaire*” pays the registration fees owed by the purchaser of the property and the income tax relating to the gain due by the seller.

When do I need to have a professional tax representative?



As you reside outside the territory of the European Union (+ Iceland and Norway), you must use an accredited professional tax representative, except in the case of automatic waiver.

The automatic waiver applies to the following two cases:

- Sales that are lower than 150,000 €.
- Sales where the capital gain was completely exempted due to the “years of ownership” deduction.

The professional tax representative can be:

- a company or organization already permanently accredited by the French tax authorities.
- or a bank or credit establishment carrying out their activity in France;
- or the purchaser of the property if he has his tax residence in France;
- or any other person with a tax residence in France excluding “*notaires*” and lawyers. In this case, the accreditation must be granted by the French tax authorities.

The accreditation must be granted by the regional or departmental directorate of public finances (“*direction départementale ou régionale des finances publiques*”) where the property is located or where the head office of the real estate entity (“*société à prépondérance immobilière*”) is located.

Exceptions:

- When the property is located in Paris (**Paris intra-muros**), the accreditation must be granted by regional directorate of public finances of Ile-de-France – département de Paris (département de Paris - Missions foncières 6, rue Paganini, 75020 Paris, Tel : 01-53-27-46-45);
- When the head office of the real estate entity (“*société à prépondérance immobilière*”) is located outside of France, the accreditation is granted by the Directorate for Non-Resident (D.R.E.S.G.) located 10, rue du Centre 93 465 Noisy-le-Grand Cedex.

I need to file an income tax return but I didn't receive my pre-filled tax return...

...which forms do I need to file?



If you receive other French income subject to income tax in France that you are required to report on French tax form 2042, the amount of the net taxable gain must be reported on line 3VZ of the tax form 2042 C in order to be taken into account in the calculation of the reference tax income (for capital gains realized after January 1st 2011).

You must complete the "classic" income tax return (Form 2042) along with its schedule, tax form 2042 C.

...where can I find the tax forms?



All tax forms established by the French tax administration (« *Direction générale des Finances publiques* ») are available for download on the following webpage <https://www.impots.gouv.fr/portail/> : you just need to type “formulaire 2042” in the search tool bar :

The screenshot shows a search results page on the website <https://www.impots.gouv.fr/portail/>. The search bar at the top contains the text "formulaire 2042". Below the search bar, there are options to refine the search: "Site impots.gouv.fr", "Bulletin officiel (BOFIP-impôts)", and "Précis de fiscalité". The search results are displayed in two columns. The left column shows "RÉSULTATS POUR VOTRE RECHERCHE : FORMULAIRE 2042" with 244 results. The right column shows "FORMULAIRE(S)" with 56 results. One of the results in the right column is circled in red: "Formulaire 2042 - Déclaration des revenus 2015 - Formulaire 2042 - Milleime 2016 - N° CERFA 10330*20".

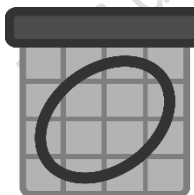
...where should I send my tax forms to ?



As a non-resident of France, your tax returns should be sent, before the legal filing deadline, to the following address:

Service des impôts des particuliers non-résidents (SIPNR)
10 rue du Centre
TSA 10010
93465 NOISY-LE-GRAND CEDEX
FRANCE

...what is the legal filing deadline?



The filing deadline for the 2017 French income tax returns (income received in 2016) for residents of North America is not yet known. For information, the filing deadline for the 2016 French income tax returns (income received in 2015) for residents of North America was:

- **May 18th 2016** (if you were filing a paper income tax return) or
- **June 7th 2015** (if you were filing an income tax return online).

...can I file my income tax return online?



You can file your French income tax return online if you have your three logins (or if you already have an online account):

- **Numéro fiscal** : this 13-digit identification number can be found on the top of the 1st page of your pre-filled tax return or on the top of the first page of your last “avis d'imposition” (tax notice).

- **Numéro de télé-déclarant** : this 7-digit number can be found on the top of the 1st page of your pre-filled tax return.

- **Revenu fiscal de référence** : this amount can be found on the top of the first page of your last “avis d'imposition” (tax notice).

To create your online account, you need to type those 3 logins and follow the instructions mentioned on this webpage: [Mon compte fiscal en ligne](#)

Taxpayers that have an Internet connection and a "revenu fiscal de référence" (reference taxable income) higher than 28,000 € for 2015 are required to file their French income tax return online. The 28,000 € threshold will be brought down each year so that by 2019, every taxpayer will have to file their French tax return online.

I want to know more....

For further information, please check the following webpages (in French) :



[Dépliant DGFIP PV immobilière](#)

[Service public dossier PV immobilière](#)

[DGFIP PV immobilière non-résidents](#)

[Notice formulaire 2048-IMM-SD](#)

[DGFIP Calcul PV immobilière](#)

[BOFiP Plus-values immobilières - Détermination de la plus-value imposable](#)

[BOFiP Plus-values immobilières - Exonération résultant de la cession d'un logement situé en France par des contribuables non résidents](#)

[BOFiP PVINR - Immeubles ou droits concernés](#)