

PROPERTY SALES : TAXATION ON CAPITAL GAINS

1 CALCULATION OF THE TAX

The capital gain is equal to the difference between the selling price and the purchasing price or the declared value when the property was received by donation or comes from an estate.

The regime of capital gains varies according to the selling price, the nature of the property and the length of detention.

Capital gains are not applicable if realized upon the sale of property :

- for a price less than € 15 000
- which is the a principal residence of the vendor
- held for a period of 30 years

In other cases, the vendor must pay the tax on gross capital gain at a rate of 35.5%.

The tax amount is reduced by :

- 2% per year between the 6th and the 16th year of detention
- 4% per year between the 17th and 24th year
- 8% per year until the 30th year
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IMPORTANT ! An additionnal tax has been created since January 1st 2013 under article 1609 nonies G of French Tax code for capital gains exceeding an amount 50.000 €.



2 DEDUCTIBLE WORKS

All works are not deductible. Indeed, works entitled to be taken into account in the deduction are solely the following works, provided that the vendor has kept the receipts and has not already deducted those works under its Income Taxation :

- The comfort improvements that are designed to bring the building an equipment or a new item which suits better the modern conditions of life (creation of a lift, double glazed windows, creation of a bathroom. ..)
- The construction works
- The expansion works

In every cases, renovation, maintenance and repair works are not deductible in the calculation of the tax on capital gain.

IMPORTANT ! If you have done extensive works in a secondary residence, keep all your invoices as the purchase price may be increased of their amount. Alternatively, a fixed increase of 7,5% may applied without any invoice if the property is detained for at least five years.

2 EXAMPLE OF A CALCULATION

Patrick has bought his second home seventeen years ago for an amount 100,000 €, including fees. He made improvements worth € 20,000 for which he has all the invoices. He now wants to sell his property 250,000 € :

$$\text{Purchase price } 100\,000 + 20\,000 = 120\,000 \text{ €}$$

$$\text{Amount of gain } 250\,000 - 120\,000 = 130\,000 \text{ €}$$

$$\text{Deduction for year detention } (2 \times 10) + (4 \times 1) = 24\% = 31\,200 \text{ €}$$

$$\text{Amount of gain after deduction : } 130\,000 - 31\,200 = 98\,800 \text{ €}$$

$$\text{Tax Calculation : } 98\,800 \times 35.5\% = 35\,094 \text{ €}$$



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Meet your Attorney before making any decision. You have in hand all the information you need to better organize the terms of your real estate. You only pay what you owe and your tax and legal security will be guaranteed.

