

QUESTION AND ANSWERS FOR L/BACK & SCI.

1. What is an SCI?

A common way of buying property in France is through an SCI or [societe civile immobiliere]. This method has benefits for both French residents and also foreign residents.

2. What are the benefits of an SCI?

There are several benefits associated with buying a property through an SCI. It is possible to reclaim the TVA property sales tax which is 19.6% on a new build property so this constitutes a very healthy discount off the regular sales price. The use of an SCI also overcomes some of the Napoleonic French laws on inheritance because of its shareholder status.

There are also other benefits regarding tax, the net worth of the property can be reduced for tax purposes by way of debt and this can reduce French wealth tax and inheritance tax liability. The terms of the SCI can also be changed at any time.

3. Who can have an SCI?

Both French and non French residents may be shareholders in an SCI, however children under the age of 18 cannot be shareholders - the company must have at least 2 shareholders.

4. Can I have an SCI for any type of property in France?

Yes, but you would not necessarily require one for all types of property purchase.

5. Are there any disadvantages associated with an SCI?

Whilst there are numerous advantages of owning a property in France through an SCI there are also a few things one should consider.

There will be costs associated setting up the SCI and there will also be annual accounting costs as annual accounts must be kept and a tax return made each year along with a bank account for all associated expenses to be paid from. Typically the cost of a French accountant to complete these formalities will be in the region of €700 per annum with initial costs of around €1600 for notary to set the SCI up.

6. What is a Leaseback?

Leasebacks are a particular type of property investment available in France. Leasebacks in France have been around for over 20 years, the scheme was set up by the French government to help the country's important tourism industry. In general leaseback properties are residential properties [very often apartments although not always]. The individual apartments are owned by investors and are then leased back to a management company to let them out. Not every apartment can be part of a leaseback, certain criteria have to be met to qualify to be a leaseback or as it is called in France a Residence de Tourisme.

7. How does a Leaseback Work?

A leaseback is a method of purchasing a property in France with tax benefits and also long term rental guarantees. When purchasing a leaseback property you are able to receive a discount on the normal sales price by having the ability to either reclaim or not pay the TVA tax of 19.6% which gives great benefits in terms of the investment return on the property.

8. Who can own a Leaseback?

Leaseback projects are available to both French and non French residents.

9. How long does a leaseback contract last?

The length of a leaseback contract is generally 9 or 11 years during which time the management company will be your customer, they then rent it to tourists and so on.

10. What are the disadvantages of a Leaseback?

There are of course good and bad points with all things however a leaseback offers an easy route to investment in France with little effort required once the contract is signed. There is generally a limit to how much own use you may have and the rent you receive may not be as high as if you were to manage the project yourself. But overall the leaseback scheme has many more advantages than disadvantages.

11. What type of property can have a Leaseback?

Generally speaking new build property and principally apartments within a medium to large development.

12. Who manages the property?

The developer has a management company which looks after such matters.

13. How do I know I will get my guaranteed return?

There is a written contract confirming both the return and period of the management contract.

14. How much own use will I get?

You are entitled to 3 weeks per annum to be taken in low season.

15. What costs are involved?

Once the agreement is signed the only ongoing costs will be local government taxes like the council tax in the UK.

16. Can I cancel or sell before the 5 years has lapsed?

Yes you can sell your property at any time during the 5 year period.

17. What happens after 5 years, will you still rent it out and if so to whom and will it is a fixed return?

Our developers will be happy to manage the property by negotiation but not with a guarantee, however of course this may result in a higher than 5% return anyway.

18. Does the developer offer a service to sell my property?

Yes they will be happy to assist in selling your property for you.

19. What is the process of buying in France?

The buying process is different to that in the UK in its structure but has to be carried out through a notaire as in the UK.

20. What are the legal costs associated with buying property in France.

The legal costs will vary from property to property but on new build the notaire costs are likely to be around 5%.

21. What are the tax implications of buying in France.

The tax implications in France like the UK can be complex and we would always recommend seeking legal advice on such matters. One point that many people overlook is that if you are a UK resident you will have to pay capital gains tax both in France and the UK. Again we strongly suggest taking the relevant legal advice on this important issue.

22. If I reclaim VAT via a SCI or Leaseback what happens when I sell the property?

When selling the property on to another investor then the vat can be passed on, however if it's sold to a non investor then the vat has to be re paid on a calculation over 20 years.

23. How long does a leaseback contract last for? And can I re negotiate the contract.

A leaseback contract will last for either 9 or 11 years, it can be renewed or re negotiated for another term at this point.

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