

Property Newsletter



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New Changes in Capital Gains Tax

Changes benefit owners of secondary residences if sold before August 31, 2014

You may recall the last revisions of the capital gains tax laws were implemented in February of 2012. This past September more revisions to the law, which benefit sellers, took effect. If you are considering selling your property, it would be an opportune time to do so to take advantage of the incentives in the new provisions.

These changes apply to residents and non-residents who own property as a secondary residence in France. The changes in the new law allow for a special abatement of **25%** on the gain of proceeds from transactions that close between **September 1, 2013 and August 31, 2014**. In addition, the duration of the tax on capital gains has been decreased to **22 years** from 30 years, with the exception of the French social system taxes at 15.5%, which continue to be applicable through 30 years.

Expenses incurred as a result of acquiring a property, including notaire fees, agency commissions and renovation costs (whether the actual costs or at a flat rate of 15%) continue to be applied against the capital gain. If you would like further information on an estimate on your property, or a personalized simulation how the new laws could potentially affect you in the event of a sale, please do not hesitate to contact me at yolanda@parismacimmo.com. The following is an example of sale of a property purchased by a US resident at 250,000€ in 2004 and sold for 400,000€ in 2014, with a closing on or before August 31, 2014:

	Sale before August 31, 2014	Sale after August 31, 2014
SALES PRICE	€400 000	€400 000
Less:		
Notaire Fees (7.5%)	€18 750	€18 750
Renovations (15%)	€37 500	€37 500
Diagnostics, Agency Fees	€12 500	€12 500
Purchase Price	€250 000	€250 000
CAPITAL GAIN	€81 250	€81 250
Normal Abatement (6%)	€4 875	€4 875
Additional Abatement (25%)	€19 093	
NET CAPITAL GAIN	€57 300	€76 375
TAX DUE	€27 980	€37 293