

**TAX ALERT**  
**February 22, 2018**

**The French tax on the real estate wealth (IFI) applies to French-tax-resident individuals holding real estates in France and abroad and to non-French-tax-resident individuals holding real estates in France<sup>1</sup>.**

**For further information regarding this alert, please contact:**

Marie Dessimond  
E: [mdessimond@sl-avocats.fr](mailto:mdessimond@sl-avocats.fr)

Mallory Labarrière  
E: [mlabarriere@sl-avocats.fr](mailto:mlabarriere@sl-avocats.fr)

Nathalie Pagnon  
E: [npagnon@sl-avocats.fr](mailto:npagnon@sl-avocats.fr)

Sybille Salmon-Legagneur  
E: [ssalmon-legagneur@sl-avocats.fr](mailto:ssalmon-legagneur@sl-avocats.fr)

Concerning the real estate held through one (or several) companies, the value of shares is subject to IFI tax for the portion corresponding to real estate, with possible neutralization of some debts/liabilities of the companies as defined by an anti-abuse clause.

**A French Decree to be issued shall precise (i) the filing obligations of the IFI tax payers, and (ii) the filing obligations of the companies whose shares are subject to IFI tax for the portion corresponding to real estate.**

Since the provisions related to the 3% tax applicable to companies holding a real estate in France have not been amended, the 3% tax will be applicable in 2018 according to unmodified conditions. Therefore, the filing obligations related to IFI tax could in practice be prepared at same time than the annual 3% tax forms to be filed for May 15, including some information used for 3% tax.

Concerning the real estate located in France held through one (or several) companies by a non-French tax resident:

- The French wealth tax (ISF replaced by IFI tax) applied to shares in said company in case of (indirect) shareholding of the real estate for at least 50%, or in case of real estate predominance of said company;
- IFI tax does not include comparable conditions and thus applies to the shares in said company without consideration of the shareholding percentage in the real estate, including the case where said company is not real estate predominantly oriented<sup>2</sup>

**Salmon-Legagneur & Associés**  
**Avocats à la Cour**  
A.A.R.P.I.  
34 avenue George V  
75008 Paris  
Tel. : +33(0)1 56 89 20 20  
[www.Sl-avocats.fr](http://www.Sl-avocats.fr)

**Non-resident individuals holding real estate in France must review their situation as regard IFI tax which can be applicable to them whereas they were not subject to ISF in the past.**

<sup>1</sup> Subject to applicable tax treaties

<sup>2</sup> Subject to the rule excluding real estate allocated to an operational activity, to shares representing less than 10% stake in operational companies (or in companies not having given to the tax payer the information necessary to the estimate of the taxable portion of shares), and subject to applicable tax treaties