

DRAFT FINANCE BILL FOR 2021¹
Favorable provisions regarding real estate
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**For further information,
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1. Tax neutralization of the reevaluation (step up in basis) of the assets²

The reevaluation (accounting at fair market value of all fixed assets which are in principle accounted at historical cost in the balance sheet of a company) would be subject upon election to a tax deferral regarding capital gains on non-depreciable fixed assets (for instance shares or land) and to tax spread regarding capital gains on depreciable fixed assets (over 15 years for buildings and 5 years for the other depreciable assets) instead of an immediate taxation of the reevaluation capital gains. The computation of amortizations, depreciations and gains on further sale is consequently based on non-reevaluated values (non-depreciable assets) or reevaluated assets (depreciable assets).

- **This provision would allow to strengthen the net equity and to increase financing possibilities of companies deciding reevaluation;**
- **This provision would not allow to reduce the burden of corporate income tax but would grant its payment deferral.**

2. Tax neutralization of a sale and lease-back on an operational building³

The capital gain on the sale would be spread over the duration of the financial lease by reintegration/taxation of the gain along the deduction of the financial rents (excluding the portion related to the land) on the duration of the lease agreement and within the 15-years limits.

- **This provision would not benefit to investment properties, thus excluding real estate investment companies and funds;**
- **This provision would allow to restore cash position of operational companies.**

3. Decrease of the Business tax's portion based on companies' added value ("CVAE") and decrease of the ceiling of the Business tax ("CET")⁴

The theoretical rate of CVAE (of 1.5%) would be half decreased
The ceiling of the CET according to the added value would be decreased from 3% to 2%.

- **This provision would benefit to users/tenants and to investors/landlords as well (whose CVAE is not chargeable to tenants).**

¹ Draft registered on 28 September 2020 n°3360 – French National Assembly

² Provision which would be applicable on the first reevaluation operation performed during a FY closed as from 31 December 2020 until 31 December 2020

³ Provision which would be applicable to sales following a promesse executed as from 28 September 2020 and at the latest on 31 December 2022, and which corresponds to the reset of a provision set up after the financial crisis of 2008

⁴ As from 2021