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**TAX ALERT**  
**October 24, 2012**

**The French Finance Bill for 2013 (1st part) has been voted by the National Assembly<sup>1</sup>.**

**The provisions which may have significant financial consequences on the companies of the real estate sector are the following :**

1. Limitation of the tax deduction of the net financial expenses to 85% of their amount<sup>2</sup>, in the case they amount at least to M€ 3 (triggering threshold)<sup>3</sup>,
2. Decrease from 60% to 50% of the percentage of the tax profit exceeding M€ 1, retained as ceiling for off-setting tax losses<sup>4</sup>.

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The draft of Finance Bill was improved on the first provision, considering that the rents are excluded from the limitation (except the financial part of the rents on financial lease or lease with a purchase option, and leases with related companies).

**On the other hand, amendments proposed to postpone the enforcement of these two provisions to financial years opened as from 01/01/2013 were rejected.**

**Consequently, if they are (likely) adopted without modification by the French Senate, they will be applicable for financial year closed on 12/31/2012.**

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<sup>1</sup> First part (incomes) of the Finance Bill for 2013, voted by the French National Assembly on October 23, 2012. The discussion on the 2<sup>nd</sup> part (expenses) shall be completed on November 14, 2012

<sup>2</sup> Percentage which shall be decreased from 85% to 75% as from 2014

<sup>3</sup> Article 15

<sup>4</sup> Article 16