



VALLAT

RECLAIM THE VAT ON A NEWBUILD PROPERTY PURCHASE AND SAVE 20% ON YOUR INVESTMENT*

It is possible to reclaim the VAT on a property purchase when you rent out the property that has been purchased, offer a certain number of services and keep it for at least 20 years. You receive a VAT credit and thus enjoy a VAT-free investment.

Value added tax (VAT)

VAT, value added tax, is an indirect tax paid by consumers and collected by companies, and represents the difference between the price excluding tax (in France the HT price) and the price including tax (the TTC price). Only companies are subject to VAT. However, a regime exists which enables individuals to use the VAT regime: the regime of furnished rental properties that fulfil the conditions of "parahôtellerie" (serviced accommodation).

Furnished rentals and parahôtellerie (serviced accommodation) is a furnished accommodation that fulfills the requirements of "parahôtellerie" (serviced accommodation) and calls for the lessor to provide additional services. According to article 261D of French tax law, this relates to rentals subject to a payment on a regular basis with regards to a furnished property and that provides at least 3 of the following services:

- Breakfast
- Regular cleaning of the premises
- Provision of household linen
- Reception, even when non personalised.

The tax regime for furnished rentals that fulfil the requirements for serviced accommodation then changes. It is your choice as to how you wish to position yourself.

Reclaim the VAT paid to the developer

If you purchase your newbuild property from a developer, the latter will sell you the property by adding VAT onto their price. "An apartment bought for 1,200,000 euros includes 200,000 euros VAT. The cost of the property excluding tax is therefore

1,000,000 euros. If you decide to rent out your newbuild property as a Non-Professional Lessor of Furnished Property, by fulfilling the requirements of "parahôtellerie" (serviced accommodation), and you opt for the VAT regime, it will then be possible to reclaim the amount of VAT paid to the developer as a VAT credit from the French government.

Keep the property for 20 years

However, in order to reclaim the VAT paid to the developer, you must comply with an important condition, that of keeping the rented property for at least 20 years. VAT must be applied to the rent over these two decades. If this condition is not complied with, you will have to pay a refund pro rata to the amount already received.

You want to use your property yourself

-If you purchase the property in your own name: You declare the rent in kind (weeks of use), valued at 75% of the public price. You must declare this amount along with your rental income and will have to pay 10% VAT (on the VAT declaration). You will not have to make a payment for the weeks when you use the property yourself.

-If you purchase your property using a company (SARL de famille, etc.): the shareholder must declare rent in kind (weeks of use), valued at 75% of the public price. They must declare this amount along with their rental income and pay 10% VAT (on the VAT declaration).

Should the shareholder not have a current account, they will have to make a payment for their personal use (75% of the public price), otherwise this could be viewed as misuse.

IF YOU ARE INTERESTED IN THIS REGIME, CONTACT US FOR
FURTHER DETAILS

TO RECEIVE INFORMATION

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