

GUIDE TO BUYING PROPERTY IN FRANCE





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The Residential property purchase procedure in France

Buying property in France should be relatively straightforward, but we would always recommend that you retain the services of a reputable agent, lawyer and Notary.

This document has been compiled as a guide for potential purchasers of property in France. It does not seek to provide or replace legal and fiscal advice which you should obtain, nor is it intended to have any contractual value.

THE NOTARY

The Notary is nominated by the state and as such remains an impartial advisor. Throughout the process, the Notary's role is to ensure the letter of the law is applied and that the interests of both parties, relating to the sale and purchase are protected. The Notary will undertake the relevant searches and highlight any liens, rights of way, planning discrepancies and so forth as appropriate. The Notary will also prepare the preliminary contract, hold funds and ultimately oversee the transaction.

Whether you are a buyer or a seller it is recommended to seek a Notary's opinion or independent legal advice before entering into any form of written agreement. Whilst the buying process in France is relatively straightforward, the assistance brought by a Notary at the early stages and throughout a deal is invaluable in ensuring a smooth and risk free transaction.

Due to the Notary's mandate and impartiality it is common for one to act for both parties. This is not mandatory and either party may select their own representative independently should they choose.

TIMELINE OF EVENTS

OFFER TO PURCHASE

In certain circumstances the buyer may be asked to confirm their intention to purchase in writing. This may take the shape of an offer letter (offre d'intention) outlining the purchase price and a lock out date by which the purchaser endeavours to move toward exchange. The offer letter is then countersigned by the vendor confirming the price and the period of exclusivity the buyer is granted in which to proceed.

The countersigned document helps bind the vendor to the terms stated therein and helps to preclude the vendor from entering into any other sale agreement during the aforementioned period of exclusivity. Importantly, this document does not act to bind the buyer who may withdraw during this time period without penalty or cause.

During this period the buyer will meet a Notary, discuss the proposed terms and any conditions of sale which will be summarised and included within a preliminary sales contract (Compromis/Promesse de Vente).

DUE DILIGENCE

Prior to the preparation of the preliminary sales contract, the Notary will undertake the necessary searches on the property to ensure that the transaction can proceed.

A diagnostics report will be completed for the property with an inspection for termites, lead, asbestos, etc. to be undertaken by the vendor. A buyer is able to instruct for a separate building survey to be done at their own expense.





THE EXCHANGE OF CONTRACTS (COMPROMIS/PROMESSE DE VENTE)

With everything agreed the Notary prepares the preliminary contract (Promesse or Compromis de Vente). This will identify a completion date (typically a 2-3 month period), any conditions of sale (clauses suspensives) and prior agreed information.

The Compromis will refer to conditions precedent that unless satisfied will allow the buyer to withdraw within a fixed period. The conditions may include finance, physical modifications, planning matters, etc. The resolution of these suspensive clauses is mandatory and are an intrinsic part of the Compromis – failure to fulfil all of these will allow the buyer to exit the purchase with no penalties and a full refund.

The exchange is typically accompanied by a 5 or 10% deposit; these funds will be entrusted to the Notary and held in Escrow.

10 DAY COOLING-OFF PERIOD

Once the Compromis de Vente has been signed by both parties, the buyer is entitled to a 10 day cancellation period. This forms part of French consumer legislation and gives the buyer the right to annul the purchase without penalty or justification at any stage within 10 days in writing.

SECURING A MORTGAGE

If a finance clause has been included as a condition within the Compromis de Vente, the buyer is set a date unto which they must secure mortgage finance between the exchange of contracts and completion (typically 6 weeks after signing the Compromis). Upon the granting of a mortgage offer, the buyer is entitled to a further 11 day cooling-off period to decide whether to proceed or not with that particular offer.

COMPLETION

Completion of the sale and the signing of the final act (Acte de Vente) takes place at the Notary's office with payment of the purchase balance, Notary's fees, land registration costs, agency fees and transfer taxes all due at this stage.

Whilst the fees and costs may vary slightly, the estimated percentage cost of a typical purchase of a re-sale property in France is approximately 7% of the purchase price. For new-build purchases, this cost is approximately 2%. The Notary will provide a breakdown of costs in the lead up to the purchase.

Capital Gains Tax (CGT), Local Taxes and Wealth Tax

Given the complexities of foreign ownership and succession, it is strongly recommended that you seek independent advice from a financial and legal advisor as the below should be treated as a guide.

LOCAL TAXES

A property tax (taxe fonciere) is due each year by the owners and is calculated by the tax authorities in relation to the notional cadastral rental value of the property and the consequent rate determined by the local authorities.

A residence tax (taxe d’habitation) applies to all housing and occupants, and is calculated in relation to the location of the occupant and the multiplier determined by the regional authorities.

WEALTH TAX

The Wealth tax is applied where the net asset value of an individual’s asset holdings exceeds €1.3m and calculated retrospectively from €800,000 as per the table below. Recent legislation changes mean that the Wealth Tax is now only applied to real estate assets.

NET ASSET VALUE	TAX RATE
Up to €1,300,000	0%
€800,000 to €1,300,000 (inclusive)	0.5%
€1,300,000 to €2,570,000 (inclusive)	0.7%
€2,570,000 to €5,000,000 (inclusive)	1.0%
€5,000,000 to €10,000,000 (inclusive)	1.25%
Above €10,000,000	1.5%

CAPITAL GAINS TAX

Upon the sale of a property, the net capital gain is calculated and the base rate applied as determined by one’s place of residence as well as the associated holding period. A taper relief applies to properties held for a period of 22 or more years.

STRUCTURE

A property may be acquired and held in a private name, however it is important to note that French tax, succession and CGT may impact on the way a property is best held. It is strongly recommended that you seek the appropriate independent legal and fiscal advice in order to structure the deal in the most efficient way possible.



Knight Frank’s Network of Agents in France

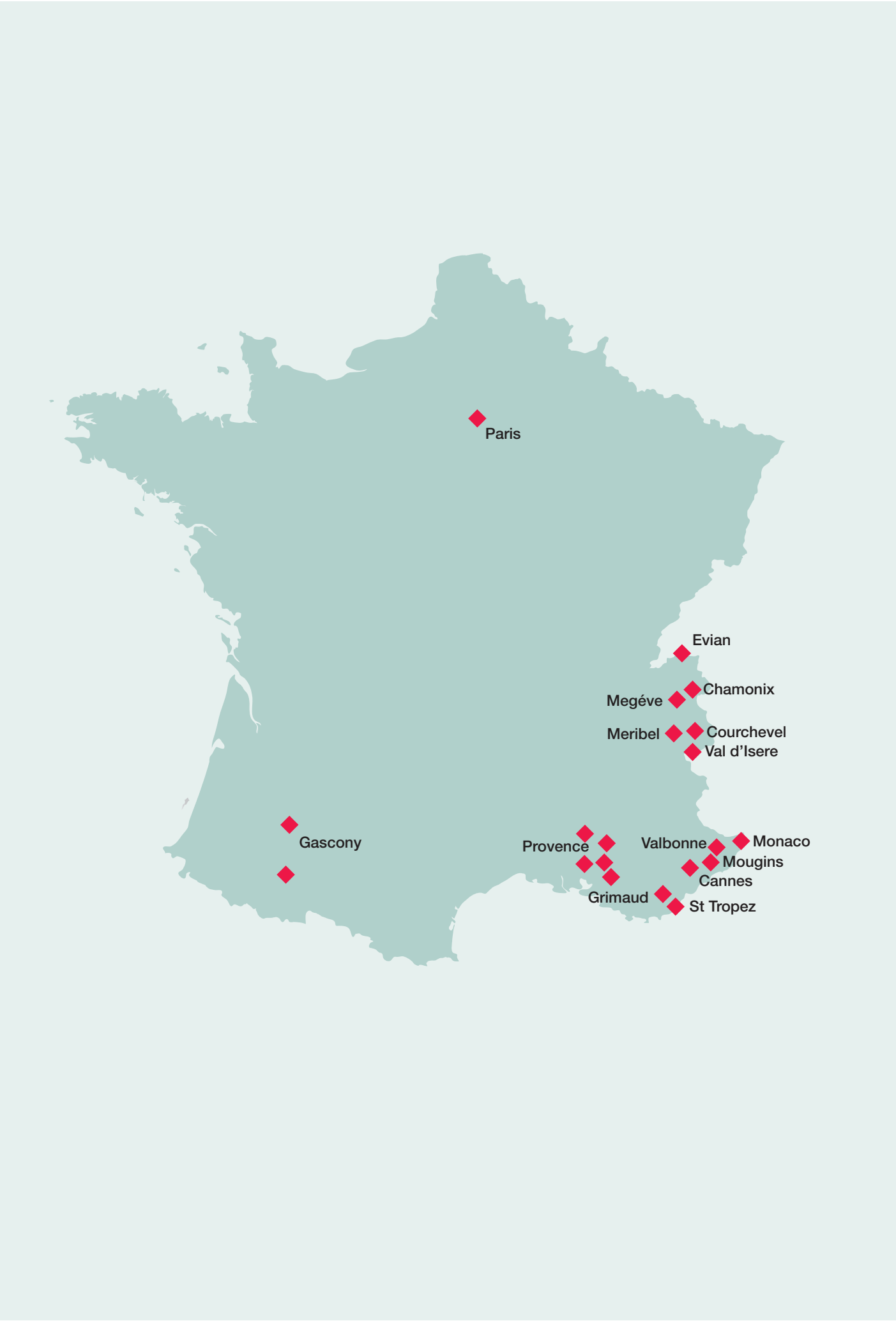
Throughout Knight Frank’s French network it is our intention to provide all our clients with the most comprehensive level of service and care. Working alongside our growing network of Associates in France, Knight Frank’s dedicated London team will endeavour to find you the right property in the right area.

All local Network offices are well established and locally owned businesses trading under strict French real estate laws. Local agency agreements and other contractual agreements are governed by French law.

We will also help with the following:

- Put you in touch with possible legal, survey, planning and tax advisory firms that can assist you with due diligence, general advice and completing the transaction. None of our agents are qualified to give you legal, survey, planning or tax advice, although they are happy to share with you their years of experience.
- Prepare a purchase contract to pass to the legal teams outlining the terms of the deal and the professionals involved. At all times during the purchase process, we are available to assist with effective communication between the parties involved.

Note: This publication is meant to give a very basic indication of the purchasing process. No liability is assumed as each interested person should seek local professional advice.



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