

TAXATION OF YOUR FRENCH RENTAL INCOME

THE CHARMS OF THE "MICRO-BIC"

UK residents often choose to rent out their French property a few weeks a year in order to cover its costs.

If you are in this situation you should be aware that renting out furnished premises is considered in France to be a commercial activity and taxable in that country under the provisions of the UK-France Double Taxation Tax Treaty. Any tax paid in France can be deducted as a credit against any taxation in the UK in the same category.

Assuming that your rental income is of less than 76,000 Euros (£50,000), you may benefit from the "micro BIC" regime which is most of the time very favourable.

Indeed this regime provides a fixed deduction rate of 72% on the relevant income, taxation being applied on only 28%. On these 28%, the French tax authorities then apply a fixed rate of 25%.

This rate may even be reduced if it turns out that your global income (which includes your French and UK income) would be taxable at a lower average rate if you were a French tax resident. You will of course need to provide the French authorities with the details of your worldwide income so that they may calculate this « virtual » taxation rate.

In accordance with the "micro BIC" regime, you may alternatively opt for the « régime réel » of taxation, which consists in deducting from your rental income the amount of the actual costs incurred on the property.

This would be in your interest if the costs incurred on your property exceed 72% of your rental income. You are then requested to provide every detail (invoices) relating to these costs, which may involve a certain amount of paperwork.

By contrast the "micro BIC" does not require any records to be kept. You only need to file one tax return a year indicating your gross rental income the calculation of the net resulting from the 72/28 rule.

We should be pleased to analyse your personal situation and assist in the filing of the necessary Tax Returns.

Tax Returns should be lodged with the French tax authorities on 30th April each year at the latest. If this deadline is missed, you will incur a penalty of 10% if you submit your return within one month. A further penalty of 0.75% per month is payable for subsequent months of delay.

Penalties for non-declaration may reach 80%.

You should also take advice from a UK tax adviser on the UK position.