

PROPERTY

Immobilier locatif en direct (directly held rental property)

Buying a home let unfurnished, in full ownership, with no company structure and no tax scheme.

Directly held unfurnished letting is the benchmark against which every other form of property investment is compared.

OVERVIEW

The property is bought in full ownership, for cash or with a loan, and let unfurnished. Rents are taxed as property income on the progressive scale, plus social contributions of 17.2%. Under the actual-expenses regime, loan interest, property tax, works, non-recoverable charges and insurance are deductible. The micro-foncier regime applies a 30% allowance on rents up to €15,000. The capital gain is exempt from income tax after twenty-two years of ownership, and from social contributions after thirty. The property falls within the scope of IFI, the French real estate wealth tax.

HOW IT WORKS

Purchase

Cash or loan, costs included

Unfurnished letting

Rents taxed as property income

Resale or transfer

Capital gain exempt from income tax after 22 years, from social contributions after 30 years

KEY POINTS

Strengths

Legal simplicity: no structure to set up

Loan leverage, with deductible loan interest

Capital gain exempt from income tax after 22 years and from social contributions after 30 years

Long-term growth in the property's value

Transfer by inheritance or gift under the ordinary rules

Points to watch

Full taxation: progressive scale plus 17.2% social contributions on property income

No deductible depreciation, unlike LMNP or an SCI taxed as a company

Property fully included in IFI when real estate wealth exceeds €1.3 million

Time-consuming management: vacancy, arrears, works

Limited liquidity: a sale takes at least two to three months

WHO IT IS FOR

This form of ownership suits buyers who want a tangible asset, financed with a loan and simple to pass on. It means accepting full taxation and hands-on letting management. The other property sheets are variations on it.

WORKED

ILLUSTRATION

Example based on assumptions

Assumptions: a €250,000 flat is let for €1,200 a month, or €14,400 a year. With €2,200 of charges and property tax and €3,500 of loan interest, taxable property income is €8,700. At a 30% marginal rate plus 17.2% social contributions, tax comes to €4,106. The net cash flow is about €4,600 a year, before capital repayments.



Sébastien Bailly

Founder, ASTERALE

The first meeting, which lasts about an hour, is free of charge.

sebastien.bailly@asterale.fr

+33 6 28 54 13 74

www.asterale.fr/en/

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Risk of capital loss on resale. Letting risk: vacancy, arrears, damage. Costs, works and local taxes may rise. Acquisition costs are high and resale is slow. Tax regimes depend on conditions being met over time and on the legislation in force.

Complaints and mediation

Any complaint may be sent to ASTERALE, 4 allée Django Reinhardt, 94110 Arcueil, France, or to sebastien.bailly@asterale.fr. Failing a satisfactory reply within two months, you may refer the matter to the competent mediator. For financial investment advice: the AMF Ombudsman (Médiateur de l'AMF), 17 place de la Bourse, 75082 Paris Cedex 02 (www.amf-france.org/fr/le-mediateur). For insurance broking and intermediation, banking and payment services intermediation and property transactions: ANM Conso, 2 rue de Colmar, 94300 Vincennes (www.anm-conso.com, contact@anmconso.com).

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