

PROPERTY

SCI à l'IR (tax-transparent property company)

The tax-transparent property company, used to hold and pass on a property within a family.

An SCI taxed under income tax lets a family hold a property together and pass on the shares over time.

OVERVIEW

By default, a société civile immobilière (SCI) is subject to income tax. Profit is computed at company level, then taxed in each member's hands as property income, in proportion to their share. The SCI allows several people to hold a property without joint ownership and to set out management and voting majorities in the articles. It also allows shares to be given progressively, outright or with split ownership, using the ordinary allowances. Members have unlimited liability for the company's debts, in proportion to their shares. The company files an annual return on form 2072.

HOW IT WORKS

Incorporation

Articles, capital, members

Property purchase

Rental property let
unfurnished

Taxation of profit

Each member's share taxed
as property income

KEY POINTS

Strengths

- Ownership through shares rather than the property itself
- Easier split ownership and gifts
- No joint ownership of the property on death
- Adaptable articles: management, majorities, approval of new members
- Transfer prepared through gifts of shares, with the €100,000 allowance per parent and per child

Points to watch

- Taxed like direct ownership: marginal income tax rate plus 17.2% social contributions
- No depreciation, unlike an SCI taxed as a company
- Accounts to keep and an annual form 2072
- Unlimited liability of members, in proportion to their shares
- Poorly suited to accumulating rents without distributing them

WHO IT IS FOR

An SCI taxed under income tax is for families who buy or hold a property together and want to organise its governance and transfer during their lifetime. To accumulate rents without distributing them, an SCI taxed as a company is better suited.

WORKED

ILLUSTRATION

Example based on assumptions

Assumptions: a couple buy a €400,000 flat through an SCI taxed under income tax, with their two children holding 10% each. Rent is €16,800 a year, and costs and interest €5,000. The property profit of €11,800 is taxed as €9,440 in the parents' hands and €1,180 in each child's. Gifts of shares every fifteen years use the €100,000 allowance per parent and per child. Gifts of shares carry notarial costs.



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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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