

Real Estate Investment Vehicles Alla Francese

Quizz: Can your clients invest
into French real estate and
pay 0% Tax on Rents, Gains and Dividends ?

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2 types of OPCIs: FPIs and SPPICAVs

- ➔ FPIs: Funds – not very popular
- ➔ SPPICAVs: corporate vehicles – exempt
- ➔ SA (7+ s/h) or SAS (1+ s/h)
- ➔ Management company
- ➔ AMF approval required
- ➔ Buy/build to rent



2 types of SPPICAVs: Regular & Simplified

- Regulars are open for public investment
- With investment rules:
 - 60% property, 10% cash, rest is free
- Simplified are for experienced investors
- No investment ratios
- Extensive leverage possible



The Importance of Being Simplified

- ➔ Limited number of Investors
- ➔ Lock-up and gating clauses possible
- ➔ Can oblige investors to contribute // plan
- ➔ Investors closer to management company



All SPICAVs Corp Tax Exempt

- ⇒ If they distribute
 - ⇒ * 85% of rental income
 - ⇒ * 50% of capital gains
 - ⇒ * 100% of dividend from exempt subs
- ⇒ NB: no depreciation of buildings (option)
- ⇒ May set up a 1,5% NBV reserve (option)
- ⇒ =) SPPICAVs generate high dividends



Dividends paid to Shareholders

- ⇒ FR Residents: dividend income taxable
- ⇒ NR: domestic WHT 30% / 21% / 15%

- ⇒ Lux and NL : 15 or 5
- ⇒ Belgium : 15 or 10
- ⇒ UK : 15
- ⇒ Malta : 15 or 0
- ⇒ All pension funds : 0



Capital Gains on SPPICAV shares

- ⇒ Individuals $< 10\%$: CG on shares, not on real property (no taper relief)
- ⇒ Individuals $> 10\%$: CG on real property



Other Taxes

- ⇒ Individuals < 10%
- ⇒ Corporate s/h < 20%
- ⇒ No stamp duty

- ⇒ Individuals > 10%
- ⇒ Corporate s/h > 20%
- ⇒ 5% stamp duty

- ⇒ 3% tax: SPPICAVs can file & escape



Planning through SPPICAVs

- ➔ Turn a reg corporation into a SPPICAV & reduce potential CGT rate from 33% to 19%
- ➔ Invest in FR real estate with 5% tax charge
- ➔ Or 0% for Malta (e.g.) or pension funds
- ➔ Choose treaty carefully
- ➔ Turn taxable entities into exempt entities

