



Exemption from French 3% Real Estate Tax

Key benefits for Jersey Investment Funds and Real Estate holding structures

France and Jersey Tax Agreement

France and Jersey entered into a tax information exchange agreement (TIEA) on 23 March 2009 which came into effect on 1 January 2011.

One of the key benefits of the TIEA with France is that Jersey investment funds and real estate holding structures are now eligible to qualify for exemption from the French 3% real estate tax which is assessed annually on the fair market value of the real property situated in France. The exemption also extends to interests, shares and units in certain intermediate structures holding French real estate assets.

The TIEA which has been ratified by the French Parliament now means that the following vehicles qualify for exemption from the 3% French tax in respect of real estate interests in France:

- Jersey companies directly owning property in France
- Jersey limited partnerships whose general partner is a Jersey company and which own property in France
- Jersey companies which are trustees of Jersey unit trusts which own property in France

In order to obtain the 3% tax relief the relevant Jersey entity will need to file an annual return disclosing the residence of the investors and the current fair market value of the property.

An extract from the text of official correspondence between Jersey and France is set out below:

- “Subject to compliance with certain reporting obligations (information on the entity’s owners and assets), the 3% tax will apply neither to entities with legal personality owning directly or indirectly one or more buildings in France or owning real property rights to such assets, provided

that their registered office is in Jersey, nor to entities without legal personality owning directly or indirectly one or more buildings in France or owning real property rights to such assets, provided that they have been created under the laws of Jersey;

- the same goes for the provisions in the second paragraph of Article 123bis(3) of the French General Tax Code, which impose special rules (minimum fixed income) for calculating the taxable income of natural persons who own units or shares in entities located in a territory which has not signed an administrative assistance agreement with France.”

The latest agreement is consistent with Jersey’s policy of constructive international engagement and highlights the mutual respect between Jersey and France. Jersey is committed to staying at the forefront of well regulated international financial centres and complies with international standards of financial regulation.

As the TIEA has been ratified by both the French Parliament and the States of Jersey, Jersey will now be treated by France as a territory which has signed an administrative assistance agreement in relation to tax matters.

Jersey has previously entered into Tax Information Exchange Agreements with 19 other countries including the USA; the Netherlands; the seven Nordic countries (Denmark, the Faroes, Finland, Greenland, Iceland, Norway and Sweden); Germany; the UK; Ireland; Australia; New Zealand; Portugal; China; Turkey; Mexico and Canada.

Discussions are also underway with Spain and Italy amongst others and the States of Jersey is currently in the process of extending its TIEA network to include other countries.

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