

## **Changes into the French furnished letting applicable from the 1st January 2025**

Because of the property crisis the French government decided to increase the obligations and increase the taxes on the holiday letting income and on the sale of those property. The changes could have been worse like the initial's laws presented in April 2023 or what New York or Barcelona have decided to stop converting those cities into huge hotels. These new rules were voted on the 20th November 2024.

### **1- What are the changes: Increase into the taxation of furnished letting**

#### a) MICRO tax option

- The flat deduction for MICRO BIC on B&B or qualify holiday furnished letting (like the "Etoiles de France" or Gîte de France for example), will be reduce from 71 % to 50 % with a maximum turnover from 188 700 euros in 2024 to 77 700 euros from 2025.

- For the ordinary furnished letting under MICRO BIC will be reduce from 50 % to 30 % with the maximum turnover from 77 700 euros to 15 000 euros.

#### b) Profit & Loss account

The change is only on the capital gain, where the depreciation will now be considered in the calculation of the future gain. This means that you can still offset from your income the depreciation of the property (between 2 to 3.33 % per year maximum of the purchase value or market value) but when you will be selling the property, the value that will reduce the sale price will be the net value of the property (purchase value, less the depreciation). This will have an important impact if you sale the property before the full exemption of 22 years. As the capital gain rule of sale of secondary for individual will still be applicable on the property use for holiday let, so you will still benefit from the reduction into the capital gain after 5 years of owning the property to have a 100 % exemption of tax after 22 years. So, this will affect you in a short-term sale but not in the long term. I'm still waiting for the full application rules to find out if the depreciation is the one that been used to reduce income or the one practice in the accountancy books.

### **2- Obligation of energy performance diagnostic**

This is for all new offer of property offer on furnished holiday let in tense area that request an authorization for change of use. Those property will request this certificate to register furnished holiday let at the "Mairie" with a qualification at a minimum F in 2025 to E in 2028.

From 2034, all properties for tourism furnished letting will have to obtain a certificate between A to D. So, a 10 years delay is left to the owners to do all the necessary work to conform to the climate law called "loi Climat et Résilience de 2021".

Main residence let for furnished holiday let or property located in "overseas territories" are not concerned.

At any time the "Mairie" will be able to claim a valid energy performance diagnostic certificate of his holiday let property.

The fine for non-respect of that law will be 5 000 euros maximum administrative fine. Power Increase of Mairie

All property needs to be register at the Mairie and this is not new. So, you should already be register for holiday/tourism furnished letting no matter if you are using main residence or secondary home

(reminder). This is the same for all part of France, no matter if your property is located in small village or big city. But the application was only stamps by the Mairie, from the 20th May 2026, all property will have a registration number at the Mairie, like a permit, to have a better view and control on the application of the rules (fire security, energy performance regulation...). This will allow the Mairie to suspend the permit if a property is badly maintained. This will also allow Mairie to control the development and limit the number of properties offering holiday let, especially the town that have more than 20 % of secondary homes. From 2025, all Mairie will be able to limit the maximum letting days, to 90 days per year instead of 120 days today, for holiday purposes of main residence. In case of non-respect, then the owner may risk a fine of 15 000 euros.

The Mairie will have the possibility to apply 2 new fines:

- One for default of registration for a maximum of 10 000 euros
- One for false return or use of fake certificate for a maximum of 20 000 euros

### **3- Regulation of holiday let into co-ownership area**

The new law allows the members of the co-ownership area of a residence to forbidden rental of apartment for holiday/tourism purposes with only the simple majority (this corresponds to 2/3 of the owners) instead of the full majority. But this only concern, the residence co-ownership that had a "clause" called "d'habitation bourgeoise". This is a clause that only allow use of permanent home (by the owner or with unfurnished long lease rental) and use of non-commercial self-employed "profession libérale" like consultant, nurse, doctor... All new co-ownership of new residence will have to say if they allow or not the possibility of making holiday/tourism furnished letting.

In any case, any new owner authorized to do holiday let in a residence will have to inform the "syndic" that manage the co-ownership area before starting is activity. This to avoid any issues with the other owned.