



IS A SOCIÉTÉ CIVILE IMMOBILIÈRE NECESSARY OR NOT ?

As an owner of a property in France, you can choose to set up a *Société Civile Immobilière* (SCI), but you need to consider carefully whether it is really necessary for you to use this structure or not.

Photo
JEAN-PHILIPPE
GIOANNI,
TAX ADVISOR AND
CONSULTANT IN
CANNES
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A SCI is a French company that is constituted for the ownership and management of a property - it is a non-trading company. It must respect some obligations such as having a company bank account, preparations of a set of annual accounts, holding an annual general meeting... If there are several properties and/or owners, the SCI can be very useful for the management of your unfurnished properties when letting. It is important to know exactly what you want to do with your property too: keep it, sell it, use it or transfer it? The SCI allows management flexibility because it is the most suitable form of ownership for a family or a group of persons. For a couple who are neither married nor

in a civil partnership, it offers advantages in relation to French inheritance laws. The ownership is clearly divided, financial participation regulated, rental income correctly divided and periods of occupation can be stipulated. The articles of the company need to be carefully prepared to be clear. Another important reason to set up a SCI is the transfer of the property: ▶ Gradual transfer of property to children - you can make tax-free gift transfers to children every 15 years (100,000 euros per child) and generally it is easier and cheaper to transfer shares of a property (particularly if there is a debt in the SCI); ▶ Parents can choose a special ownership structure (*nue-propriété/usufruit*);

▶ The surviving partner is protected from potential loss of the property; and
▶ If you are non-resident, you can use, through the SCI, the property as you wish and avoid French laws on inheritance rights. However, there are no tax advantages with a SCI. Due to 'fiscal transparency', owners of the SCI are taxed as individuals, like private individuals (*revenus fonciers*). If you rent out your property through a SCI, it is very important that the property must be unfurnished. On the contrary, the company is not considered any more as *civile*, but as a trading company and will be liable to corporate tax (*IS - Impôt sur les Sociétés*). On the other hand, if you have an important rental income and pay a lot of taxes, being subjected to corporate tax could be a welcome solution. The advantage of this choice is that you can depreciate the property, but you have more obligations. To conclude, you should think about the creation of a SCI before the purchase of a property according to your needs and expectations. Management flexibility and transfer of the ownership seem to be the most important reasons to choose this French legal structure.

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