

THE

# PARA-HOTEL SCHEME

**RENTAL WITH SERVICES**



Cabinet Roche & Cie  
[www.cabinet-roche.com](http://www.cabinet-roche.com)



# THE PARA-HOTEL SCHEME

Specialists in property for non-residents, Roche & Cie will assist you in the purchase/resale and annual fiscal monitoring of your second home in France.

- Preliminary study for a purchase or rental of a property
- Legal framework
- Accounting and preparation of tax declarations

Please do not hesitate to contact us for further information.

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# REGULATION

The para-hotel is an intermediate contract between furnished rentals and hotels.

The operator who provides, in addition to accommodation, at least **3 of the following 4** services under conditions similar to those of hotel establishments, is considered to be covered by the para-hotels regime and not by the furnished rental regime:

- Breakfast
- Regular cleaning of premises
- Provision of linen
- Customer reception





# ELIGIBILITY

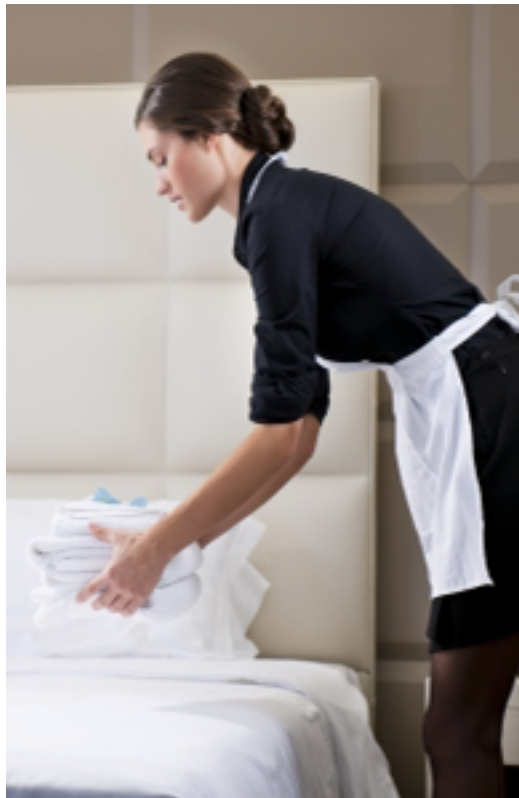
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Provide at least **3** of the **4** following services

Breakfast



Regular cleaning of premises



Customer reception



Provision of linen

# ADVANTAGES

## INCOME TAX

### Various deductible charges:

- Consumption of electricity, water, gas, etc.
- Maintenance, improvement and repair costs
- Local taxes: property tax, Territorial Economic Contribution (CET)
- Management and insurance fees
- Interest on loans contracted for the acquisition of the property or the performance of various works
- Depreciation of premises, equipment and furniture
- Owner's travel expenses for the maintenance of the premises, rental, inventories...

### Tax deficit management:

For the professional, the tax loss generated by this activity is deductible to the total income of the tax household (after deduction from other B.I.C profits).

The balance may be deferred on the overall income over the following 6 years.

**Reduction of income tax**



# WEALTH TAX

**Professional property is exempt  
from the wealth tax**

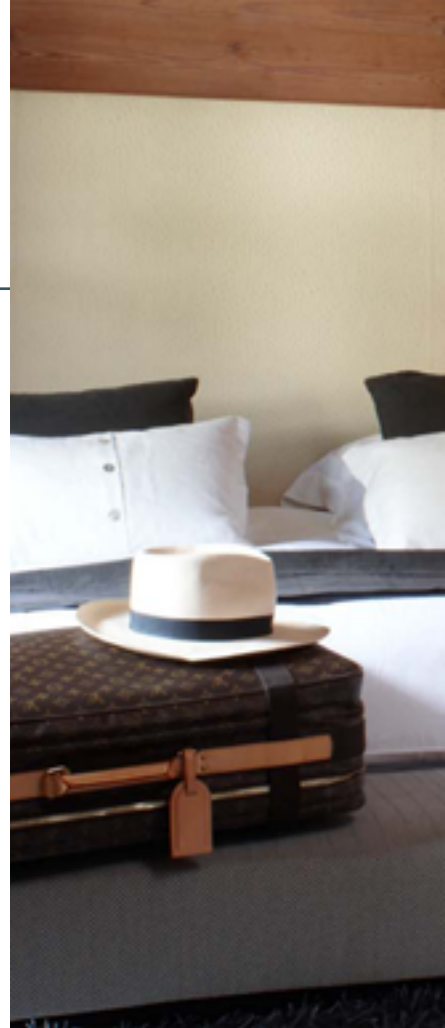
For professionals whose main activity is this,  
the assets used in this activity are exempt  
from the wealth tax.

# ADVANTAGES

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## VAT RECOVERY

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### VAT Liability

This is a commercial activity and is therefore subject to VAT. The owner will have to invoice VAT (which he will have to declare and pay to the Tax Administration) but will also be able to deduct it from the purchases and costs incurred for his activity.

**VAT return = invoiced VAT - deductible VAT**

### Rates to be applied to invoicing:

- Accommodation: reduced rate of 10%
- Para-hotel services : 20% (Breakfast at 10%)

### Possibility to deduct VAT on the acquisition of the building :

Concerns new buildings (less than 5 years old), and new constructions

### Example

Mr X buys on January 1st 2019 a new villa worth 5,000,000 € including VAT under the para-hotel scheme.

His property is intended to be rented.

On this acquisition he can recover 833.333 € worth of VAT.

(VAT refundable credit by the tax administration after verification)





## 20-year regularization period

You may need to pay part of this VAT in the event of resale less than 20 years after acquisition of the property.

### Repaid VAT =

VAT deducted on acquisition  
- 1/20th per year or fraction of a  
year of detention



### Example

Mr. X wishes to sell his villa on January 1st, 2027, i.e. 8 years after its acquisition. He must therefore pay part of the VAT previously deducted :

$$833.333 \text{ €} - 333.333 \text{ €} = 500.000 \text{ €}$$

Mr X must pay €500,000 in VAT. His net gain in relation to VAT amounts to €333,333

### Resumption of commitment:

If the purchaser of the property wishes to continue the para-hotel business, the VAT liability is taken over = the seller is no longer required to pay part of the VAT deducted.







## ADVANTAGES

# CAPITAL GAINS TAX REGIME

### Professional capital gains tax regime

Short term capital gains (less than 2 years of detention and up to depreciation value) : **Income tax scale + 17,2% of CSG-CRDS**

Long term capital gains (more than 2 years of detention and on the part of the capital gain exceeding depreciation) :

**Tax rate of 12,8% + 17,2% (CSG-CRDS)**

**And exemption of capital gains after 5 years** if the annual revenues of the last two civil years preceding the sale are lower than **250,000€**



# COMPARATIVE TABLE OF THE DIFFERENT SCHEMES

	NON-PROFESSIONAL FURNISHED RENTAL	PROFESSIONAL FURNISHED RENTAL	PARA-HOTEL REGIME
<b>Conditions of eligibility</b>	Accommodation furnished with sufficient furniture to live normally. Concerns all lessors who do not meet the conditions of the professional regime	- Annual revenues exceeding €23,000 - The income must be higher than the income from the tax household's activity	Furnished rental + regular provision of at least 3 of the following 4 services: - Breakfast - Regular cleaning of the premises - Supply of household linen - Reception of customers
<b>Application of Article 39C of the French tax code</b>	Depreciation allowed as a deduction from income within the limit of rents acquired less expenses	Depreciation allowed as a deduction from income within the limit of rents acquired less expenses	Article 39C of the CGI does not apply to the activity of hiring services. Allocation of depreciations without limit.
<b>Management of tax losses</b>	Deficit generated that cannot be charged to the taxpayer's overall income. Reportable for 10 years on the income from the same activity.	Deficit attributable to the taxpayer's overall income	Deficit attributable to the taxpayer's overall income
<b>Capital gains</b>	Capital gains regime for individuals with deductions for the period of detention: Taxation at the rate of 19% + 17.2% Social security contributions and possibly surcharges of up to 6%.	Regime of capital gains of professionals (PVCT up to depreciation and PLVT above 12.8% + 17.2% social security contributions) but EXEMPTION if: - Activity exercised for at least 5 years - Annual income for the last 2 calendar years prior to the sale < 90,000 €	Regime of capital gains of professionals (PVCT up to depreciation and PLVT above 12.8% + 17.2% social security contributions) but EXONERATION if: - Activity exercised for at least 5 years - Annual income for the last 2 calendar years prior to the sale < 250,000 €
<b>VAT</b>	Exemption, no liability possible	Exemption, no liability possible but activity subject to VAT	Franchise basis if turnover excluding taxes < 82,800 € Accommodation + Breakfast at 10% rate Other services at a rate of 20%.
<b>Operator's social security contributions</b>	No liability (except seasonal rental if turnover excluding taxes > 23,000 €)	Social security contributions for majority operator or manager	Social security contributions for majority operator or manager
<b>Wealth tax</b>	No exemption	Additional condition : - The income from professional furnished rental must be greater than 50% of the professional income subject to the income tax	Exempt property if the operator's main professional activity.





Roche & Cie

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Non-residents' specialist