

# Leaseback Mortgage Options

We work in conjunction with a UK based broker offering the best leaseback finance at the lowest rates on the French market. Contact us for a quote!

Here are some current options.

**Option 1 - 100% Mortgage with lowest possible deposit for a leaseback on which VAT is payable, applies to all resorts.**

100% of price including VAT, and 100% of the furniture. (The Notaire's Bank's and Broker's Fees are also financable at higher rate, .2%more).

3.25% year one, "life assurance-only" payments until construction complete, then 6 months' Euribor + 1.5% over 20 years.

**OR:**

3.5% fixed for five years.

Followed by 1.8% + 6 months' Euribor for the next 20 years.

No early repayment penalty after nine years if variable only. Otherwise no penalty after 5 years but only if the amount paid off is less than 10% each year.

The bank will require you to transfer savings to them equal to 4% of price +and the VAT refund to total a 20% savings deposit

This will yield 4% p.a. Tax Free

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## Option 2 - 80% Mortgage + furniture, selected resorts (homeowners only).

70% of price including VAT. Interest is charged at 2.95% interest-only until construction complete, then at 1.2% above 3 months Euribor. Monthly payment amount will remain **fixed** throughout the loan.

Early repayment penalty is 1.7% of amount pre-paid. No penalty after 5 years.

100% of VAT to be repaid to bank upon receipt from government. At this point your income is more or less equal to your monthly loan payment.

## Option 3 – 80% Mortgage, applies to all resorts. Up to 35 year duration. Good fixed rates.

Up to 80% of VAT inclusive price (if VAT paid), excluding furniture, for salaried people

Up to 65% of price if self employed or company owner, or if one of the couple is self employed or company owner.

Variable rate: 3m euribor + 1.25% subject to status

Duration: 15 - 35 years. Clients must not be older than 47 years to have a 35 year loan.

Fixed rate:

15 years 3.45%

20 years 3.75%

25 years 4.00%

30 years 4.15% maximum duration

Early repayment penalty: If property is sold - nil.

*At any time, up to 20% can be repaid without charge.*

*Thereafter the lesser of 3% or 6 months interest.*



**Option 4 – 70-80% Mortgage (depending on status), applies to most resorts, and to self employed or company owners.**

70-80% of VAT price excluding furniture. Flexible mortgages in 5 year periods. Can be a mixture of variable or Fixed

3.75%, 1st five years fixed if loan is over 20 years

**OR**

3.55%, 1st five years fixed, if loan is over 15 years.

**Option 5 – Interest only. A period of interest only followed by repayment period.**

70% of VAT exclusive purchase price excluding furniture and notaire's fees.

8 years interest-only, followed by 15 years repayment (max duration 25 years)

4.25% variable throughout the loan (Euribor 3 month + 1.8%, giving 4.25% at current rates).

**Option 6 – A pure interest only mortgage on loans above €300,000.**

80% of the VAT inclusive price, including furniture.

No repayment penalty if less than 10% paid off per year.

Variable rate on the 12 month Euribor + 1.6-1.9 depending on the amount borrowed.

Duration 7-20 years.

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\***Euribor** = Euro Interbank Offered Rate (this is the "base rate" for the Euro); the rate at which euro interbank term deposits within the euro zone are offered by one prime bank to another prime bank.

# French Tax

## 19.6% VAT REFUND

Once the building is complete you will apply (usually via the developments accountant) for a refund of the VAT element of the purchase. This usually takes around 3 months to come through, although it can be quicker and can be longer! Some developers will pre-finance the VAT, in which case you never pay it, but still apply for the refund and repay it to the developer.

Note that should you sell the property within 20 years you will have to repay a part of the VAT refund. If you sell after 5 years you will repay 15 / 20ths, if you sell after 12 years you will repay 8 / 20ths and so on...

Some developments are renovations, in which case the VAT refund amount is less, as it is only repayable on the renovation portion of the overall cost. It is often around the 9% - 11% mark.

## PURCHASE COSTS - STAMP DUTY / NOTARY FEES

The notaire in France is responsible for collecting the stamp duty and other taxes due on a property purchase. His fees along with the taxes and stamp duty generally amount to around 2.5% - 3% of the purchase price of new or off plan property and about 8% on older property and renovations. This can usually be added to the purchase price for mortgage purposes. If you are taking out a mortgage there will also be an arrangement fee to pay.



## ANNUAL PROPERTY TAXES

There are two taxes in France which equate to UK council tax.

TAXE D'HABITATION – payable by the person who occupies the property.

TAXE FONCIERE – payable by the owner.

As the owner of a leaseback property you are only responsible for the taxe fonciere, and this is zero for the first two years on all new property.

## INCOME TAX

Income from renting out property is currently taxable in France at 25%. You are liable for this tax which is paid in France only – you are not also liable in the UK for tax on your French property income. You can also offset this with your mortgage interest payments, depreciation, professional fees etc... The developer's accountant is often employed to fill in all these forms for you for a low cost.

## WEALTH TAX

This is payable on assets in France worth over 720,000 euros. It is on a sliding scale currently from 0.5% - 1.8%

## CAPITAL GAINS TAX

This is payable at 16% for EU residents, but starts to reduce after 5 years of ownership, and is zero after 16 years.