



## Your decision to buy with Domaine & Demeure

At Domaine & Demeure we offer our customers unique properties and a privileged access to the Mediterranean way of life. But we also ensure that your purchase makes sense – as much for your head as for your heart. As a fantastic property you get a solid rental potential and a straightforward exit should you choose to sell, we believe that buying a property with Domaine & Demeure is a fundamentally sound decision.

In this document we hope you will find answers for many of the important questions you may have about buying a property at one of our estates, and if we've left something out, please do get in touch and we will make sure to respond to any other query you may have.

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### NOTE ON TAX INFORMATION:

While we have done our best to ensure the accuracy of the information herein, the details with regards to taxation are for general information purposes only, and should not be taken as specific tax advice directed at the particular facts and circumstances of any individual purchaser. As such it should not be relied upon as being applicable in all cases and jurisdictions and as such we encourage you to discuss your particular situation with an independent tax advisor competent to provide you with advice for your jurisdiction.



## 1. Financing Your purchase

### French mortgages

French mortgage lenders have a (well deserved) reputation for conservatism in their lending practices. A result of this prudence is that French mortgage lenders have by and large escaped the effects of the economic slowdown and the credit crisis, and are happy to lend to eligible clients purchasing quality properties.

If you are planning on taking a mortgage to finance your purchase, we believe that doing so in France represents the best option. There are two main reasons for this:

- (i) A number of tax reliefs exist for property owners with French mortgages.
- (ii) Raising finance in France allows you to secure the mortgage against the property being purchased. In doing so, your asset and your liability are in the same country thus reducing the risk of “asymmetric” economic fluctuations. Currency risk is also reduced, as both your mortgage and payments are in Euro, as is the rental income you receive on your property.

### Eligibility

In general, when making a decision about how much they are prepared to lend, French lenders will look at two things:

- (i) The property being purchased: location, quality and price.
- (ii) The level of income, and in particular the level of existing debt of the person applying for the mortgage.

In general, the banks will evaluate your eligibility for a loan, and the amount you can borrow, using the “rule of one third” as their lending guideline. French banks will generally lend a sum such that the borrowers total monthly debt repayments are not more than 33% of total monthly income. For example, if a customer has a monthly income of €6,000, then the banks will generally lend an amount such that total repayments (including all other debts) do not exceed €2,000 per month.

### Types of mortgages available, rates and conditions

Whilst the global rise in interest rates has also reached France, a variety of competitive mortgage propositions are available to finance your purchase. The French mortgage market is different to other markets in that rates can be fixed for the duration of the loan. If interest rates do drop in the future, there exists also the possibility to refinance your loan to a better rate, which, even taking into account the charges associated with refinancing, remains attractive if the rate drops by around 1% or more. Taking a French mortgage at time of purchase leaves you with more options later in life, as it is very difficult to either release equity on a property purchased for cash, or to refinance an overseas loan.

For non-resident loans, banks will often ask for larger down payments versus regular French residents, which could be from 30% to 50% of the purchase price. As a guide, in September 2023 a 15 year non-resident loan would be between 4.5% - 5%. This excludes the cost of the life (loan) insurance which almost every bank will request. The insurance cost is determined based on your age, the amount insured, and your current health situation. On average we see costs around 0.1% - 0.3% of the initial capital.



The mortgage market is very volatile right now so it is worth checking back regularly to get an update on conditions.

## France home finance

International mortgage brokers and long term partners of Domaine & Demeure, France Home Finance have a panel of banks and financial institutions that have previously lent on our projects. The team at France Home Finance will work with you to understand your financing requirements in order to ensure you find the mortgage best suited to your needs. They will also provide you with mortgage simulations for the latest rates and products for which you are eligible. Once you have found the mortgage that suits you, they will guide you through every step of the financing process through to completion. If you would like to speak to a mortgage consultant about your financing options and requirements, please call on the numbers below, making sure to let her know that you are looking at buying from Domaine & Demeure.

### **FRANCE HOME FINANCE**

Tel (International): +33 (0) 1 44 88 59 44

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## 2. The Purchase Process

### How does the purchase process work?

The process for buying and selling property of all kinds is very strictly defined by the French Government, with a series of checks and balances designed to ensure a fair and legal transaction takes place. The system protects both buyer and seller, and is one of the safest and most equitable in the world. It is very rare in France for property transactions to go awry, and issues such as title deeds and planning permissions are very strictly controlled and monitored. Property transactions are executed by a Notaire, who acts on behalf of the French state to ensure that all aspects of the transaction are compliant with French law. For extra comfort some clients do prefer to take legal advice from a solicitor familiar with French property law. In this case, the solicitor will interact directly with the notaire to address any queries.

With Domaine & Demeure, the process for buying your property is very simple and will proceed as follows:

1. **SALE AGREED:** Once a sale has been agreed then a Notaire is asked to prepare the sales contract (The "Compromis de Vente").
2. **THE COMPROMIS DE VENTE:** The compromis de vente is a contract between buyer and seller outlining details of both parties, the price, the property being bought/sold as well as any conditions that have been agreed, such as the need to obtain mortgage finance. In France you cannot submit a mortgage application without a signed compromis de vente, so if you need a mortgage in order to be able to purchase, a conditional clause is inserted into the compromis outlining the details of finance required and making the acceptance of this finance application a condition of completion of the contract. In simple terms, if you are refused your mortgage as laid out in the compromis then you have the right to withdraw from the contract. Mentioned in the compromis will be a completion date approximately 3 months after the signature of the reservation contract. At this stage, this date is not a fixed



date and only gets formally confirmed later on when all the paperwork has been collected and checked by the Notaire.

3. **FEES:** The transaction fees are paid for by the purchaser. These are a combination of actual fees for the Notaire's work (Only around 1%), plus various stamp duties, taxes, registration fees etc. You should allow approximately 7-8% of the purchase price for this. These costs are outlined in the compromis de vente.
4. **SIGNING:** For buyers and sellers who are not in France, the Notaire will send the compromis de vente by email as well as a Power of Attorney ("Procuration" in French) that will enable the Notaire to sign this specific compromis on behalf of buyer/seller. You will need to print out your procuration, sign it, and have it certified by a Public Notary near you. There are plenty of Public Notaries in the UK. You can find a Notary near you by going to [www.thenotariessociety.org.uk](http://www.thenotariessociety.org.uk). Once you have signed and certified your procuration you email it back to Domaine & Demeure who will then forward it to the Notaire for signature of the compromis de vente. Your original copy to follow by post.
5. **COOLING OFF PERIOD:** Once both buyer and seller have signed the compromis, the seller is legally committed to the sale but the buyer benefits from a 10 day cooling off period. This 10 day period begins the day after a signed copy of the compromis has been emailed to the buyer. Once the buyer's 10 day cooling off period has lapsed, they are legally committed to the transaction, and can withdraw from the contract only if they are unable to secure the financing required, as outlined in the initial contract.
6. **DEPOSIT:** A typical deposit in France is 5% of the purchase price. This will need to arrive in the Notaries' client account within 10 days of signature of the compromis.
7. **DOCUMENTATION:** Once the buyer's cooling off period has lapsed, the Notaire will begin work gathering various bits of information. The main documents requested by the Notaire are;
  - (i) **The Certificat des Hypotheques** This is an extract from the French government mortgage registry and will declare whether or not there are any outstanding loans on the property. If he finds any outstanding loans, the Notaire must either repay the loan in full out of the proceeds of the sale before paying the vendor, or, if he believes the monies have already been repaid, sort out the discrepancy before being able to issue the clearance certificate.
  - (ii) **The Certificat d'Urbanisme.** This is issued by the Mairie (Town hall) confirming that the house is what it should be i.e.: a house rather than a factory or hotel. It also confirms the planning aspects of the property and whether there are any rights of way or something similar that relate to the sale.
  - (iii) **The Certificat de Pre-Emption.** In nearly all French villages, the Mairie has the legal right to purchase any property that is being sold. This could be enforced if they feel that the property would be useful for use a government building or to extend a school, or even to demolish it to create an open space. The exercise of this pre-emption right is very rare..
8. **COMPLETION:** Once the Notaire has received all documents required he/she will be able to fix the date for the completion. This is typically a date close to the one mentioned in the compromis and is a date that is convenient for all parties (buyer, seller, Notaire and Domaine & Demeure). Most buyers travel to be present at this meeting where the Notaire will read through the "Acte Authentique" (completion contract) and everybody will sign. Once signed, you become the legal owner of the property, are given the keys and take possession.



### 3. Managing Your Property

#### Management charges

At Domaine & Demeure we are committed to transparency in everything we do, and this also extends to our management charges. Management charges are ‘owner driven’, based on an annual budget, prepared by the managing agent, and voted upon by owners. Included in the budget is the maintenance of all common and private areas (not including the winery, restaurant, bar etc, which are independent businesses operating at no cost to owners), garden and pool maintenance, as well as basic maintenance of the buildings. Utilities are billed individually to owners, who also pay a share of communal utilities. Charges associated with the rental of the properties will be entirely separate from the management charge (see 4. Renting Your Property below). In this way you can be sure that you will only be paying for the services you receive.

Management fees – the fee that Domaine & Demeure takes for managing the property - are levied on a “cost plus” basis. We apply a 20% margin on the budget, which is then fixed, and billed to owners.

Where possible, management charges are allocated to individual properties on an actual basis (i.e. actual costs associated with a property are allocated to the owner of the property). Where this is not possible, the costs will be allocated on a per building or overall estate basis, using a formula which is calculated by the Notaire when drafting the articles of the Owner’s Association. These formulae are called the ‘tantiemes’, and are broadly related to the square metres of the properties. The process for calculation is strictly governed by French law.

A quarterly update is provided to all owners, detailing all income and expenditure for the property, on a line item basis (guests that stayed, individual expenses incurred). The report also provides an update on general progress at the estate – staff comings and goings, owners’ events, rental outlook, and all sorts of other news of interest to owners.

#### Utilities and services

Property owners will be liable for the cost of utilities (electricity and water) at their property, as well as insurances. Under the terms of the management contract, Domaine & Demeure will handle the administration of these accounts.

There will also be a suite of services available to owners, such as linen, house cleaning when using the house yourself, concierge services etc. These are charged on a consumption basis – if you use them, you pay, if you don’t use them, you don’t pay.



## 4. Renting your property

When you buy a property with Domaine & Demeure, you buy a freehold titled property, which you are free to use at will – summer, spring, autumn and winter; short stay and long sequester, planned in advance or spontaneous weekend. When you are not using your home yourself, you make the property available for rental to the tourist market, benefitting from a strong rental income from your property.

### Freedom to use the property when it suits you

Unlike the vast majority of rental schemes in France, you can use your Domaine & Demeure home whenever you want to, with no restrictions. You simply tell us when you will be in residence and when the property will be available to the rental pool. Beyond that, you come and go as you please.

As might be expected if you have put your home into the rental pool for a particular period and we have taken a booking, then we are of course obliged to honour the booking. But even in a period where the property has been made available for rental, if your home has not been booked, or the booking can easily be transferred to another property on the estate, then you can still come to stay – a flexible solution allowing you the freedom of your property while enjoying a strong rental income.

### Shared rental revenue

The rental revenue is shared between you the owner and the management company. 55% of the net revenue after VAT and rental commissions is paid to the owner. The management company keeps the other 45% to cover all the costs of operating the estate, including client reception and concierge services, linen, cleaning of the properties, maintenance etc.

### Income tax on rental revenue

Owners of a Domaine & Demeure property will in theory be liable for income tax on rental earnings, whether or not you are resident in France. This follows the general principle that applies between most countries, that rental income is liable to tax in the country where the property is situated.

Income tax on revenue generated by the letting of furnished property is surprisingly low in France, due for the most part to the significant deductions available. Owners at Domaine & Demeure estates are eligible to declare their rental income under the regime of “furnished lettings on a semi-professional basis” (LMNP). This scheme allows the owners a series of deductions and allowances, which in the vast majority of cases and circumstances result in a zero tax liability.

Allowances include:

- All management charges and costs
- Interest on mortgage borrowings
- Depreciation of purchase costs (80% of the value of the property over 20 years from when it was completed, thus 4% per annum)

These allowances and deductions ensure an “accounting loss”, and thus a nil tax liability. Moreover the accounting losses can be carried over year on year.



However, despite this nil liability, owners will need to submit a tax return to the French authorities of your rental income. In almost all cases Domaine & Demeure organises the drafting and filing of the tax return on client's behalf.

## 5. Selling Your Property

Freedom to sell your property at any time, without penalty

You are free to sell your property at any time with no strings attached. Unlike many French developments targeted at the second home buyer, there are no restrictions or inconveniences, and should you so require, Domaine & Demeure will help you to sell the property. You will also of course be free to use any agent of your choice.

### Capital gains tax

French taxation on property is designed to incentivise long-term holding rather than speculative investment, with Capital Gains Tax (CGT) rates decreasing the longer the property has been held by the owner(s).

In the event of disposal of your property in the short/medium term, Capital Gains Tax (CGT) will be liable on the net gain after deduction of acquisition costs, improvement costs and various other allowances.

Capital gains are 'individualised' – that is to say allocated to individual owners. So, for example, if a property co-owned by a couple (or friends) is sold for €100,000 more than the purchase price, the gain is considered to be €50,000 each, and tax rates applied on this basis.

You may also be liable for capital gains tax in your home country. The extent of the liability will depend on the terms of any tax treaty that exists. In most cases, full or partial relief is available. In relation to those from the UK any French tax paid can be set off against tax that may be due in the UK.