



International scope, Local focus  
Cutting edge insurance solutions

Presentation

French 3% Tax Insurance

## Background Information

- ✎ Cover for the obligation to pay the French 3% tax, transferred with the SCI to successive owners;
- ✎ Sections 990 D to 990 G of the French Tax Code detail a tax due, by all French and foreign legal entities that directly or indirectly own real property situated in France. It is an annual tax equal to 3% of such property's fair market value, as determined on January 1 of the relevant year. This tax is known as the "3% Tax";
- ✎ The French Tax Code provides for a number of exemptions. In most cases, in order to qualify for an exemption, specific information regarding the shareholders has to be provided;
- ✎ When due, the 3% tax is in principle owed by any entity in the ownership chain that does not benefit from an exemption.

International scope, Local focus.

## Background Information

- ✎ In a chain of ownership via several interposed entities, any entity interposed between the real property and the entity that owes the 3% tax is jointly liable for its payment;
- ✎ The local French SCI (property owning company) is usually the jointly liable entity;
- ✎ After sale of the French SCI, the SCI may be held liable for the unpaid taxes of the former direct/indirect shareholder, that has not paid or fulfilled its duty to inform;
- ✎ The French Tax Authorities can, under certain conditions, attach a mortgage to the French real property in order to obtain the payment of the 3% tax.

International scope, Local focus.

## Insurance Coverage

- ✦ We insure the SCI against tax liability as a result of a Demand for Payment compelling the SCI to pay tax liability, under sections 990 D to 990 H of the French Tax Code, inclusive of penalties and late interest, to the French Tax Authorities in respect of the tax year 1<sup>st</sup> January XXXX – 31<sup>st</sup> December XXXX;
- ✦ Demand for Payment means a demand for payment from the French Tax Authorities compelling the payment of tax liability, under sections 990 D to 990 H of the French Tax Code;
- ✦ Insurance cover includes (i) all sums that the SCI is legally liable to pay pursuant to or as a result of a Demand for Payment and (ii) unlimited legal costs to defend, minimise, mitigate or defeat a Demand for Payment.

International scope, Local focus.

## Insurance Coverage

- ✎ Insured: French SCI and its corporate successors (any successors by way of merger, de-merger, dissolution, consolidation, distribution or reorganization);
- ✎ Insured amount equal to the total amount of the tax liability, inclusive of penalties and late interest;
- ✎ Coverage proposed for the 6-year statute of limitation period for every tax year involved;
- ✎ One-off premium paid on subscription;
- ✎ Benefits of coverage: Insurance allows the seller to satisfy the demands of the purchaser without having to put part of the sale price in escrow or accept a price reduction.

International scope, Local focus.

## Who are FAF International?

- First American Financial International is the international services arm of First American Financial (NYSE: FAF), a company that traces its history to 1889 and the world's largest provider of real estate ownership and mortgage security insurance solutions;
- FAF International is the trading style for First Title Insurance plc when conducting business in Western Europe and Turkey;
- FAF International offers insurance solutions in 80 countries worldwide;
- Strong financial ratings from all major ratings agencies (AM Best & Fitch: A-);
- Unlimited underwriting capacity.

**This product has been developed in collaboration with the specialist insurance broker Title Protection Europe.**

