

Charles Hamer Financial Services

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PARIS COUNCIL CLAMPS DOWN ON PROPERTY RENTALS

With an increasing shortage of housing in central Paris, the city council is targeting landlords who rent out their properties for short term holiday lets by requiring them to apply for planning permission for change of use.

The basis for this stance is their interpretation of Article L. 632-1 of the Code de la Construction et de l'Habitation, which is that a furnished tenanted property is only put to residential use if it meets both of the following conditions:

- Furnished housing should be the principal residence of the lessee
- The lease required must be written for one year on a renewable basis, or 9 months for students.

Otherwise, the property is no longer used for residential purposes and therefore requires permission for the intended change of use.

For the most part the conditions for granting permission requires an alternative property not currently used for housing purposes to be converted to residential use. This is known as *change of use with compensation*.

Clearly most non resident investors in Paris do not have a secondary commercial property to offer to convert as compensation. The implication therefore, is that any idea to generate furnished holiday income is thwarted.

However, there are a few exemptions:

- 1) The rule does not apply to apartments located on the ground floor
- 2) Nor does it apply when the property, whilst furnished, is tenanted for a minimum 12 months lease for use as the tenant's main residence
- 3) It doesn't apply to unfurnished tenancies
- 4) It can be proven that the property was not used for residential purposes as of the 01/01/1970

WHAT ARE THE PENALTIES FOR NON COMPLIANCE WITH THE REGULATIONS?

If found guilty under Article L.651-2 of the Code de la Construction et de l'Habitation a fine of 25,000 Euros, can be applied, with continued violation of the law charged at a maximum of 1,000 euros per day per m².

CHALLENGING THE RULE

Charles Hamer Financial Services is Authorised and Regulated by the Financial Services Authority

The basis behind the Mairie's interpretation is that the lettings are a commercial activity, so representing change from residential use to commercial use.

There is case history however, which questions whether furnished holiday lettings, when not the principle activity of the property owner, in fact constitutes a commercial activity.

We are presently seeking clarification on this from the Mairie.

With all French government departments it could take some time to get answers to the questions raised. However, once we have more information on this subject we will update you.

For further information, please do not hesitate to contact the Tax Department at Charles Hamer Financial Services on 01844 218956 or email alex@charleshamer.co.uk