



TAX ALERT

Reinforcement of Reporting Obligations relating to the 3% Tax on the Market Value of French Real Estate (TVVI)

The 3% annual tax on the market value of real estate is, as a matter of principle, levied on any French or foreign legal entity which, whether directly or through one or more interposed entities, owns one or more properties located in France or holds rights *in rem* over such properties (Article 990 D of the French General Tax Code – the “FTC”).

1. Prior to the enactment of Law No. 2026-534 of 25 June 2026 on the prevention of social security and tax fraud, such entities were required, in order to benefit from the exemption from the 3% tax, to either:
- undertake, within two months following the date of acquisition of the real estate property or right *in rem*, to disclose to the French tax authorities, upon request, certain information regarding the property or properties and the shareholders, partners, or other members holding more than 1% of the shares, partnership shares, or other rights (Article 990 E, 3°-d of the FTC); **or**
 - file electronically, each year, a Form No. 2746-SD return (Article 990 E, 3°-e of the FTC), no later than 15 May of each tax year.

Companies not subject to French corporate income tax which file annually a Form No. 2072-SD return (real estate rental companies) or a Form No. 2038-SD return (timeshare companies) are not required to provide such an undertaking or to file a Form No. 2746-SD return (BOI-PAT-TPC-20-20 No. 380). Likewise, where a SCI (real estate investment company) has opted to be subject to corporate income tax, it is not required to provide such an undertaking or to file a Form No. 2746-SD return (the aforementioned BOI).

2. Article 102 of Law No. 2026-534 of 25 June 2026 (published in the Official Journal on 26 June 2026) abolishes the option for such entities to provide an undertaking to disclose under Article 990 E, 3°-d of the FTC.

Accordingly, all French or foreign legal entities falling within the scope of the TVVI must now file a Form No. 2746-SD return no later than 15 May of each year. This new provision will therefore take effect with respect to the returns to be filed in 2027.

In addition, under the same article, **entities without a permanent establishment in France are henceforth required to appoint a tax representative** on the Form No. 2746-SD return.

Absent any administrative guidance to the contrary, this reform appears to set aside the administrative tolerance arising from the Loncle Ministerial Response of 13 March 2000 (reproduced in the BOFiP), which provided that taxpayers eligible for the 3% tax exemption (under Article 990 E, 3°-d and e of the FTC) but who have failed to file the Form No. 2746-SD return must first be served with a formal notice by the tax authorities to remedy their position within thirty days.

This tightening of the rules is consistent with the Masson Ministerial Response of 7 March 2023, which had already limited the benefit of the right-to-error principle to taxpayers acting in good faith.

La Tour International remains fully at your disposal should you require any further information.

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