The French Leaseback Scheme
Your questions answered
**French Leaseback Property Scheme Explained**

The French leaseback scheme was introduced by the French government in 1986 in order to increase international investment in to the country while helping to provide self-catering accommodation for the tourism industry. France is one of the world’s top tourism destinations – with around 80M tourists each year.

The two main criteria for the French Leaseback’s 20% rebate are:

- Not to personally use your property for more than 182 days a year
- To have a management agreement with a management company

The idea behind the leaseback concept is that you purchase a fully-furnished freehold property from a development company and then lease it back to a management company over a specific period (contracts tend to be nine years, renewable up to 20 years).

In exchange for the time you agree to rent your property to the management company, you will receive a guaranteed return. **You will equally be able to benefit from personal usage** all year long for the remaining weeks you have not leased to the management company.

PLEASE NOTE THAT ON THE ‘PURE INVESTMENT’ DEAL THERE IS NO PERSONAL USAGE, BUT THERE ARE DISCOUNTS ON THE RENTAL RATES.

**The French Leaseback scheme is NOT a “timeshare” system.**

Thus, when you buy a French leaseback you purchase an entire property that has real value and provides you with capital gains. Whereas when you buy a timeshare you have to advance rent for a certain number of weeks over a certain amount of years.

A VAT Rebate (Propriétés & Co organizes this so that you only ever have to pay the before-tax price) of 20% is refunded on all new properties that fulfil two criteria mentioned in the previous paragraph. e.g. If the price of a new property is €120,000, you will only pay €100,000, so a discount of €20,000.
This VAT refund is credited over a 20 year period.

Should you decide further down the line that you prefer to use the property for more than 182 days a year, before the 20 years are over, and so want to stop the leaseback scheme, you will be liable to refund roughly 1% of the value of the property per year to the French government over a period of 20 years. For instance, if you purchase a property and receive a refund on the VAT of €20,000, then decide to stop the leaseback scheme after 15 years, you will be liable to refund €5,000 to the government [(20 years VAT) – (5 years of VAT) = €5,000].

You can sell the property at anytime

In the event you are selling your property to someone who wishes to re-enter your leaseback scheme there is no penalty. In the event that the person to whom you are selling wants to purchase the property outright – i.e. not on the leaseback scheme - then you will be liable to pay back the outstanding VAT at the time of the sale. In this circumstance the vendor would tend to increase the price in order to accommodate the VAT repayment. Equally, you could potentially encounter a penalty fee from the management company for breaking the lease.

Hassle-free approach to owning a holiday home

The French leaseback scheme offers hassle-free rental for the property owner. The management company is responsible for the full upkeep of the property, its furniture and the communal areas such as the gardens, pool, spa, etc. The management company is also responsible for renting out your property during your absence. On the leaseback schemes where the rentals are guaranteed, the management company will pay you the returns whether or not it rented your property.

Weeks of occupancy in your property

Propriétés & Co. offers a choice between pure property investments and a flexible mix of investment and leisure with a guaranteed income. For example, on our 2% return deal you benefit from five to eight weeks of personal usage (depending on the season) + a 25% reduction off rack rates at all our partner Garrigae Resorts’ destinations all year long+ 20% discounts on all facilities (bar, restaurant, spa)*. Accommodation for your personal usage needs to be booked six months in advance.
* With the exception of some of the weeks in peak season, the weeks can be used at any of Garrigae Resort's destinations, subject to equivalent accommodation costs. Usage cannot be postponed from one year to the next. Reductions vary from property to property.