

## Impact of the increase in the property transfer in Paris as from January 1, 2016

As voted by the municipality of Paris late December 2015, the property transfer tax has increased in Paris as from January 1, 2016 as follows.

Scope	Residential & commercial property in Paris		
	New basis	Old basis	Difference
Departmental contribution	4,50%	3,80%	0,70%
Municipality contribution	1,20%	1,20%	0,00%
Other	0,11%	0,09%	0,02%
<b>Transfer tax</b>	<b>5,81%</b>	<b>5,09%</b>	<b>0,72%</b>

Following the promulgation of the 2016 tax law, an additional tax of 0.6% has been created for the Ile-de-France region as from January 1, 2016 as follows.

Scope	Office, retail & logistic within Ile-de-France region		
	Excluding new property with reference to VAT regime		
	New basis	Old basis	Difference
<b>Additional tax</b>	<b>0,60%</b>	<b>0,00%</b>	<b>0,60%</b>

The aggregation of these taxes is summarized as follows.

Scope	Office, retail & logistic within Ile-de-France region		
	Excluding new property with reference to VAT regime		
	New basis	Old basis	Difference
<b>Transfer tax &amp; additional tax</b>	<b>6,41%</b>	<b>5,09%</b>	<b>1,32%</b>

As a consequence of the increase in the property transfer tax & the creation of the additional tax, it makes sense to compare a share deal with an asset deal. The example below relates to a commercial property in Paris which is not regarded as a new property with reference to the VAT regime.

## 1. Asset deal

Property market value -  
€m 100,0

€m	New basis	Old basis	Difference
Transfer tax & additional tax	6,4	5,1	1,3
Notary expenses - 0,825%	0,8	0,8	0,0
Mortgage expenses - 0,1%	0,1	0,1	0,0
<b>Total acquisition expenses</b>	<b>7,3</b>	<b>6,0</b>	<b>1,3</b>

## 2. Share deal

€m - tax transparent company

Property	60,0	Equity	35,0
Working capital	5,0	Bank debt	20,0
		Intra-group financial debt	10,0
<hr/>			
Assets	65,0	Liabilities	65,0
Property market value	100,0		
Equity at market value	75,0		
Transfer tax - 5%	3,8		
Notary deed & due diligence	0,5		
<b>Total acquisition expenses</b>	<b>4,3</b>		

### 3. Share deal vs asset deal

€m	New basis	Old basis
<b>Total acquisition expenses</b>	<b>-3,1</b>	<b>-1,8</b>
<b>In relation to the total acquisition expenses of an asset deal</b>	<b>-42%</b>	<b>-29%</b>

#### CONCLUSION

It's worth considering a share deal rather than an asset deal when applicable – assuming that the property company holds only the target property and not other properties not part of the acquisition scope.

Paris, January 15, 2016

---