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GMS Flash Alert

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Switzerland – Geneva Revises Wealth-Tax Treatment of French SCIs Held by Geneva-Resident Individuals

In 2026, the Geneva tax authorities clarified a change in the cantonal tax treatment of interests in French *Sociétés Civiles Immobilières* (SCIs) held by Geneva-resident individuals. The revised practice follows a Swiss Federal Supreme Court decision issued on 13 December 2022 and will apply a more systematic approach to treating interests in French SCIs as securities rather than as direct ownership of foreign real estate.[1,2,3]

WHY THIS MATTERS

Under Geneva's revised practice, individuals holding interests in French SCIs may face increased Swiss wealth-tax exposure, particularly if French real estate wealth tax is not payable. Affected taxpayers may also need to complete a dedicated SCI annex and provide supporting French tax documentation with their Geneva tax returns.

Key Highlights of the Federal Supreme Court Decision

- An SCI is recognized as a legal entity under French civil law but may be taxed in France either at the individual level or at the corporate level, depending on its tax status.
- For Swiss tax purposes, participations in an SCI are treated as participations in a legal entity (securities) rather than as direct ownership of real estate.
- If French IFI (*Impôt sur la Fortune Immobilière*) is not effectively levied and the relevant net taxable real estate value does not exceed the EUR 1.3 million threshold, then the "effective taxation" requirement under the France-Switzerland tax treaty will not be met. Switzerland will therefore fully tax the SCI participations for wealth-tax purposes.
- If IFI is effectively levied on the underlying real estate, Switzerland may apply exemption with progression to the corresponding portion, subject to cantonal implementation, to address potential double taxation.

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Geneva practice before and after the change

Following the Federal Supreme Court decision, the existing practice in the canton of Vaud was confirmed. In the canton of Geneva, however, the decision resulted in a change in practice that was clarified in 2026.

Note: The Geneva tax authorities previously treated participations in French SCI as foreign properties if the underlying income and assets were reported in France at the individual level.

Under the revised Geneva practice, the following tax treatment and reporting requirements apply to French SCI interests held by Geneva tax residents:

- Participations in French SCIs are treated as movable assets, specifically securities, for Geneva cantonal and communal wealth-tax purposes.
- If the “effective taxation” condition is not met because no IFI is due in France, the full value of the SCI is taxable in Geneva as wealth.
- If IFI is effectively levied in France on the SCI held real estate, Geneva would apply treaty exemption with progression for the corresponding portion.
- Rental income derived from an SCI treated as transparent for French tax purposes may generally be reported in Geneva for tax-rate determination purposes only.
- Distributions derived from a French SCI may be treated as taxable dividend income, with the possibility of applying a tax credit, provided that there is proof of taxation in France.
- Individuals who are tax residents in Geneva and hold interests in French SCIs are required to complete a dedicated SCI annex, which should be attached to their annual Geneva tax return.

The SCI annex published in 2026 is intended to:

- identify all SCIs, including their names, SIREN identification numbers, addresses, and ownership percentages;
- describe the underlying assets (real estate, debts, etc.); and
- determine the taxable value for wealth and income tax purposes in Geneva and any portion that may qualify for treaty exemption.

The form and instructions, which are available in French only, can be accessed on the Geneva tax authorities’ website. The revised reporting requirements may apply retroactively to tax years for which assessments remain open. Currently, this annex is available only for the 2024 and 2025 tax years.

KPMG INSIGHTS

The revised Geneva practice represents a substantive change for individuals whose SCI interests were previously reported as foreign real estate. Treating those interests as securities may increase an individual’s taxable wealth in Geneva if the underlying French real estate is not effectively subject to IFI. It may also create additional documentation and filing requirements.

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Affected individuals may wish to consider the following:

- Taxpayers could prepare an inventory of their French SCI interests, including the ownership structure, value, debts, French income-tax status, and potential IFI exposure.
- Geneva-resident taxpayers may review the historical and current classification of their SCI interests and the valuation method used for Geneva wealth-tax purposes.
- Taxpayers could verify whether the effective-taxation condition is met where treaty exemption is claimed on the basis that IFI has been levied in France.
- Taxpayers may assess potential double-taxation exposure if the same underlying economic value may be subject to both French IFI and Swiss wealth tax.
- Geneva-resident taxpayers may review whether the dedicated SCI annex has been completed accurately and is supported by appropriate documentation, particularly if treaty exemption is claimed.
- Taxpayers may need to retain copies of the relevant French tax returns and tax assessments for submission to the Geneva tax authorities.
- Taxpayers with open Geneva tax assessments for prior years could review whether the revised practice and SCI annex may apply to those assessments.

The Geneva tax authorities have started sending information requests to taxpayers holding interests in French SCIs. A case-by-case review may therefore help taxpayers understand the administrative and financial consequences of the revised practice and identify any additional information that may be required.

ENDNOTES:

1 République et canton de Genève (in French), "Déclarer les revenus et la fortune d'une SCI en France."

2 République et canton de Genève (in French), "Fortune provenant d'une SCI en France."

3 République et canton de Genève (in French), "Liste des publications."

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