

INPATRIATES

France

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

Residents are taxed on their worldwide income regardless of where it is earned or paid. Tax credits apply for taxes paid abroad in accordance with applicable tax treaties (122 locations currently).

A foreign individual becomes a French tax resident if one of the following criteria is met (subject to confirmation with the criteria of the applicable tax treaty): Their stay in France is the longest compared to the other States; Their abode/family is in France; Their main professional activity is performed in France; or the center of their economic interest is in France.

The tax year corresponds to the calendar year. A personal income tax return must be filed each year per family (i.e., a single return per spouses with their dependent children).

The tax filing deadline is around the end of May of the following year with a small extension for online tax filing (income earned in 2022 must be declared in May 2023).

The tax due is directly computed by the tax authorities based on the information provided in the tax return. A tax bill indicating the tax due is sent generally in September.

The income tax on salaries is withheld by the employer through payroll and remitted to the tax authorities. The tax withholding/ payment are made on a monthly basis and applicable to the taxable income received by the individual.

The rate of the withholding will be based on the last tax return filed and is directly communicated by the French tax authorities to the employers.

In case a previous French tax return was not filed, a neutral rate will be applicable based on the amount of income earned.

An important reform may occur starting from 2023 in the tax collection process as the Government has set out plans that are included in the draft of the Finance Bill for 2023 to abolish the PASRAU collection system: if these provisions will be approved by the French Parliament, no withholding tax obligations will apply starting from 1st January 2023 in relation to employees working in France who are not subject to the French social security rules.

Specific exemptions can apply to new tax residents who perform their professional duties in France during the height years following the arrival year.

The individuals may be able to reduce their taxable income by using tax credits or reductions granted for certain types of expenses with limitations (e.g., housemaid, investments in companies, charities, etc.).

The tax computation depends on the family size. Taxable income is divided by a certain number called “part” depending on the family size (i.e., 1 part for a single, 2 parts for spouses, 3 parts for spouses with 2 children). The brackets are applied to the divided amount. Then, the tax is multiplied by the number of parts. The advantage linked to this computation is capped.

REGISTRATION/FORMALITIES

For income tax purposes, there is no pre-registration with the tax authorities. The individual obtains a tax number after the filing of his first income tax return.

An individual earning wages subject to French social security contributions must be registered by his employer at the time of the hiring in order to obtain a social security number.

INCOME TAX RATES (2021 income)

Tax rates	Taxable income
0%	€ 0 - € 10,225
14%	€ 10,226 - € 26,070
30%	€ 26,071 - € 74,545
41%	€ 74,546 - € 160,336
45%	Over € 160,336

A non-French tax resident is taxed at a minimum rate of 20% from the first Euro earned and 30% above a certain threshold of net taxable income (EUR 26,070 for income received in 2021). The progressive tax rates above apply if the average tax rate is higher than the rate applicable for nonresidents.

Flat Tax on Investment Income

Investment income is subject to social levies at a cumulative rate of 15.5% plus income tax assessed at progressive rates (up to 45%).

It is now possible to:

- Be taxed as current taxation through progressive tax scale + additional social taxes at 17.2%; In this case rebate on dividends, length of ownership for capital gains apply.
- Be taxed at flat tax at 30% (including income tax and CSG/CRDS) but without any rebate (such as the 40% rebate on dividend, or length of ownership rebate for capital gain).

An individual can choose between the options for the whole investments received during the year, so only one regime of taxation applies per year.

Surtax on High Income

A surtax is applied in the following cases:

- Single: 3% of the taxable income between €250,000 and €500,000, 4% over €500,000;
- Married people: 3% of the taxable income between €500,000 and €1 Million, 1.4% over €1 Million.

SOCIAL SECURITY CONTRIBUTION

French compulsory social security contributions on wages are numerous and complex (with different rates and caps).

They cover health and disability insurances (basic and private insurances), basic and complementary pensions regimes, unemployment insurance, family subsidiaries regime.

CSG/CDRS are due on the gross, charged to the employee at the rate of 9.2%.

The contributions paid by the employee are deductible from the gross to determine the taxable wages.

CSG/CRDS

CSG/CRDS are additional taxes dedicated to finance social security regime. They apply on passive income at 17.2%.

REAL ESTATE PROPERTY TAX

Taxpayers with net assets above €1.3 Million are liable for a wealth tax through a progressive tax scale based on the value of their net assets.

Every item of asset was included, such as real-estate properties, balance in bank accounts, shares, vehicles etc.

The tax is only assessed on real estate property (and shares of real estate companies) on assets above €1.3 Million. Other assets of the taxpayers are.

The tax scale remains the same and is as follows:

Part of the taxable net assets	Rate
Up to 800,000 €	0 %
From 800,001 € to 1,300,000 €	0.5 %
From 1,300,001 € to 2,570,000 €	0.7 %
From 2,570,001 € to 5,000,000 €	1 %
From 5,000,001 € to 10,000,000 €	1.25 %
Above 10,000,000 €	1.5 %

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