Native Teams

France Tax Knowledgebase

Employee personal income tax

Tax residence

Individuals are considered tax residents in France if they meet any of the following criteria:

- Their permanent home or principal place of abode is in France.
- Their main place of professional activity is in France.
- The centre of their economic interests is in France.

Executives of large French corporations with an annual turnover exceeding EUR 250 million are deemed to perform their principal professional activities in France.

Tax residents are subject to personal income tax (PIT) on their worldwide income, while non-residents are taxed only on their French-source income.

Conditions for the obligation to file the PIT

All individuals domiciled in France and earning taxable income are required to file an annual income tax return. Non-residents receiving French-source income may also need to file, depending on the nature and amount of income.

Tax report in question (Form name)

The primary form for individual income tax declaration is Form 2042. If you are self-employed or exercise a liberal profession, you need to submit Form 2024-C-PRO together with your tax return, i.e., Form 2024. Additional forms may be required based on specific income types or deductions. It is possible to submit your tax return using the online platform of the French authorities:
https://www.service-public.fr/particuliers/vosdroits/F358?lang=en

Tax year

The French tax year aligns with the calendar year, running from January 1 to December 31.

Tax rates

In France, the income tax rates are progressive, ranging from 0% to 45%.

Taxable income (€)	Tax rate (%)
Up to 11,294	0
11,295 – 28,797	11
28,798 – 82,341	30
82,342 – 177,106	41
Over 177,106	45

Additionally, residents may face special social security surcharges of up to 17.2% on certain types of income.

An extra tax applies to high earners:

- For individuals: 3% on income between €250,000 and €500,000, and 4% on income above €500,000.
- For couples: 3% on income between €500,000 and €1 million, and 4% on income above €1 million.

This tax will remain until the government eliminates its deficit.

A temporary tax for 2025 applies to households with taxable income over €250,000 (individuals) or €500,000 (couples) if their average tax rate is below 20%. This tax ensures they pay at least 20% on their income. Payment must be made in an instalment covering 95% of the estimated amount between December 1-15, 2025.

Tax returns and payment of tax

Married persons and civil union partners file a joint tax return, with no option to file separately after the year of marriage or before the year of divorce.

Tax returns must be filed annually, with deadlines typically falling between May and June, depending on the taxpayer's department and whether the filing is made online or on paper. Since 2019, France has implemented a pay-as-you-earn (PAYE) system, where taxes are withheld at source. Any remaining tax liability after withholding is settled upon filing the annual return.

Personal deductions (salary)

Certain expenses are deductible from taxable income, including:

- Alimony payments.
- Childcare expenses for children under six.
- Donations to approved charities.
- Employment-related expenses, either as a standard deduction or actual expenses.

Tax allowances

France employs a "family quotient" system, adjusting taxable income based on household composition. Each adult counts as one part, the first two children as half parts each, and subsequent children as one part each. This system reduces the effective tax rate for larger families.

How to submit the tax return

Filing a tax return in France is mandatory for all residents, including expatriates, by May 2025. Here's a concise guide on navigating the process.

- **Step 1: Access form 2042**
  For most residents, filing will require the Form 2042, also known as Déclaration des revenus. If you're filing for the first time, you'll need to submit a paper form; otherwise, use the online form via impots.gouv.fr. Using the online platform is mandatory if your household has internet access; otherwise, an administrative penalty of EUR 15 per tax return may apply. There is an exception for elderly people.

- **Step 2: Verify personal information**
  Begin by confirming your personal details, including your name, address, marital status, and any family changes (e.g., marriage or children). Ensure all data is accurate before proceeding.

- **Step 3: Declare your income**
  This step is crucial. You'll report both French and worldwide income, such as wages, pensions, rental income, investments, and other sources. Be sure to include any necessary annexe forms based on your situation, such as:

  - 2042C PRO: For micro-entrepreneurs and furnished property rental income
  - 2042-IFI: For French wealth tax
  - 2047: For foreign income
  - 3916: For overseas bank accounts
  - 2086: For crypto investments

- **Step 4: Report foreign bank accounts**
  If you have overseas bank accounts, you must declare them under Box 8UU and complete the necessary forms. Fines for late declarations are often waived if you voluntarily update your information.

- **Step 5: Finalise and sign**
  Once you've declared all your income and expenses, review your estimated tax liability, ensure the information is correct, and sign your declaration. Online filers will be able to make adjustments and add payment details, such as your bank RIB. (RIB stands for relevé d'identité bancaire, meaning 'statement of banking identity', or just another way of saying bank account details.)

Additional notes
If you need to add any clarifications or corrections, use the online messaging service to communicate directly with the tax authorities. If you're unsure about any forms, you can consult the practical guides available on the tax website or seek advice from a tax professional.

Employee taxation of income (int, div, royalties)

Interest income: Tax rates

French residents are subject to income tax on interest earned from both French and foreign sources. Interest income is generally taxed under the Prélèvement Forfaitaire Unique (PFU), also known as the "flat tax", at a total rate of 30%, which includes:

- 12.8% income tax
- 17.2% social charges

Taxpayers may opt to be taxed at progressive income tax rates if it results in a lower tax liability. However, this choice applies to all income subject to the PFU and cannot be applied selectively.

Additionally, a high-income surtax (CEHR) of 3% or 4% may apply to a portion of taxable income exceeding certain thresholds.

Dividend income: Tax rates

French residents are taxed on investment income from both French and foreign sources.

- Dividends: Taxed under the Prélèvement Forfaitaire Unique (PFU) or "flat tax" at 30% (12.8% income tax + 17.2% social charges).
- Withholding Tax (WHT): Applied as an advance payment on tax liability.
- Tax option: Taxpayers can opt for progressive tax rates if more favourable, but this applies to all PFU-taxed income. In this case, a 40% dividend deduction applies.

- Additional tax: A high-income surtax (3% or 4%) applies to certain income levels, in addition to the PFU.

Capital gains: Tax rates

In France, capital gains on selling shares and real estate are taxable.

- **Shares & bonds:** A flat 30% tax applies (12.8% income tax + 17.2% social charges). Taxpayers can opt for progressive rates with discounts based on the holding period.
- **Real estate:** Gains are taxed at 19% plus 17.2% in social charges, totalling 36.2%. Discounts apply after five years of ownership, with full exemptions after 22 years for income tax and 30 years for social taxes. Additional taxes (2%-6%) apply to gains over €50,000.
- **Exemptions:** The sale of a principal residence is fully tax-free.
- **Capital losses:** Real estate losses cannot be carried forward to offset future gains.

Royalty income: Tax rates

Royalty income is generally taxed as ordinary income for French residents. However, different tax rates apply depending on the type of royalties:

- **General royalties (excluding industrial property):** Taxed at progressive income tax rates, plus 17.2% social charges (CSG/CRDS).
- **Industrial property royalties (patents, trademarks, etc.):** Taxed at a flat rate of 33.33%, though a lower rate may apply under an applicable tax treaty.

Income from real estate rentals is also taxed as ordinary income, with 17.2% social charges in addition to standard income tax rates.

Withholding

Withholding tax on interest: Rates

For French tax residents, a withholding tax (WHT) applies upon receipt of interest income as an advance payment toward their final tax liability. The WHT rate is 12.8%, aligning with the income tax portion of the PFU.

This WHT functions as a prepayment, meaning taxpayers may need to make adjustments when filing their annual tax return. If they opt for progressive taxation, the WHT is deducted from the final amount due.

For non-residents, WHT on interest varies based on applicable tax treaties. In some cases, a reduced rate or exemption may apply, depending on the agreement between France and the taxpayer's country of residence.

Withholding tax on dividends: Rates

When receiving dividends in France, investors may be subject to withholding tax (WHT), which serves as an advance payment towards their final tax liability. The rate and application of WHT depend on the taxpayer's residency status.

For French tax residents
French residents receiving dividends are subject to a 12.8% WHT, which is deducted at the time of payment. This withholding acts as a prepayment of the Prélèvement Forfaitaire Unique (PFU), also known as the "flat tax," which applies at a total rate of 30% (12.8% income tax + 17.2% social charges).

When filing their annual tax return, residents can either:

- Keep the flat tax (PFU) at 30%. No further tax payment is required beyond the withholding and social charges.
- Opt for progressive income tax rates. In this case, they may benefit from a 40% deduction on dividends, but this choice must apply to all investment income subject to PFU.

For non-residents
The WHT for non-residents varies based on tax treaties between France and the taxpayer's country of residence. The standard rates are:

- 12.8% for individuals
- Non-residents are generally exempt from French social charges (17.2%), but this depends on their country of residence and applicable treaties.

Withholding tax on capital gains: Rates

In France, there is no withholding tax (WHT) on capital gains for French tax residents. Instead, capital gains from the sale of shares and real estate are reported and taxed upon filing an annual tax return.

For non-residents, WHT may apply depending on the type of asset sold:

- **Shares & securities:** Generally not subject to WHT, but tax treaties may impose specific rules.

- **Real estate:** A WHT of 19% applies to capital gains on property sales by non-residents, plus 17.2% in social charges, unless a treaty provides a lower rate or an exemption. Additional surtaxes (2%–6%) may apply to gains exceeding €50,000.
- Non-residents from the EEA (excluding Liechtenstein) may be exempt from social charges on real estate gains.

Withholding tax on royalties: Rates

For French tax residents, there is no WHT on royalties, as they are taxed through the annual income tax return.

For non-residents, royalties paid by a French entity are subject to WHT at 33.33%, unless a tax treaty provides for a reduced rate or exemption. In many cases, tax treaties lower the WHT significantly, sometimes to 0% or 5%, depending on the country of residence of the recipient.

To benefit from a reduced rate, non-resident recipients must provide proper documentation to claim treaty relief.

Fees for technical services

In France, individuals providing technical services may be subject to withholding tax (WHT) on payments received from French entities. The standard rate for technical services fees is generally 33.33%. However, this rate can be reduced depending on the tax treaty between France and the service provider's country of residence.

If a tax treaty exists, the WHT rate on technical services fees may be significantly lower, often ranging from 0% to 10%. For individuals seeking to benefit from these reduced rates, proper documentation, such as a certificate of tax residence, must be submitted to the French tax authorities.

Additionally, it is important to note that France applies higher withholding rates (up to 75%) on fees paid to individuals from non-cooperative jurisdictions, unless justification is provided.

For non-resident individuals, understanding the applicable tax treaties and ensuring proper documentation can help minimise withholding tax on technical service fees.

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Employee tax - Special regimes to apply

Impatriate Law (Inbound Employee Regulations)

France's impatriate tax regime is designed to attract skilled employees to work in the country, offering tax advantages for those relocating to France. This regime allows qualified employees to benefit from tax exemptions on certain forms of income for up to nine years.

Key benefits:

- **Impatriation bonus:** A percentage of the employee's remuneration, which can be flat-rate or based on performance, may be exempted.
- **Foreign remuneration:** Income related to work done outside France, up to 20% of taxable income, can be exempted.
- **Wealth tax exemption:** Foreign real estate assets are exempt from France's wealth tax for up to six years.
- **Social security contributions:** Impatriates may be exempt from French retirement schemes for up to three years, provided they contribute to an alternative pension plan.
- **Financial and capital gains exemptions:** 50% exemptions apply to income from foreign financial assets, capital gains, and intellectual property rights.

Eligibility
To qualify, an employee must have lived abroad for at least five years before coming to work in France. The regime is available for up to nine years, with conditions for the application period.

The impatriate regime offers significant tax advantages for employees relocating to France, making it an attractive option for skilled professionals and international companies.

Expatriate Law (Working abroad rules)

French tax residents working abroad may remain taxable in France, but specific exemptions or credits can apply, depending on tax treaties and the nature of the work.

Double taxation agreements

https://bofip.impots.gouv.fr/bofip/2509-PGP.html/identifiant%3DBOI-ANNX-000306-20240724?utm_source=chatgpt.com