www.pwc.com

International Assignment Services

Taxation of International Assignees

Country – France

Human Resources Services

International Assignment Taxation Folio

pwc

Table of Contents

Introduction – International assignees working in France 3
Step 1 – Understanding basic principles 4
Step 2 – Understanding the French tax system 6
Step 3 – What to do before you arrive in France 14
Step 4 – What to do when you arrive in France 16
Step 5 – What to do at the end of the tax year 17
Step 6 – What to do when you leave France 19
Step 7 – Other matters requiring consideration 20
Appendix A – Tax computation using 2010 French personal income tax rates 25
Appendix B – 2010 individual income tax liability at different salary levels 27
Appendix C – Tax-free benefits for expatriates in France and/or French headquarters 30
Appendix D – Total levies on selected income 32
Appendix E – Deductible expenses and tax credits 33
Appendix F – Social security contributions 35
Appendix G – France contacts and offices 36

Additional Country Folios can be located at the following website: www.pwc.com/ias/folios

Introduction – International assignees working in France

This booklet has been prepared to provide a general background to French personal income tax to expatriates qualifying as French tax residents.

This booklet is not intended to be a comprehensive or exhaustive study of French tax law and should not be used for completing French personal income tax returns. Some of the tax rates, exemptions and allowances have been omitted from the booklet because they tend to vary from year to year. Where such information has been included, the data is based upon the tax law applicable to 2010 and whenever possible, to 2011.

Indeed, for income received as of 1st January 2010, the marginal tax rate is of 41% and the number of tax brackets is set at 5.

Last updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

Step 1 – Understanding basic principles

The scope of French taxation

1. An international assignee sent to work in France will, in general, become liable to French taxation either as a resident or as a non-resident of France. The main tax of concern for an international assignee is personal income tax ("impôt sur le revenu"); it applies to the worldwide income of tax residents in France and to the French source income of tax residents of other countries, unless otherwise provided by a tax treaty signed between France and the relevant state. It should be noted that France has an extensive tax treaty network.

The tax year

2. The French tax year runs from 1 January to 31 December.

Methods of calculating tax

3. Each category of income is combined and, after deduction of allowances, is taxed at progressive rates. An example is set out in Appendix A.

4. Total income is split according to family status: 'the more children you have, the less tax you pay.' Under income-splitting rules, total taxable income is divided by the number of shares awarded to the taxpayer: one share for a single person, two shares for a married taxpayer without children, half a share for each of the first two dependent children and one full share for the third and each subsequent child. Thus, the income of a married taxpayer with three children is split into four.

5. However, the tax saved from income splitting is limited depending on the net taxable income of the tax household (please refer to Appendix B). Figures vary for married taxpayers and for single and divorced taxpayers with dependent children.

6. With the combination of income-splitting rules and progressive tax rates, the top marginal tax rate begins at a net annual taxable income of €70,830 for a single person and at €141,660 for a married couple.

   Please note that global income tax under €61 is not collected by the tax authorities.

7. French employers do not deduct withholding tax on salaries paid to French tax residents. Tax is deducted at source for non-residents, as outlined in paragraph 21 below. However, French employers must generally withhold French social security contributions, a general social security tax ("Contribution Sociale Généralisée" – "CSG") and a contribution to the reimbursement of the social debt ("Contribution au Remboursement de la Dette Sociale" – "CRDS").

Husband and wife – Civil partnership (PACS)

8. Married taxpayers are generally required to file a joint income tax return stating the aggregate world-wide income of the husband, the wife and dependants, unless a tax treaty provides otherwise.

9. For French tax purposes, a dependant may be a child under 18, a child between 18 and 21, a child between 21 and 25 if in full-time education or a disabled person regardless of age.

Under specific conditions, a dependant may also be a disabled person, living in the same house but who is not necessarily a member of the family.

In other respects, persons of the same sex or the different sex can conclude a contract, called PACS, to organize their future life. In this case, civil partnership taxpayers are taxed like married persons: they have to file a joint income tax return stating the aggregate world-wide income of their family.

Determination of residence

10. An individual is deemed to have his tax domicile in France if:

   – He has his home in France or, if he has no home in France or abroad, France is the place of his principal abode; or
   – France is the place where he performs his principal professional activity; or
   – France is the centre of his economic interests.

   Only one of these criteria needs to be met in order to qualify as a French tax domiciliary. Unlike certain other jurisdictions, being considered domiciled in France does not reflect the intention to return to or remain in France; rather, it is a synonym for tax resident.

11. If an expatriate working in France is considered to be a resident in both France and the home country, reference is made to the relevant tax treaty, if any, to determine the country in which the individual will be regarded as resident.

12. Most tax treaties signed by France consider the following items to be relevant in determining the place of residence:

   – A permanent home;
   – Personal and economic relations (centre of vital interests);
   – An habitual abode; and
   – Nationality.

   These criteria are analyzed successively in descending order of priority.

13. For French exchange control purposes, a non-French national qualifies as a resident when the place of his principal abode is in France.

14. As far as exchange control regulations are concerned, French residents and non-residents must declare to the French customs authorities any transfer of funds exceeding €10,000 into or out of France, with the exception of bank transfers for which the reporting requirements are the responsibility of the financial institution.

Step 2 – Understanding the French tax system

Taxation of employment income

15. Employment income is widely defined and includes all employment benefits provided by the employer, whether in cash or in kind.

    In addition to salary, taxable employment income includes bonuses, commissions, overseas adjustments, cost of living allowances, housing allowances, tax reimbursements and the private use of a company car.

    Benefits-in-kind are, as a general rule, included in income at market value. The following are exceptions:

    – Reimbursements of travel costs incurred by an employee exclusively for business purposes and furniture removal expenses are generally both fully non-taxable;

    – A cash lump sum provided by an employer to compensate the employee for housing costs is assessed in full for income tax purposes, although housing (rented or owned by the employer) provided to the employee is subject to special rules. In this case, the taxable benefit is assessed, not at the actual cost of the rent, but at the fixed rates provided by the French social administration (depending on the level of remuneration as well as the number of rooms) or, upon election by the employer, at the rental value used by the Tax Authorities to levy local taxes. In order to qualify, the expatriate must not be a managing director of the company owning or renting the dwelling;

    – However, “expatriate” allowances may be fully exempt from French personal income tax according to the special expatriate tax regime applicable (see paragraph 21).

16. Salaries and other related benefits are taxed after deducting employee's mandatory social security contributions except CRDS and part of CSG and after a standard allowance for professional expenses equal to 10% of taxable employment income (up to €14,157 for 2010).

17. An employee may elect to deduct actual professional expenses incurred instead of the 10% standard deduction but, in this case, all expenses reimbursed by his employer must be added back to his taxable salary.

18. Qualifying professional expenses include certain commuting expenses, meals taken while away from home and professional documentation.

19. Professional advice should be sought before any option is elected to deduct actual expenses since various conditions must be met to ensure deductibility.

20. Non-residents liable to French personal income tax on employment income are subject to withholding tax. After deducting mandatory French employee social security contributions and the standard 10% salary deduction, employment income is subject to withholding tax at source by the employer at the rates of 0%, 12% and 20%. The 12% withholding tax is a final non-refundable tax. Non-residents are nevertheless liable to French income tax (resident rates) on the portion of the remuneration subject to the 20% band. If the resulting tax is higher than the 20% withholding tax, the 20% withholding tax levied by the employer is offset but an additional income tax is due by the employee. If the resulting tax is lower, the total withholding tax is the final tax liability of the employee. Under certain conditions and in very limited cases, refunds of withholding tax can be claimed.

Special income tax regimes for assignees into France (“inbounds”)

21. Special income tax regime for assignees into France (Article 81B of the French tax code): This regime is available to employees of foreign companies who were assigned to France as from 1st January 2004, and were not considered as a French tax resident during the five calendar years preceding the year in which their assignment in France began. For assignments which started between 1st January 2004 and 31st December 2004, individuals had to be considered as non-French tax resident for the ten years preceding that in which their assignment started.

    Under Article 81B, additional foreign allowances connected with the assignment (referred to as an “assignment premium”) are, under certain circumstances, totally exempt from French personal income tax.

    The tax free premium must be provided in the contract before the start of the assignment.

    However, the net taxable basis (excluding the "assignment premium”) cannot be lower than the remuneration paid in France for equivalent functions by the host company or similar companies established in France (the “French reference salary”).

    Only the additional remuneration over the French reference salary is tax exempt.

    In any case, this tax exemption should be carefully reviewed and is limited to five years as from the year of arrival.

    In addition, for assignments to France which started between 1st January 2005 and 31st December, 2007, another tax exemption can be added to the assignment premium system. This additional tax exemption is available upon election to the same individuals benefiting from the assignment premium exemption and enables them to exclude from French taxation the portion of remuneration relating to professional activities performed outside of France. Nevertheless, the tax-exempt remuneration corresponding to these foreign duties cannot exceed 20% of the net taxable remuneration (excluding the assignment premium).

22. New inbound assignee regime (Article 155B of the French tax code): This new regime came into force on 6th August 2008 and is applicable as of the 2008 French income tax year. It applies to employees assigned to France by their foreign employer as from 1st January 2008 or to employees directly recruited abroad by a French company as from 1st January 2008. In both cases, the individuals must not have been French tax resident during five calendar years preceding the year of beginning of their assignment/employment in France.

    Under this new regime, individuals assigned to France by their foreign employer can benefit from a French income tax exemption in relation to salary supplements connected with their assignment (”assignment premium”).

    For employees directly recruited abroad, the new regime would offer an option with regards to the tax treatment as follows:

    - The exemption of the actual amount of salary supplements received; or
    - In the event that there are no such salary supplements, upon election, a flat rate exemption of 30% of the total remuneration.

    The new regime still provides for a “floor” of taxable compensation (i.e. the taxable compensation cannot be lower than the taxable remuneration paid for a similar job in the same or a similar company established in France).

It also maintains an exemption of part of the remuneration based on foreign workdays. However, the total exemption (i.e. on salary supplements – actual or not – and foreign workdays) is limited to 50% of the total remuneration or the individual can elect for an exemption of French tax connected with foreign workdays limited to 20% of the taxable remuneration.

The availability of this new inbounds regime is limited to five years as from the year of arrival.

In addition, this new legislation cannot be cumulated with the regime available to French outbounds (see paragraph 24).

Since these tax regimes are subject to strict conditions, we would recommend that professional advice be sought at the earliest possible stage.

23. "Headquarters" tax regime: certain expatriates who cannot benefit from the above "inbound regimes" (or for whom a claim under these provisions might not be beneficial) may be able to claim a full exemption in respect of certain "expatriate" allowances (please refer to appendix C), providing they do not stay in France more than 6 years as salaried employees and providing they were not regarded as French tax residents in the year preceding their transfer to France. In particular, the reimbursement by the employer of tuition fees for dependent children enrolled in either primary or secondary schools may be tax exempt.

24. "French outbound" regime (article 81A of the French tax code): Specific regimes were created for French nationals maintaining their tax residence in France and assigned by their French employer to carry out part of their professional activity out of France. As from 1st January 2006, these regimes are extended to any employee considered as a French tax resident and assigned by an employer who is established in a State of the European Union or of the European Economic Area and which has signed a tax treaty with France which includes provisions relating to administrative assistance.

    Thus, a per diem allowance for business trips made out of France exceeding 24 hours may be allocated by the employer to an employee and attract a favorable tax regime providing that certain conditions are met. In particular, the "Travel Hardship Allowance" must be determined before the professional activity abroad starts; the amount must remain within a limit which is compatible with total compensation, the number and the duration of business trips abroad, etc. and cannot exceed 40% of the compensation.

    If the relevant conditions are met, this per diem allowance is not taxable but taken into account to determine the average tax rate applicable to other income fully taxable in France.

    In addition, other tax exemptions could be considered when:

    - Tax paid in the foreign country equals at least two-thirds of the income tax that the individual would have paid in France on the same income ; or
    - Specific activities enumerated in the French Tax Code are performed, if the presence abroad extends more than 183 days in a 12-month period (120 days for business prospecting).
    - Specific formalities are required in order to benefit from these various regimes

Taxation of self-employment income

25. Profits or gains derived from trades, professions or vocations carried out in France are subject to tax regardless of whether the individual is resident of France. If the individual is resident in France, a liability may also arise on profits or gains on activities carried out abroad unless tax treaties provide otherwise.

    Non-salaried individuals may also benefit from the new "inbound" regime under certain conditions and within certain limitations.

Professional advice should be sought at the earliest possible stage.

Taxation of investment income

26. **"New inbound" tax regime:** inbound assignees that benefit from the "new inbound" (Article 155B of the French Tax Code) regime can exempt 50% of the amount of the following income, under certain conditions, which mainly relates to the geographic situation of the paying entity:

    – Interest and dividends;
    – Royalties;
    – Capital gains; and
    – Industrial and intellectual property gains.

27. Generally, a French resident is liable to French income tax on investment income, whether from French or foreign sources. Taxable investment income qualifies as ordinary income and, as such, is taxed at progressive tax rates.

    A tax exclusion of 40% of the gross dividend is applicable and small tax exclusion for dividends (€1,525 for single taxpayer and €3,050 for married taxpayers) is added to the above exclusion.

    This system of exclusion is now also applicable to dividends paid by foreign companies located in States with which France has signed a tax treaty.

    For dividends and for certain fixed-return investments, French tax residents may elect tax to be withheld at source at the time of receipt, and not to be subject to any further taxation ('prélèvement libératoire'). The flat tax rate is 19% plus special social surtaxes (i.e. a total of 31.3%). This income must, nevertheless, be reported on the personal income tax return.

    This option can also be exercised by French tax residents when the payor is located in the European Union (excluding Liechtenstein), in Norway and in Iceland. This option must be applied in a 15 day period following the payment of the income and cannot be changed.

28. Appendix D gives examples of marginal rates of taxation on several items of income.

29. Rental income is taxed as ordinary income after deducting actual expenses borne by the landlord such as mortgage loan interest, management expenses, repairs, property taxes as well as insurance expenses. However, no actual depreciation cost will be taken into account (except for specific investments).

    Nevertheless, when the tax household receives annual rental income (not relating to specific type of investments) lower than €15,000, the gross income must be directly reported on the tax return and is taxed after deduction of a fixed allowance of 30% corresponding to expenses.

    Alternatively, the tax household may opt for the determination of rental income taking into account actual expenses paid (instead of the 30% flat rate deduction). This election is made through the filing of the annual personal income tax return and cannot be revoked for a three year period.

    Rental losses (generally due to repairs), with the exception of interest on loans, are creditable against other income up to a limit of €10,700. Depending on the nature of the property, rental losses exceeding this limit are creditable against rental income only and can be carried forward for ten years following the year in which the loss is incurred.

Capital gains tax

30. Generally, capital gains derived from the sale of a principal residence are tax-free. In addition, the capital gain realized on the sale of a secondary residence is tax free if the sales price is less than €15,000 or if the residence has been owned for more than 15 years.

    The net gain is taxed at a flat rate of 31.3% (including special social surtaxes), also applicable to capital gains on sales of shares.

    The declaration of this capital gain, as well as the payment of the related personal income tax, is made directly through the notary.

    The principles above are applicable to French tax residents and to nationals of European Union States as well as Norway and Iceland.

31. In addition, the capital gain relating to the sale of a property in France by a non French tax resident may be tax exempt providing, in particular, that the individual was previously considered as a tax resident for at least two years and that he had the residence at his disposal at least as from 1st January of the year preceding the year of sale.

    The exemption is limited to one property per tax household.

    Part of the exemption would also be extended to nationals of non-EU States which have included a non-discrimination clause in their tax treaty signed with France.

32. As from 1st January 2011, capital gains on sale of shares are taxed with no minimum of gross sales proceeds.

33. From 1st January 2011, the applicable tax rate is 31.3 % (including 12,3% special social surtaxes) is due on the full capital gain realized. As of 2011, capital gains realized on sales of shares will be subject to special social surtaxes at a total rate of 12.3%,

34. In addition, from 1st January 2006, a deduction is granted equal to one-third of the capital gain for every year after the fifth year that the individual has held the stock. This will lead to a complete exemption from income tax for stock held over eight years. However, this exemption only applies to the income tax component (19 %) while the social surtaxes remain due.

35. Capital losses on the sale of shares are creditable against capital gains of the same nature. These losses can currently be carried forward for a ten-year period following the year in which the loss is incurred.

36. Taxpayers may invest in a special savings plan called a 'Plan d'Epargne en Actions' ('PEA') under which profits and capital gains realized within the scheme are exempt from French personal income tax, provided that the savings are not disposed of within a five-year period and additional conditions are met. The maximum investment is €132,000 per taxpayer (i.e. €264,000 for a married couple which is allowed to own two PEAs).

37. This scheme is not available to non-French tax residents. Therefore, when leaving France, the account will be automatically closed with no personal income tax penalties. However, the social surtaxes taxes are due.

Double taxation agreements

38. If exemption from French income tax is available under a treaty, it is sometimes calculated under the 'exemption with progression' (EWP) method. The average rate of French tax on total income (including any income exempt from French income tax under the treaty) is first determined and then that average rate is

applied to French taxable income. Therefore French tax savings on excluded foreign income are generally only at an individual's average rate on all income, rather than at the marginal rate.

39. Under renegotiated tax treaties including those signed with Germany, Sweden, Italy, Spain, Switzerland, the UK and the United States, the exemption with progression method is no longer the method used to avoid double taxation, mainly, on employment income and rental income from foreign source. A tax credit system now applies under which the foreign income is subject to French personal income tax and a tax credit is granted corresponding to the French income tax attributable to this income.

    The main practical difference between the two systems is the possibility to deduct from the net taxable basis under the 'exemption with progression' the amount of actual tax borne in the State where the income is fully taxable.

    Both systems result in France taxing French source income taking into account the rate applicable to world-wide income. France rarely uses the actual tax credit method used by many countries (in particular the US), at least for employment income.

Social security taxes

40. The French social security system is composed of various schemes providing a wide range of benefits. Please refer to appendix F for standard mandatory contribution rates.

41. This system includes social security basic coverage (sickness, maternity, disability, death work-related accident benefits and old age state pension), unemployment benefits, compulsory complementary retirement plans, complementary death/disability coverage and complementary health coverage.

42. The contributions are shared between employer and employee; on average the employer's share of contributions represents 45% of the gross salary, the individual's share 15% (excluding 'CSG' & 'CRDS', see paragraph 53).

43. However, since the contributions are assessed using various ceilings, the average rate will decrease as the gross salary increases.

44. Generally, for any employee who carries out a salaried activity in France, the employer withholds the employer's and employee's share of French social security charges. However, France has entered into agreements with more than 40 countries whereby expatriates temporarily transferred to France may remain under home country social security schemes and **exempt from French charges** provided they hold a valid certificate of coverage.

45. A new European Regulation n°883/2004, came into force on 1st May 2010 provides that an individual temporarily assigned by a foreign company from a country of the European Economic Area (EEA) to work in France may, under certain conditions, remain subject to the social security scheme of his home country. This European Regulation replaces the previous European Regulation n°1408/71 and n°574/72 which remain applicable to an individual assigned by a company established in Switzerland, Iceland, Liechtenstein and Norway plus existing cases.

46. An employee may benefit from this scheme for a longer period (five or six years depending on the country of the EEA and Switzerland), if certain conditions are met.

47. According to the France-US social security agreement, employees working in France can continue to benefit from the US social security system, provided the duration of the assignment is not expected to exceed five years. This applies where the employee can show that he has been sent by his employer from the United States

to France and will remain subject to US social security (‘FICA’) and can demonstrate to the satisfaction of the French immigration authorities that he has adequate private medical coverage in the United States.

48. If an expatriate is not on the payroll of a French resident company and is liable to French social security taxes, the foreign employer is responsible for the payment of French mandatory social security contributions. The employee will have to be registered as an isolated employee of a foreign company without a permanent establishment with the URSSAF of Strasbourg. The same standard rates and rules as for an employer established in France are applicable. Please consult your tax advisor for further information.

49. Generally speaking, compulsory employee contributions to the French social security schemes are fully deductible for French personal income tax purposes.

50. However, contributions paid to compulsory and supplementary optional provident plans and supplementary pension plans by both employers and employees are tax deductible within certain limits.

    The excess contributions over the legal limits may be re-characterized as taxable income. Thus, that part of the excess attributable to an employee's contributions is not deductible from his taxable employment income whilst that part attributable to the employer constitutes a taxable fringe benefit for the employee.

51. There is a comparable rule applicable for social security tax purposes which may increase both the employer's and employee's liability.

    Given the complexity of this issue, please contact your tax advisor for further advice.

52. Contributions made to foreign social security systems are also deductible for French personal income tax purposes for taxpayers qualifying under the provisions applicable to inbounds in France (mentioned above in paragraph 22) as well as for individuals who are seconded after 1st January 2004 under EU regulation no. 1408/71 or a social security agreement signed by France.

    In addition, deduction of contributions made to foreign complementary health/disability/death and pension funds are allowed for taxpayers qualifying as inbounds under the law applicable to inbounds effective 1st January 2004.

    Nevertheless, these funds must comply with specific conditions in order to be considered deductible. We recommend contacting our experts to determine whether the foreign plan contribution qualifies for tax deductibility.

    Also, in accordance with the new regime for “inbounds” (Article 155B of the French Tax Code), the compulsory registration with the French social security system for those who work in France does not apply to the old-age State pension schemes provided that certain conditions are fulfilled. The exemption is granted once per assignee and is for a limited period of three years, with a possible extension of three years.

Generalized social security tax ('CSG') and Contribution to the Reimbursement of the Social Debt ('CRDS')

53. French tax residents subject to French mandatory social security schemes are liable to these levies assessed on their gross income related to professional activity with a 3% deduction limited to 4 social security threshold i.e. a maximum 3% allowance of €4,242 for 2011. These levies are also due on 100% of other types of income a French tax resident may receive. The ‘CSG’ rate is 7.5% and the ‘CRDS’ rate is 0.5%.

54. The ‘CSG’ and ‘CRDS’ taxes are also due on French rental and investment income. The ‘CSG’ on French rental and investment income rate is 8.2% and the ‘CRDS’ on French rental and investment income rate is 0.5%.

An additional social tax of 2.5% is due on French rental and investment income. Furthermore, a new 1.1% social tax called the "RSA" was recently passed applicable to 2010 rental and investment income.

Consequently, the rate of all social taxes is 12, 3 % as of 2010 on French rental income and as of 1st January 2011 on some French investment income (for some investment income received in 2010, the rate is 12, 1%)

55. These levies are not deductible for French personal income tax purposes; except for 5.1% of 'CSG' tax on salaries and self-employed remuneration and for 5.8% of 'CSG' on rental income and investment income subject to French progressive income tax rates.

56. 'CSG' on investment income exempted from French personal income tax gives rise to personal income tax deductibility. 'CSG' tax on capital gains and on income qualifying for withholding tax at source as a final payment (fixed return investment or French bonds, for example) is not deductible from taxable remuneration.

    The deduction for employment income is applied to the income subject to 'CSG'. For example, the deductible 'CSG' on 2010 income related to professional activity paid in 2010 will be deductible from 2010 taxable income to be declared in 2011. For passive income, the deductible 'CSG' can only be imputed against the taxable income received in the following year except in certain specific cases. For example, the deductible 'CSG' on 2010 income will be deductible from 2011 taxable income to be declared in 2012.

57. These contributions are still considered, in principle, as an income tax for the application of tax treaties signed by France.

    Given the complexity of issues surrounding CSG and CRDS, please contact your tax advisor for further advice.

Deductible expenses and tax credits

58. Certain specific expenses allow a French resident taxpayer to reduce the final French personal income tax liability.

59. While some of these qualifying expenses are deductible from total net taxable income, others can be offset against the personal income tax resulting from the application of progressive tax rates. These qualifying expenses are outlined in Appendix E.

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

Step 3 – What to do before you arrive in France

Work permits (for salaried employees)

60. If the assignee is a non-EEA national, he cannot perform a salaried activity in France without a work permit. A work permit may take the form of either a temporary assignment work permit or a salaried worker permit.

    The appropriate type of work permit will depend on the job position, level of salary, seniority within the group, reporting line, management functions, etc.

    Work permits are required even for short-term assignments in France (less than 3 months).

    Corporate officers (President/Managing Directors of French entities) need to apply for specific permits. Other specific authorizations also exist for independent workers, artists, scientists, etc.

61. A recent legislation facilitates Intra-group transferees (called "employees on assignment permit"/"salarié en mission") who can benefit from a 3-year work/residence permit (renewable) subject to conditions (seniority, salary, duration of the mission).

    A temporary work permit is required for individuals who are merely seconded to a company based in France and therefore have no French local contract of employment with the host company. The temporary work permit would be issued for a 12-month period, renewable for the duration of the mission (maximum 2 to 3 years). Under this status, the assignee can benefit from a social security exemption in France if there is a social security agreement between France and the home country allowing the assignee to remain under his home country's social security scheme while in France.

    If the assignee is considered as employed in France under a local employment contract (i.e. he will be reporting to a hierarchical superior in France who is himself an employee of the French entity, regardless of whether the assignee has a written French employment contract), a full work permit should be requested. Under this status, the assignee can still benefit from a social security exemption in France if there is a social security agreement between France and the home country allowing the assignee to remain under his/her home country's social security scheme while in France. However, there will be French employment and payroll obligations.

62. The entity based in France must complete a work permit application file at least two to three months before the assignee's arrival in France, using guidelines issued by the French immigration authorities. The entire file must be sent to the French authorities, together with supporting documents. A permit should be available in about two to three months. Once the work permit is obtained, the applicant needs to obtain a visa with the French consulate of the residence country and undertake a medical exam with the Immigration offices (OFII) in France

63. If the assignee is an EEA or a Swiss national, he is exempt from a French work permit as well as from a residence permit under the law of 27 November 2003.

64. Please note that a work/residence permit could still be required during the transition period for Bulgarian and Romanian nationals.

Residence permits

65. A residence permit is generally required for non-EEA nationals who plan to stay more than three months in France. This residence permit can be issued for a 12-month period or 3 years for “salarié en mission, renewable for the duration of the assignment or as long as the person still has the same conditions of salary and employment.

66. For non-EEA nationals, a full residence permit could be valid for ten years and allows an individual to perform a salaried or non-salaried activity. This permit is granted only to individuals who can prove, inter alia, an uninterrupted previous residence in France of at least five complete years and a basic French speaking level.

Importing personal possessions

67. If you are an EU national, you may import a car duty-free if owned by you for at least six months. You may import other possessions duty free if these possessions have already been used for a certain period of time. If you are a non-EU citizen, you must own a car for 12 months and other goods for six months. An inventory of goods imported must be filed in duplicate.

68. All tax-free goods imported by non-EU citizens must be kept for at least a 12-month period from the date of importation.

Last updated: January 2011	
This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.	**Menu**

Step 4 – What to do when you arrive in France

Registration

69. As an expatriate, you are not required to register with the French tax authorities on arrival in France. Your registration will be made when filing your first French personal income tax return (i.e. the year following that of arrival in France).

Social security obligations

70. Usually, a French employer will undertake the registration formalities with the social security authorities on behalf of an employee. If you remain covered under your home country social security schemes, you must have a certificate of coverage issued by the competent authorities. Depending on the expatriate's normal place of employment, immigration status and the social security treaty applicable, such certificates (some non-EU states, for example) may not exempt the expatriate and his employer from contributing to the French unemployment fund.

Step 5 – What to do at the end of the tax year

Tax return

71. French tax residents (French citizens and all other nationals) must generally file an income tax return by the end of May of the calendar year following that during which income was earned. Under certain circumstances the tax return may be filed via e-mail using the web site of the French Ministry of finance.

72. For non French tax residents, the deadline is 30th June of the calendar year following that during which income was earned for residents of States located in Europe, Africa, North America and Mediterranean coast and 15th July for tax residents of other countries.

73. The main French personal income tax return (Form no. 2042) must be filed together with specific tax returns relating to particular categories of income. In particular, a specific return (Form no. 2047) must be used to declare income from foreign source.

    Additional filing time is granted under certain circumstances to taxpayers performing certain industrial, commercial or agricultural activities.

74. No income tax is paid in the year of arrival in France (except for non French tax residents liable to tax withholdings – see paragraph 20)

Tax bill

75. You must pay tax when a tax bill is issued, except for most installments (see paragraph 75) which must be settled even in the absence of issue of the corresponding tax bill. The final tax bill is sent to you during the summer or fall of the year following the year of your arrival in France.

Payment of tax due

76. If you have been already liable to French personal income tax the previous year (income tax on 2009 income), installments must be paid by 15th February and 15th May 2011 (toward the income tax liability due on 2010 income). Each installment amounts to one-third of the income tax paid in the preceding year i.e., based on your 2009 French personal income tax liability. A tax bill will then be issued during summer or fall 2011, indicating the balance of 2010 tax due.

77. Please note that amounts in excess of €30,000 must be paid to the French tax authorities by automatic payment or by paying online via the website "impots.gouv.fr". This new process requires, in practice, a French bank account.

78. The French system allows French tax to be paid on a monthly basis upon request. Monthly payments are equal to 1/10th of the prior year's income tax liability but an adjustment is possible under certain conditions. The balance of personal income tax is paid in November and December. Payment of income tax by 'prélèvements mensuels' must be requested in writing by the taxpayer as the installments are withheld directly from the individual's bank account.

First and last year in France

79. Allowances and annual progressive tax rates apply in the same way to part-year and full-year tax residents.

80. Because of French income-splitting rules, a married taxpayer with children may not reach the maximum marginal tax rate (41% for 2010 income) in the first year in France.

81. When a French tax resident leaves France during the course of a tax year, he remains liable to French personal income tax on the aggregate of world-wide income earned as a French tax resident and also his sole French-source income earned as a non-French tax resident, subject to the provisions of an applicable tax treaty.

Last updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.	**Menu**

Step 6 – What to do when you leave France

82. All of the departure-related tax obligations have been cancelled for individuals leaving France as from 1st January 2005 and a French tax return must be filed by the normal deadlines.

83. In addition, personal taxes (i.e. personal income tax, CSG and CRDS surtaxes and habitation tax) must be paid by the normal deadlines (see paragraph 76 and 77).

84. A tax clearance certificate ('Quitus fiscal' or 'Bordereau de situation fiscale') can be issued upon request.

    Nevertheless, since a departure from France may create practical tax issues (e.g., change of the address, follow up correspondence with the tax administration, payment requests, etc), we recommend contacting our offices before leaving France.

Last updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.	**Menu**

Step 7 – Other matters requiring consideration

Gift and inheritance tax

85. French inheritance or gift tax may be due by beneficiaries of gifts or inheritance.

86. If the deceased or the donor is a tax resident of France, tax will be due in France on world-wide assets transmitted.

    If the deceased or donor is not a tax resident of France, tax will be due on world-wide assets transmitted to the donee if the donee has been a tax resident of France for at least six out of the last ten years.

    Regardless of whether the donor or donee is a tax resident of France, tax will be due on all personal and real property located in France.

    Please note that tax treaties addressing inheritance and/or gift tax may modify the tax results described above.

87. Inheritance tax is levied on assets at their fair market value, with allowances taking into account the relationship between the deceased and the beneficiary. Debts existing at the time of death are deductible in full.

88. Inheritance tax is levied according to tax schedules which vary depending on the family relationship between the beneficiaries and the donor or deceased.

89. Since a new French law entered into effect 22nd August 2007, no inheritance tax is due for inheritance open since 22nd August 2007 between spouses (or partner of a PACS) and for inheritance between brothers and sisters living together under specific conditions.

90. Progressive tax rates ranging from 5% to 40% (i.e., marginal rate applicable to the portion of assets exceeding €1 805 677) applies after a rebate of €159,325 for 2011 when beneficiaries are direct dependents.

91. Between non-related parties, the rate is 60% after an allowance of €1,594 for 2011 granted to each beneficiary. This allowance is not applicable in case of gifts.

92. Gift tax is subject to the same standard rules. However, there are some differences. Debts in relation to the property transferred are not deductible and if the donor pays the gift tax himself, this is not considered to be a taxable benefit.

93. In addition, a favorable tax regime is granted for gifts made during the lifetime of the donor.

94. A reduction of 35% or 50% of the gift tax (depending of the nature of the asset) is provided if the donor is less than 70 years old. The reduction is limited to 10% or 30% when the donor is over 70 years old and under 80 years old.

95. It must be noted that parents can grant tax-free gifts to their children every six years up to a maximum limit of €159,325 per child €80,724 per spouse and €31,865 for grand-parents to grand-children for 2011. These allowances are reviewed each year.

Local rates

96. A habitation tax or 'taxe d'habitation' is levied on any individual who occupies a dwelling on 1 January, even if he is not the owner. The tax is levied on a deemed rental value and specific deductions are granted according to the number of dependent children. There is also a property tax, 'taxe foncière', to be paid by the owner of a dwelling.

Wealth tax

97. Individuals who qualify as tax residents of France on 1st January of a given year are liable to wealth tax on their world-wide assets, unless otherwise provided by a tax treaty.

98. Non-residents of France are only liable to tax on assets located in France; financial investments located in France are generally not taxable.

99. This tax is only due if net wealth exceeds €800,000 (2011 tax year) on 1st January of that year.

100. Rates are progressive from 0.55%, after an allowance of €800,000 to 1.8% for net wealth in excess of €16,790,000.

101. Various exemptions are provided, including under specific conditions assets regarded as professional. A wealth "tax shield" is applied under various conditions, when the amount of income tax and net wealth tax exceeds 85% of income received the preceding year (see paragraph 114).

102. Unlike French personal income tax, wealth tax is determined by the taxpayer and paid on filing the return, normally by 15th June of the relevant year (deadline applicable for French tax residents – the deadline will be 15th July for European tax residents and 31st August for tax residents of other countries).

103. Citizens of certain countries such as Sweden, Germany and the United States are fully exempt from wealth tax on non-French assets for the first five years of residence in France.

104. If an individual arrived in France after 6 August 2008 and was regarded as a non-French tax resident for the 5 years preceding his arrival in France, his assets situated outside of France are exempt from French wealth tax until 31st December of the fifth year following the year of arrival in France.

3% annual property tax

105. Any company based in France or abroad which directly or indirectly owns property located in France which is not involved in an industrial or commercial activity falls within the scope of the annual 3% property tax.

Companies may benefit from an exemption by fulfilling certain requirements, e.g., an annual return or a commitment to provide the French tax authorities with information concerning the property and their shareholders.

Stock option plans

106. French law offers favorable tax and social security treatment of qualifying stock subscription or purchase options on both French and foreign stock.

A stock option plan qualifies in France if certain corporate law requirements are fulfilled.

Grant of the option

107. The grant of the option to the beneficiary remains exempt from French personal income tax as well as French social security contributions.

Upon exercise of the option: social security and personal income tax event

108. For qualified plans, there is no income tax due upon exercise with one exception: any "excess discount" (grant price less than 95% of the average price over the 20 trading days preceding the grant).

    The excess discount (over the authorized 5%) would be offset against the taxable basis of the subsequent taxable acquisition gain.

Upon stock disposal

109. The **sale gain** (i.e., the difference between the sales price and the fair market value of the shares at the date of exercise) is never subject to social security contributions and is taxed as a capital gain at the global rate of 30.3% (including social surtaxes) for 2010 French income tax.

    A distinction depending on the date of grant should be made to determine the tax and social security treatment applicable to the acquisition gain (i.e., the difference between the option price and the fair market value of the shares at the date of the exercise).

    For options granted before 20th September 1995, should certain reporting/holding requirements and a minimum five-year period be respected between the date of grant of the options and the date of disposal of the shares by the beneficiary, the acquisition gain will be taxed at the global rate of 30.3%. If the above conditions are not respected, the acquisition gain will be taxed as an additional salary subject to personal income tax (with income averaging), 'CSG' and 'CRDS' taxes and social security contributions (both employer and employee share).

    For options granted between 20th September 1995 and 26th April 2000, should certain reporting/holding requirements and a minimum five-year period be respected between the date of grant of the options and the date of disposal of the shares by the beneficiary, the acquisition gain will be taxed at the global rate of 42.3%. The taxpayer may elect to be subject to personal income tax (progressive tax rates) as compensation. If the above conditions are not respected, the acquisition gain will be taxed as an additional salary subject to personal income tax at progressive rates (with the benefit of the quotient rule), 'CSG' and 'CRDS' surtaxes and social security contributions (both employer and employee portion).

    For options granted as of 27th April 2000 the minimum holding period to benefit from social security exemption and favorable tax treatment is reduced to four years between the date of grant of the options and the date of disposal of the shares. If the specific reporting requirements are fulfilled, the favorable tax treatment depends on whether a two-year holding period is fulfilled after both (i) the expiration of the four year period (i.e., minimum six years), AND (ii) the date of exercise of the options.

    If only the initial four year holding period is fulfilled but not the additional two year holding period, the acquisition gain (less any excess discount) is taxed at a global rate of 42.3% (including social surtaxes) on the portion of the annual acquisition not exceeding €152,500, and 53.3% (including social surtaxes) on the portion of the annual acquisition gains above €152,500.

    If both the initial four year holding period AND the additional two year holding period are fulfilled, the acquisition gain (less any excess discount) is taxed at a global rate of 30.3% (including social surtaxes) on the

portion of the annual acquisition gains not exceeding €152,500, and 42.3% (including social surtaxes) on the portion of the annual acquisition gains above €152,500.

The taxpayer may elect to apply the progressive individual income tax rates if they are more advantageous.

If the above holding periods and/or reporting requirements are not fulfilled, the acquisition gain will be taxed as additional salary subject to personal income tax at progressive rates (with the benefit of the quotient rule), CSG and CRDS surtaxes and social security contributions (both employer and employee portion).

For options granted as of 16th October 2007 the tax treatment is the same as for options granted as of 27th April 2000 (see above) but a social contribution has to be added at a rate of 8 % since January 2011 (2,5% before) payable according to the same rule concerning income tax and subject to certain conditions and limits.

In addition, all rates indicated above include the CSG and CRDS surtaxes and the 3.6% levy where applicable. In view of the increasing complexity of stock option tax treatment in France, we recommend that professional advice be sought at the earliest possible stage.

Free grant of shares

110. A preferential personal income tax and social security regime applies to grants of free shares. This regime is similar to that applicable to stock options.

The regime applies to grants of shares having the following features:

- A vesting period of at least two years, and
- A holding period of the shares of at least two years.

The spread (i.e. the value of the shares at the vesting date) is subject to 42.3% tax global rate and 50.3% for shares granted as of 16th October 2007 for French tax resident subject to the French social security compulsory on a mandatory basis.

The sale gain (i.e. the difference between the sale price and the value of shares upon the vesting date) would be considered as a capital gain (subject to a 31.3% rate including social surtaxes).

This new regime applies to French and foreign companies subject to the French Commercial Code, provided that certain qualification requirements are met.

111. A special withholding tax on the part of the acquisition gain considered as from French source income for stock options and free grant of shares will apply as of 1 April 2011 for non French tax residents.

The withholding tax rates are:

- For non qualifying scheme, the rates applicable to salary at the time of transfer of the shares
- For free grant shares, 30% at the date of sale.
- For stock options, 30% on the portion of the annual acquisition gains exceeding €152 500 and 41% otherwise at the date of sale.

A tax instruction should specify, during the year 2011, the sourcing method and how the French source income must be determined.

Mobility premiums

112. Exceptional premiums and indemnities paid to an employee in order to encourage a change of workplace which necessitates a transfer of domicile or tax residence, qualify for an attractive French personal income tax planning opportunity.

113. The French personal income tax to be levied on this type of income requires an initial comparison of the tax due on current year income excluding the mobility premium and the tax due on current year income increased by a quarter of the exceptional income. The difference between these two amounts multiplied by four will be the actual tax due on the exceptional income. Please note that the number four is used only if the employee has worked for the preceding four years; if this is not the case, the number used is limited to the number of years effectively worked.

114. The tax saving may be nil if the taxpayer is already taxed at the top marginal rate on current year income, excluding the mobility premium.

    New inbound regime: the mobility premium may be tax exempt providing that the conditions described in paragraphs 2 and 22 are fulfilled.

"Tax shield"

115. As from 1st January 2006, a new measure provides that an individual's total tax liability, including personal income tax (including social surtaxes), wealth tax and local property taxes (due on the individual's primary residence only), cannot exceed 50% of last year's income.

    An individual must ask his tax office for the reimbursement of the taxes paid in excess of 50% of his income. This reimbursement may be requested in 2011 for taxes paid in 2010 based on the income received in 2009. Restitution is made by bank transfer (unless the amount is less than €8).

    As from 1st January 2009, the individual can deduct the amount of taxes paid in excess of 50% of his income directly from his wealth tax, property tax and dwelling tax.

    Considering the specificities of this regime, we recommend that professional advice be sought at the earliest possible stage.

Last updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.	**Menu**

Appendix A – Tax computation using 2010 French personal income tax rates

Assumptions

- A French resident employee;
- He is married and has two children under 18 years of age - one child in middle school (college) and one in high school (lycée);
- He earned €140,000 net income and received €3,000 gross in Italian dividend income (withholding tax of 15% paid in Italy);
- He cannot benefit from the new inbound regime;
- He paid €5,000 for an employee at home and made support payments to his parents (in financial need) of €2,000, for which he has the receipts;
- He sold listed shares for €54,000 and realized a €2,200 net capital gain;
- He made a donation of €100 to a French association;
- He carried out his main residence in France of thermal insulation in the amount of €18,000 which falls within the scope of the tax credit for sustainable development.

Tax computation	€	€
Net salary (after deduction of social security)		**140,000**
Less — Standard deductions:		
10% (maximum 14,157)	**(14,000)**	
Taxable salary		**126,000**
Add:		
Italian dividends	3,000	
Less tax exclusion of 40% of the gross amount and of €3,050 for married individuals	**(3,000)**	
Total taxable income		**126,000**
Less: Support payments to parents	**(2,000)**	
Taxable income after deductions		**124,000**
Tax thereon:		
Income tax (3 shares) (note 1)	21,395	
Tax on capital gains (19% * 2,200)	**418**	

Tax computation	€	€
Total income and capital gains tax		**21,813**
Less — Tax reduction:		
Employee at home tax credit (5,000 * 50%)	(2,500)	
Student reduction (61 for middle school, 153 for high school)	(214)	
Tax reduction as a donation to an association (100 * 66%)	**(66)**	
Total reductions		**(2,780)**
Net tax due before tax credits		19,033
Less - Tax credits on dividends		451
Less - Tax credits on expenses for sustainable development (18,000 maximum - 16,800 * 25%)		(4,200)
Total net income tax		***14,382***
Social tax on dividends and capital gains (2.5% * (3,009 + 2,200))		130
General social contribution (8.2% * (3,009 + 2,200))		426
CRDS (0.5% * (3,009 + 2,200))		26
Additional social contribution (1.1% * (3,009 + 2,200))		57
Total French income tax		***15,022***

Note 1:

The method of calculating a household's income tax liability is first to calculate the tax for two shares and then to calculate the tax for the actual number of shares, including the children. If the difference between the two calculations exceeds €2,336 (2010 income) for each additional half part, then the maximum tax reduction per additional half part is limited to €2,336 for each additional half part granted by a child. If the amount per half part is less than €2,336 for each additional half part, the actual amount is used in the calculation.

Last updated: January 2011	
This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.	**Menu**

Appendix B – 2010 individual income tax liability at different salary levels

All figures below are quoted in Euros

	Income tax			
Total net taxable compensation (1)	Single	Married	Married +1 Child	Married +2 Children
35,000	4,934	2,222	1,552	941
40,000	6,434	2,922	2,252	1,583
45,000	7,934	3,622	2,952	2,283
50,000	9,434	4,322	3,652	2,983
55,000	10,934	5,367	4,352	3,683
60,000	12,434	6,867	5,052	4,383
65,000	13,934	8,367	6,031	5,083
70,000	15,434	9,867	7,531	5,783
75,000	17,392	11,367	9,031	6,695
80,000	19,442	12,867	10,531	8,195
85,000	21,492	14,367	12,031	9,695
90,000	23,542	15,867	13,531	11,195
95,000	25,592	17,367	15,031	12,695
100,000	27,642	18,867	16,531	14,195
104,000	29,282	20,067	17,731	15,395
110,000	31,742	21,867	19,531	17,195
114,000	33,382	23,067	20,731	18,395
120,000	35,842	24,867	22,531	20,195
124,000	37,482	26,067	23,731	21,395
130,000	39,942	27,867	25,531	23,195
134,000	41,582	29,067	26,731	24,395
140,000	44,042	30,867	28,531	26,195
150,000	48,142	34,785	32,449	30,113

(1) After deduction of mandatory social security contributions and standard 10% deduction granted by the French tax authorities.

Calculating your income tax liability

Income per "part" in Euros	Gross income tax
Not over 5,963	0
Between:	
5,963 and 11,896	(R x 0.055) – (327.97 x N)
11,896 and 26,420	(R x 0.14) – (1,339.13 x N)
26,420 and 70,830	(R x 0.30) – (5,566.33 x N)
Over 70,830	(R x 0.40) – (13,357.63 x N)

Notes for table:

R = taxable worldwide income

N = number of 'parts'

Example of French tax calculation:

Married taxpayer + two children (three parts)

Taxable world-wide income: €140,000

Income per 'part': €140,000/three parts = €46,667

Gross income tax: (€140,000 x 0.30) – (€5,566.33 x 3 parts) = €25,301

Adjustments to gross income tax:

The above calculation does not take into account the limitation of the tax benefit provided by dependent children (limited to €2,336 per half 'part' in most cases).

To calculate this limitation, two calculations have to be carried out:

1. Calculate gross income tax with actual number of 'parts' (see above example – Gross income tax = €25,301)
2. Calculate gross income tax with two 'parts' (married), or 1 'part' if single, widowed, or divorced, less the limitation ceiling (i.e., less €2,336 per half 'part').

For example, income per 'part': €140,000: 2 = €70,000

Gross income tax: (€140,000 x 0.30) – (5,566.33x 2) – (2,336 x 2) = €26,195

If calculation 1) is lower than 2), the limitation applies and the second income tax figure is applicable

If calculation 1) is higher than 2), the limitation does not apply and the first figure is applicable

In our example, the second figure is applicable.

Last updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

Appendix C – Tax-free benefits for expatriates in France and/or French headquarters

Regulations issued by the French tax authorities have allowed the following benefits to be exempt from personal income tax (A) in the hands of expatriates assigned to France in general and, (B) those assigned to French headquarters:

A. Tax-free benefits for expatriates assigned to France (Note 1)

- A 'look-see' visit by an expatriate and spouse;
- Storage costs in the home country;
- Moving expenses to and from the host country;
- Care-taking cost of home country residence;
- Car rental at the beginning and end of stay for a maximum period of two months in each case;
- French tuitions for a seconded employee and his family;
- Emergency trips;
- Employee and family hotel expenses during the moving period;
- Double rental possibly incurred at beginning and end of stay in case of temporary double residences (limited to three months);
- Cost of technical outfitting of vehicle and car registration;
- Customs duties and clearing through customs duties;
- Cost of issuance of a French driver's license;
- Possible tax consultation to evaluate consequences of expatriation;
- Agency costs for housing search in France;
- School expenses of dependent children who attend primary or secondary private schools to continue education in a foreign language;
- Annual home leave round trip for employee and family members;
- Annual round trip to France for dependent children at school abroad to see their parents.

B. Tax-free benefits for expatriates assigned to French headquarters (Note 2)

The following are not subject to personal income tax in the hands of expatriates nor to payroll taxes, but are fully subject to corporate tax:

- Housing allowances (for the excess cost only);
- Tax equalization (for personal income tax, social security contributions, ‘CSG’ tax and ‘CRDS’ tax).

Note 1

To qualify the foreign expatriate must work in France during a maximum six-year period and must not have been qualified as a French tax resident during the year preceding his arrival.

Note 2

French tax authorities define the term 'Headquarters' as a legal structure whose role is to facilitate the provision of administration, management and co-ordination services, on behalf of a group of companies. The expatriate must also meet the conditions set out in Note 1.

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

Appendix D – Total levies on selected income

	Income tax	CSG	CRDS	Other levies
Employment income (15)	P	7.5%	0.5%	-
Rental income (29)	P	8.2%	0.5%	3.6%
Dividends (French source) (26)	P or 19%	8.2%	0.5%	3.6%
Interest (French source) (26)	P or 19%	8.2%	0.5%	3.6%
Dividends or interest (Non French source) (26)	P	8.2%	0.5%	3.6%
Capital gains (on shares) (30)	F (19%)	8.2%	0.5%	3.6%
PEA (36)				
- Less than 2 years	22.5%	8.2%	0.5%	3.6%
- Between 2 & 5 years	19%	8.2%	0.5%	3.6%
- Over 5 years	Exempted	8.2%	0.5%	3.6%

Symbols

P = Progressive tax rates (maximum marginal rate = 41 %)

F = Flat rate of 19%,

Note

All income considered as taxable in France. Please refer to the paragraph number in brackets for further comments on the taxable basis.

Last updated: January 2011	
This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.	**Menu**

Appendix E – Deductible expenses and tax credits

Alimony and child support

Payments of alimony to an ex-spouse, and of child support to children under 18, made according to the provisions of a court settlement, qualify as fully deductible expenses.

Support payments made to parents, grandparents, children over 18 or married children qualify as a deductible expense (with a cap for children), provided that the beneficiaries are in need, and that the need can be demonstrated.

Tax credit on expenses for sustainable development

Taxpayers who incur certain major equipment expenses (boiler equipment, power generation using renewable energy, heating equipment, storm water treatment) on their principal residence in France may benefit from a tax credit of various amount ranging from 15% to 50% depending kind of expenses up to a ceiling of €8,000 for a single taxpayer and €16,000 for a married taxpayer, plus €400 for any dependant for expenses paid from 1st January 2005 to 31st December 2012.

Attention should be paid to the type of expenses incurred and the age of the property, as certain conditions must be fulfilled to qualify for a tax credit.

Charitable contributions

Charitable contributions (including amounts expressly renounced) made in France to qualified philanthropic, educational, scientific, social, religious, political or cultural organizations and to associations authorized to assist with the creation of companies, companies in difficulty or companies with under 50 employees as well as to trade unions can be claimed as a tax reduction up to 66% of actual contributions. Contributions to non-profit making organizations, recognized as being of public benefit ('d'utilité publique'), also qualify for a tax credit up to 66% of actual contributions.

Limitations on the tax reduction are applicable, based on the net taxable income of the tax household.

In addition, contributions to associations providing free food to people in need also qualify for a tax credit of 75% for contributions up to €521.

Child care expenses

Taxpayers (whether single, married, divorced or widowed) who carry out an employed or self-employed activity are entitled to a tax credit of up to 50% of childcare expenses incurred for each dependent child under seven placed at nursery school or with a non-domestic help, up to a ceiling of expenses of €2,300 per annum.

Schooling expenses

A tax reduction for schooling expenses is granted to taxpayers whose dependent children study in secondary schools, 'collège' (€61), 'Lycée' (€153), and university (€183).

Domestic help expenses

A taxpayer who employs housekeeping help can benefit from a tax credit of 50% of the expenses incurred, up to the limit of €12,000 per year (i.e., a maximum tax credit of €6,000) or of €15,000 for the first year of employment, increased by €1,500 per dependent child and dependents over 65 years old but limited to €15,000 (or €18,000 for the first year of employment). There are specific provisions for invalid taxpayers.

Global limit of tax credits

As from 1st January 2010, the reduction of French personal income tax due to tax deductions/credits is globally limited (except in specific cases). The ceiling is determined as follows: €20,000 plus 8% of net taxable income (€18,000 plus 6% of 2011 net taxable income).

Due to the complexity of the system, we recommend that professional advice be sought at the earliest possible stage.

Last updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

Appendix F – Social security contributions

Social security contributions (for remuneration from 1 January 2011)

	Employer's contributions (%)	Employee's contributions (%)	Annual base
Social Security			
Health Insurance	13.1	0.75	Total salary
Retirement	1.60	0.10	Total salary
Retirement	8.30	6.65	From €0 to €35,352
Family allowances	5.40	-	Total salary
Housing fund (more than 20 employees)	0.50	-	Total salary
Housing fund (unless than 20 employees)	0.10	-	From €0 to €35,352
Work injury scheme	Variable	-	Total salary
Unemployment funds			
ASSEDIC	4.00	2.40	From €0 to €141,408
AGS	0.40	-	From €0 to €141,408
Compulsory retirement funds			
ARRCO	4.50	3.00	From €0 to €35,352
AGFF	1.20	0.80	From €0 to €35,352
AGIRC	12.60	7.70	From €35,352 to €141,408
AGFF	1.30	0.90	From €35,352 to €141,408
APEC	0.036	0.024	From €0 to €141,408
CET	0.22	0.13	From €0 to €282,816
Other compulsory contributions			
Construction tax	0.45	-	Total salary
Apprenticeship	0.50	-	Total salary
Training tax	1.60	-	Total salary

Last updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.	**Menu**

Appendix G – France contacts and offices

International assignment contacts

Contacts	
Olivier Dussarat Paris Crystal Park 61, rue de Villiers 92208 Neuilly-sur-Seine cedex Tel: +33 (0)1 56 57 56 57 Fax: +33 (0)1 56 57 56 58	**Nicole Goulard** Paris Crystal Park 61, rue de Villiers 92208 Neuilly-sur-Seine cedex Tel: +33 (0)1 56 57 56 57 Fax: +33 (0)1 56 57 56 58
Rozenn Hamelet Paris Crystal Park 61, rue de Villiers 92208 Neuilly-sur-Seine cedex Tel: +33 (0)1 56 57 56 57 Fax: +33 (0)1 56 57 56 58	**Michael Jaffe** Paris Crystal Park 61, rue de Villiers 92208 Neuilly-sur-Seine cedex Tel: +33 (0)1 56 57 56 57 Fax: +33 (0)1 56 57 56 58
Pascale Jouble Paris Crystal Park 61, rue de Villiers 92208 Neuilly-sur-Seine cedex Tel: +33 (0)1 56 57 56 57 Fax: +33 (0)1 56 57 56 58	**Isabelle Mathe** Paris Crystal Park 61, rue de Villiers 92208 Neuilly-sur-Seine cedex Tel: +33 (0)1 56 57 56 57 Fax: +33 (0)1 56 57 56 58
Georges Morisson-Couderc Paris Crystal Park 61, rue de Villiers 92208 Neuilly-sur-Seine cedex Tel: +33 (0)1 56 57 56 57 Fax: +33 (0)1 56 57 56 58	**Isabelle Savier-Pluyette** Paris Crystal Park 61, rue de Villiers 92208 Neuilly-sur-Seine cedex Tel: +33 (0)1 56 57 56 57 Fax: +33 (0)1 56 57 56 58

Regional correspondants

Offices	
Bordeaux Arnaud Agostini 179 Cours du Medoc 33300 Bordeaux Tel: +33 (0)5 57 10 08 00 Fax: +33 (0)5 57 10 07 01/02	**Grenoble** Laurent Conio Immeuble Grenant 3 avenue Doyen Weil 38006 Grenoble cedex Tel: +33 (0)4 76 84 33 00 Fax: +33 (0)4 76 84 33 01

Offices

Lille Sylvain Gagneux 27 bis, rue du Vieux Faubourg 59800 Lille Tel: +33 (0)3 20 06 75 25 Fax: +33 (0)3 20 06 23 39	**Lyon** Louis Gravard 20 rue Garibaldi 69451 Lyon cedex 06 Tel: +33 (0)4 78 17 81 00 Fax: +33 (0)4 78 17 81 01
Marseille Bernard Liger Les Docks - Atrium 10-1 10, place de la Joliette 13567 Marseille cedex 02 Tel: +33 (0)4 91 99 30 30 Fax: +33 (0)4 91 99 30 31	**Montpellier** Michele Anahory 650, rue Henri Becquerel 34000 Montpellier Tel: +33 (0)4 99 13 69 50 Fax: +33 (0)4 99 13 69 51
Nantes Brigitte Lostis 34, place Viarme 44006 Nantes cedex 01 Tel: +33 (0)2 51 84 36 90 Fax: +33 (0)2 51 84 36 99	**Rennes** Christian Pitron 40, boulevard de la Tour d'Auvergne CS 36509 35065 Rennes cedex Tel: +33 (0)2 99 31 73 00 Fax: +33 (0)2 99 67 67 35
Strasbourg Philippe Gramling 230, avenue de Colmar 67100 Strasbourg Tel: +33 (0)3 90 40 26 24 Fax: +33 (0)3 90 40 26 26	

Last updated: January 2011

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.	**Menu**

pwc.com/us

© 2011 PricewaterhouseCoopers LLP. All rights reserved. In this document, “PwC” refers to PricewaterhouseCoopers LLP, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.