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French tax law

INTRODUCTION

This handbook describes the broad outlines of the French tax system. First, let us consider two questions: the place of taxation within the system of all mandatory levies, and the place of taxation in French law.

I – TAXATION IN RELATION TO OTHER MANDATORY LEVIES

Mandatory levies include taxes, fees for services rendered, customs duties and social security contributions.

Taxes are payments imposed on individuals and legal entities according to their ability to pay without any specific consideration in return in order to cover public spending and achieve the economic and social objectives set by the government.

Fees for services rendered, payable for the use of certain public services or for the right to use them, are also mandatory levies but are not strictly speaking taxes since they entitle the payer to a consideration in return.

Customs duties are distinguished from taxes by their economic purpose, namely to protect the domestic market.

Social security contributions, though mandatory, are not taxes since they are levied for a specific purpose, namely social protection, and benefits are paid in return.

II – TAXATION IN FRENCH LAW

The need for taxation is asserted in Article 13 of the Declaration of the Rights of Man and of the Citizen of 26 August 1789: "*For the maintenance of the public force, and for administrative expenses, a general tax is indispensable*", adding that "*it must be equally distributed among all citizens, in proportion to their ability to pay*". Article 14 of the Declaration states that "*All citizens have the right to ascertain, by themselves or through their representatives, the need for a public tax, to consent to it freely, to watch over its use, and to determine its proportion, basis, collection and duration*".

Unlike other mandatory levies, taxes may be assessed and collected only by virtue of an act of the legislature, i.e. Parliament.

This principle is enshrined in Article 34 of the Constitution of the Fifth Republic of 4 October 1958, according to which rules concerning the base, rates and methods of collection of taxes of all types are set by statute. The executive is therefore involved only in implementing the tax rules defined by Parliament, stipulating the terms and conditions of their application under the control of the tax courts.

Consequently, the tax administration interprets and comments on legal provisions in circulars that must neither add to nor subtract from the law. Otherwise, the circular is unlawful and may be nullified by the French Supreme Administrative Court (*Conseil d'État*) on an appeal from taxpayers. If that is the case, the unlawful circular is not binding on taxpayers. Conversely, the administration may not argue that a circular was unlawful against a taxpayer who has applied it. This guarantee also applies where the administration has issued a formal ruling on the assessment of a given situation with regard to a tax rule. Thus, tax law provides that where a taxpayer has applied a tax rule according to the interpretation given by the administration through published instructions or circulars and not retracted at the date of the relevant operations, the administration may not order additional payments on the grounds of some other interpretation.

In addition, under Article 53 of the aforementioned Constitution, treaties that commit government finances or modify provisions which are the preserve of statute law may be ratified or approved only by an Act of Parliament. Article 55 of the Constitution states that duly ratified or approved treaties or agreements prevail, upon publication, over Acts of Parliament, provided that the other party has applied the treaty or agreement concerned. This means that domestic tax law is subordinate to provisions of international treaties or agreements. Under Article 54 of the Constitution, if the Constitutional Council (*Conseil*

constitutionnel) has declared that an international commitment contains a clause contrary to the Constitution, authorisation to ratify or approve it may be given only after the Constitution has been amended.

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This handbook describes the main taxes levied in France, distinguishing four categories:

- Income taxes
- Taxes on expenditure
- Taxes on assets
- Local direct taxes

This handbook merely describes the rules laid down in domestic French law. More detailed information can be found on the website of the Ministry with responsibility for public accounts (http://www.impots.gouv.fr), which now contains content to enable non-residents to obtain information that concerns them.

The Public Finances Directorate General (DGFiP) provides the general public with all documents containing an administrative interpretation of tax rules in a single, free-of-charge official tax bulletin (BOFIP-Impôts, https://bofip.impots.gouv.fr/).

Bilateral tax treaties for the avoidance of double taxation between France and other countries may depart from these rules, which apply only subject to the provisions of such treaties.

A list of tax treaties is appended.

The text of the treaties may be obtained from the Direction des Journaux Officiels, 26 rue Desaix, 75727 Paris Cedex 15 or consulted on the Ministry's website (http://www.impots.gouv.fr).

PART I:
INCOME TAXES

There are four categories of taxes on income in France:

- Corporation tax
- Personal income tax
- Social levies
- Payroll taxes

CHAPTER 1:
CORPORATION TAX

Corporation tax is a tax, in principle payable annually, on all profits generated in France by companies and other legal entities. It concerns about a third of French companies.

In the absence of specific provisions, the standard 25% corporation tax rate applies in line with Article 219 of the General Tax Code (CGI).

Small and medium-sized enterprises (SMEs) can be taxed at the reduced rate of 15%[1] on the portion of profits up to €42,500. This reduced rate is reserved for companies with turnover excluding VAT of less than or equal to €10,000,000 (€7,630,000 for tax years before 1 January 2021) over the financial year or tax period, reduced where relevant to twelve months. For the parent company of a group as stipulated in Article 223 A or Article 223 A bis of the General Tax Code, turnover is the total turnover of each company in the group. Furthermore, a company's capital[2] must be fully paid-up and at least 75% must be held continuously by individuals or by a company meeting the same conditions (turnover, paying-up and holding capital).

Certain operations carried out by companies liable to corporation tax are taxed at the following special reduced rates:

- ✓ 0%[3] for long-term capital gains resulting from the disposal of participating interests held for at least two years
- ✓ 0%[4] or 15% for asset allocations or redemptions of securities carried out, under certain conditions, by "tax" venture-capital investment funds and venture-capital companies, and for long-term capital gains resulting from the disposal of units in these venture-capital investment funds and shares in these venture-capital companies, when the seller company has held these units or shares for at least five years
- ✓ 10%, under certain conditions, for net income from assigning and granting licences and sub-licences to use patents and similar intangible assets
- ✓ 19% for long-term capital gains resulting from the sale of securities of listed companies investing predominantly in property (*sociétés à prépondérance immobilière*, SPI), when the seller company has held these securities for at least two years
- ✓ 19% for net capital gains booked for the sale of premises used as offices or for commercial and industrial purposes, or on the sale of land for development. Eligibility for these arrangements is contingent on the buyer agreeing either to convert the premises acquired into housing units within four years or, in the case of the acquisition of land for development, to build residential premises on the land within the same period (applicable to sales for valuable consideration up to and including 31 December 2023, and to unilateral or indenture sale agreements entered into up to and including 31 December 2023, provided that the sale is completed by 31 December 2024 at the latest)
- ✓ 10%, 15% or 24% for the income from assets received by non-profit organisations

In addition, companies whose turnover excluding VAT is €7.63m or more are liable to a corporate surtax corresponding to a 3.3% social contribution.[5] This contribution is assessed on the amount of corporation tax at the standard rate and, where appropriate, at the applicable reduced rates, less an annual deduction that may not exceed €763,000 per twelve-month period.

In 2021, the net revenue from corporation tax was €46.3bn.[6]

[1] Provisions of I(b) of Article 219 of the General Tax Code.

[2] On the other hand, taxpayers who are legally unable to have share capital must comply with the sole condition relating to the amount of turnover. These notably include non-profit organisations and foundations.

[3] Subject to adding back a proportion of expenses and costs.

[4] Subject to adding back a proportion of expenses and costs.

[5] See Chapter 3 below.

[6] Appendix to the 2023 Budget Bill: Ways and means assessments. Vol. I: Assessments of revenue.

I – SCOPE OF CORPORATION TAX

A. TAXABLE PERSONS

1 – Persons taxable automatically (General Tax Code, Articles 206-1 et seq.)

The public and private bodies mentioned in Article 206 of the General Tax Code are automatically liable to corporation tax. These include:

- corporations, whatever their corporate purpose: public limited companies (*sociétés anonymes*, SA), partnerships limited by shares (*sociétés en commandite par actions*, SCA), simplified limited companies (*sociétés par actions simplifiées*, SAS), private limited companies (*sociétés à responsabilité limitée*, SARL), and private limited companies with a single shareholder (*entreprises unipersonnelles à responsabilité limitée*, EURL) when the single shareholder is a legal entity
- civil-law or non-trading companies that carry out commercial or industrial activities (these must not be ancillary activities)
- The following companies, for the portion of their profits corresponding to rights:

  - Partners in limited partnerships

  - Limited liability shareholders in joint ventures or whose names and addresses have not been reported to the tax authorities
- Various banking institutions (including Crédit Agricole, Caisses du Crédit Mutuel and Caisses d'Épargne)
- Partners of partnerships, when said partners are legal entities liable to corporation tax
- Professional corporations (*sociétés d'exercice libéral*, SEL)

In some cases, certain corporations (*sociétés de capitaux*) may elect to be subject to the regime for partnerships (family-owned SARL and small SA, SARL or SAS, formed less than five years ago).

2 – Persons taxable optionally

The following corporations can, barring exceptions, opt for corporation tax: partnerships, notably general partnerships, civil-law corporations (except for civil construction-sale companies), limited partnerships, joint ventures, healthcare partnerships (*sociétés interprofessionnelles de soins ambulatoires*, SISA), and EURLs and private limited farm companies (*exploitations agricoles à responsabilité limitée*, EARL) when the single shareholder is an individual.

This possibility has been extended to limited liability sole proprietorships (*entreprises individuelles à responsabilité limitée*, EIRL) associated with EURLs or EARLs. Since the 2022 Budget Act, this option has been extended to sole traders.

3 – The tax regime for public bodies or private organisations other than companies

Public bodies such as government-funded institutions or private bodies other than companies (non-profit organisations, foundations, etc.) are not liable to corporation tax provided that they do not conduct business for profit.

Under special rules, such bodies are liable to corporation tax on certain income they derive from their assets (income from property, agricultural profits, certain investment income), which is not related to business for profit, when they carry on such as business unless there is a specific provision to the contrary.[7] The applicable rate is 10% for certain kinds of

[7] According to paragraph 5 of Article 206, income from the assets of scientific or educational government-funded institutions, government-funded institutions providing assistance, public interest foundations and endowment funds whose articles of association do not provide for the possibility of consuming their endowment in capital is not liable to reduced taxation.

investment income, such as income from bonds, 15% from French company dividends, or 24% from property letting and agricultural profits.

Government-funded institutions, financially independent government bodies, local government bodies at *département* and municipal level, and all other legal entities that operate a business or carry out operations for profit are liable to corporation tax under ordinary law conditions.

B. EXCLUSIONS OR EXEMPTIONS

1 – Exclusions

Certain legal entities, which would normally be liable to corporation tax due to their legal status or the nature of their activities, are excluded from corporation tax thanks to special legal provisions. These include:

- the following non-corporate entities:[8] Economic Interest Groups (GIE), European Economic Interest Groups (GEIE), Public Interest Groups (GIP), health and social/medical-social cooperation groups, joint forest management associations and syndicated forest groups

- the following corporations: civil-law companies covered by Article 239 Quater A of the General Tax Code, professional partnerships (*sociétés civiles professionnelles*, SCP) and property holding companies (*sociétés civiles de placement immobilier*, SCPI)

2 – Exemptions

Furthermore, partial or total exemptions and special arrangements are granted to certain legal entities that would theoretically be liable to corporation tax.

These include cooperative corporations, real estate investment trusts (*sociétés d'investissements immobiliers cotées*, SIIC), companies involved in regional development and housing construction, investment companies, joint venture investment trusts (*sociétés de capital-risque*, SCR), public-sector entities, non-profit organisations and trade unions, variable-capital companies investing predominantly in immovable property (*sociétés de placement à prépondérance immobilière à capital variable,* SPPICAV), and open-ended investment companies (*sociétés d'investissement à capital variable*, SICAVs).

In addition, regions and entities formed between regions, *départements* and entities formed between *départements*, municipalities, government-funded institutions for intermunicipal cooperation (EPCI) with powers of taxation, syndicates of municipalities and joint syndicates made up exclusively of local authorities or local authority groupings and their public service agencies, where the latter's purpose is to operate or provide a service essential to the collective needs of the local authority's inhabitants, are entirely exempt from corporation tax.

C.TERRITORIALITY

In France, only profits made by enterprises operated in France are liable to corporation tax, whatever their nationality. This means that profits made by a French company in enterprises operated in countries other than France are not liable to French corporation tax; likewise, a foreign company is liable to French corporation tax only on the profit made from enterprises it operates in France.

Consequently, companies liable to tax in France may not deduct losses made by enterprises they operate in other countries from their taxable profit.

The term "enterprise operated in France" means an enterprise which carries on a regular business in France, whether in an autonomous establishment or, if there is no establishment,

[8] Conversely, each member of the aforementioned entities is personally liable to tax proportionally to the rights held in the group (either to income tax or to corporation tax in cases of legal entities liable to the latter). Public Interest Groups (GIP) and health and social/medical-social cooperation groups can opt for corporation tax.

through representatives without independent professional status, or as part of operations forming a complete business cycle.

It should be noted that these criteria may be specified or amended by international double taxation conventions.

Profits from property located in France and similar rights are also taxable in France.

In addition, some profits are taxable in France even if the company is not domiciled in France for tax purposes.

Capital gains on property realised by non-resident legal entities are taxed on the basis of the corporation tax base and rate rules. Where applicable, the levy is set off against the amount of corporation tax owed in respect of the same capital gains and the surplus may, in some cases, be refunded.

Other profits on property[9] made by legal entities or individuals based outside France are also taxed at a 25% rate, as provided for by the first sentence of the second paragraph of I of Article 219 of the General Tax Code. Where applicable, the levy is set off against the amount of corporation tax owed in respect of the same profits and the surplus may, in some cases, be refunded.

II – DETERMINING TAXABLE PROFIT

A. GENERAL RULES FOR DETERMINING PROFIT

Profit liable to corporation tax is determined according to the same general rules as for the taxation of enterprises liable to income tax in the category of business profits, except for the territorial profit taxation rule, which applies only to enterprises liable to corporation tax.

Profit liable to corporation tax is determined according to the results of operations of all types carried out by the enterprise, including disposals of assets. The tax base therefore broadly corresponds to the difference between net balance sheet assets at the start and end of the period, minus contributions, plus withdrawals made by partners or shareholders during the period.

In principle the taxable profit corresponds to the book profit, but the latter may be adjusted to take account of tax rules that depart from accounting rules.

B. TAX CONSOLIDATION (General Tax Code, Articles 223 A to 223 U)

In order to neutralise the impact of taxation on economic entities and to bolster firms' competitiveness, the General Tax Code establishes a tax consolidation regime for corporate groups. Corporations liable to corporation tax may opt for this tax consolidation regime.

Under this regime, a French parent company can:

- either pay the corporation tax due on all profits of the group that it comprises along with the companies in which it holds at least 95% of the capital during the full financial year, directly or indirectly through companies of the group (known as a "vertical group"). The parent company cannot be 95%-held or more by another corporation liable to corporation tax. The parent company can include all the companies eligible to be members of the corporate group, or only a portion of them.
- or pay the corporation tax due on all profits of the group that it comprises along with its associated firms whose share capital is 95%-held or more, directly or indirectly, by a same parent company referred to as a "non-resident parent company" established in a European Union Member State or another State that is a party to the European Economic Area (EEA) Agreement and has signed an administrative assistance

[9] These are profits made by property dealers; profits made by individuals on the sale of properties they have built or had built and of related property rights; and profits made by individuals who sell land divided into plots intended for development (Article 44 *bis* of the General Tax Code).

agreement with France to combat tax evasion and avoidance (known as a "horizontal group").[10]

Lastly, this tax consolidation regime is also available, under certain conditions, to some mutual insurance companies, mutual banking groups and government-funded industrial and commercial institutions (*établissements publics industriels et commerciaux*, EPIC).

C. CALCULATING THE TAXABLE PROFIT

The taxable profit is equal to the difference between the gross operating profit and incidental income, on the one hand, and deductible costs and expenses, on the other hand.

Under accounting rules, the gross operating profit is the difference between:

- sales and services during the financial year period plus the inventory at the end of that period, and
- the cost of sales and services plus the inventory at the start of the financial year

In addition to the gross operating profit, all incidental income or profit generated by an enterprise is in principle taxable. These items include income from the letting of property, interest on receivables, deposits and guarantees and investment income.

As an exception, French parent companies may exclude dividends distributed by their French or foreign affiliates of which they hold at least 5% of the share capital from their taxable profit, with the exception of a portion of costs and expenses equal to 5% (or 1% for members of a corporate group)[11] of the total amount of income from participating interests, foreign tax credits included.

Costs and expenses may be deducted under the following conditions:

- They must be incurred in the direct interest of the business and be connected with the normal management of the enterprise
- They must correspond to an actual expense and be sufficiently substantiated
- They must be included in the expenses of the financial year during which they were incurred and reflect a decrease in the enterprise's net assets
- Their deductibility must not be called into question by a particular provision of law:
  - Certain expenses are not deductible where they do not correspond to the enterprise's purpose, such as expenses related to hunting or fishing and expenses incurred in providing yachts or leisure craft (expenses classed as luxuries)
  - If they are not deemed as being for commercial purposes, subsidies of any nature granted to another company are also excluded from deductible costs. As an exception, such subsidies remain deductible, within certain limits, when they are granted to companies subject to insolvency proceedings or a conciliation process
  - The deductibility of loan interest is governed by the provisions for limiting the deduction of borrowing costs.[12] Starting in financial years after 1 January 2019, deduction of borrowing costs is capped at either €3m or 30% of the taxpayer's earnings before interest, tax, depreciation and amortisation ("EBITDA"), whichever is higher. Two specific capping mechanisms are also provided for, applicable both to companies in a situation of under-capitalisation and to long-term public infrastructure projects.

Where the conditions for application are met, net profits from the assignment, licensing or sub-licensing of patents and similar intangible assets (patents, industrial manufacturing

[10] Article 63 of the 2014 Supplementary Budget Act no. 2014-1655 of 29 December 2014.

[11] Article 32 of the 2019 Budget Act no. 2018-1317 of 28 December 2018 extends the 1% rate of the proportion of costs and expenses to investment revenue paid to a company that is not a member of a tax group by a foreign subsidiary subject to a tax equivalent to corporation tax in a Member State of the European Union or in a State party to the European Economic Area (EEA) agreement that has entered into an administrative assistance agreement with France to combat tax evasion and avoidance.

[12] Article 34 of the 2019 Budget Act no. 2018-1317 of 28 December 2018 introduces a comprehensive reform of the rules governing the deductibility of borrowing costs incurred by companies subject to corporation tax. It establishes a rule limiting the deduction of interest, based on the recommendations of the OECD's BEPS project.

processes, plant breeders' certificates, copyright-protected software, etc.). are subtracted from profits and taxed at a set rate of 10%.[13] To determine which profits are eligible for the reduced rate, a so-called "nexus" ratio is applied to net taxable profit, calculated as the ratio between research and development (R&D) expenditure directly linked to the creation and development of the intangible asset carried out by the company or arm's length companies and total R&D expenditure.

The result of these adjustments may show:

- either a profit, on which corporation tax is assessed
- or a loss, where the deficit may:
  - either be set off against any profits for subsequent financial years, up to a limit of €1m, plus 50% of the amount of profit over and above this limit (carry-forward)
  - or, optionally and under certain conditions, be carried-back and represent an expense for the previous financial year up to a limit of the lowest amount between the profit for the previous financial year and €1m (carry-back)[14]

III – ASSESSMENT AND PAYMENT OF THE TAX

Companies calculate and pay corporation tax voluntarily in instalments, an adjustment being made when the final results for the financial year have been established.

Filing and payment deadlines for companies liable to corporation tax have been harmonised. The remaining corporation tax must be paid no later than the 15th day of the fourth month following the end of the financial year. Businesses with financial years ending on 31 December have until the following 15 May to settle their corporation tax balance for the previous financial year.

Large companies whose turnover is more than €250m must anticipate the amount of tax owed for the year when they pay their final corporation tax instalment.[15]

Any tax credits and reductions (such as the research tax credit and the "patronage" tax reduction) or those relating to foreign investment income included in the tax base are deducted from the gross tax. These tax credits and reductions correspond to the withholding tax on such income.

[13] Article 37 of the 2019 Budget Act no. 2018-1317 of 28 December 2018.

[14] The carry-back scheme for losses was temporarily adjusted by Article 1 the 2021 Supplementary Budget Act no. 2021-953 of 19 July 2021 for losses recorded in the first financial year after 30 June 2020 and up to 30 June 2021, in order to give companies affected by the consequences of the COVID-19 pandemic wider margins for offsetting their losses carried back. As a result, companies subject to corporation tax have been authorised to carry back, on an optional basis and with no limit on the amount, any losses recorded in the financial year concerned against any profits recorded in the previous three financial years.

[15] For financial years starting on or after 1 January 2019, Article 39 of the 2019 Budget Act no. 2018-1317 of 28 December 2018 provides that, for companies with a turnover of between €250m and €1bn, the last instalment paid in respect of a financial year may not be less than the difference between 95% of the estimated corporation tax and the amount of the instalments already paid (98% for companies with a turnover of more than €1bn).

CHAPTER 2: PERSONAL INCOME TAX

Personal income tax is in principle a comprehensive tax levied on an individual's total income in a given year. Unless otherwise provided, all income, regardless of origin, is aggregated to give an overall net income to which a single tax scale is applied.

The scale has progressive income bands. However, there are many provisions in the method for calculating income tax that allow taxation to be adjusted to personal circumstances.

Personal income tax is assessed annually on a tax household's taxable income in a given calendar year, declared the following year.

Withholding at source for income tax, as provided for by the 2017 Budget Act no. 2016-1917 of 29 December 2016 and which took effect on 1 January 2019, upgraded income tax collection by establishing a deduction-at-source system for personal income tax as follows:

- For wages, salaries, pensions and substitution income, tax is deducted at source by the payer
- For taxpayers with self-employed income, rental income from property and certain other kinds of income, the tax administration collects instalments towards tax due for the current year by directly debiting the taxpayer's bank account

The deduction-at-source system is based on the most recent information available to the tax administration for each taxpayer.

It notably lessens the impact for households (especially with regard to cash management) of the previous one-year lag, for most categories of income, between the time income was received and when the corresponding income tax was due.

This system does not change the rules for calculating and assessing income tax, and taxpayers are still required to file income tax returns in year Y+1 for income received in year Y.

Personal income tax yielded €78.7bn in 2021.[16]

I – TAXABLE INCOME

The following seven categories of income are liable to personal income tax:[17]

- Business profits
- Non-commercial profits
- Agricultural profits
- Income from property
- Wages, salaries, pensions and annuities
- Investment income
- Capital gains

[16] Appendix to the 2022 Budget Bill: Ways and means assessments. Vol. I: Assessments of revenue.

[17] There is an eighth category, comprising the remuneration of certain company heads (especially majority managers of private limited companies), the tax rules for which are similar to those for wages and salaries. For the purposes of this handbook, it is therefore included in the category covering wages, salaries, pensions and annuities.

II – SCOPE OF PERSONAL INCOME TAX

A. TAXABLE PERSONS

Under Article 4 A of the General Tax Code, individuals who are residents of France for tax purposes are taxable on all their income of French or foreign origin. Persons not domiciled in France are taxable only on their income from French sources.

For income tax purposes, France covers mainland France, the coastal islands and Corsica; and overseas *départements* (Guadeloupe, French Guiana, Martinique, Réunion and Mayotte).

1 – Domicile for tax purposes – Tax household rule

Under Article 4 B of the General Tax Code, persons are deemed to be resident of France for tax purposes if:

- they have their household or main residence in France
- they carry on a professional activity in France, salaried or not, unless they can prove that it is a secondary activity
- they have the centre of their economic interests in France

Government employees who perform their duties or are on assignment in a foreign country and are not liable to personal tax on their overall income in that country are also deemed to be resident of France for tax purposes.

Personal income tax is assessed on the basis of the "tax household", i.e. the family entity consisting of a single person, two partners in a civil union or spouses, whatever their marital property regime, and their children or other dependants. The tax base therefore comprises the total income of the various members of the tax household.

2 – Tax treatment of persons domiciled in France

Regardless of their nationality, persons domiciled in France for tax purposes are taxable on their worldwide income, i.e. all their income of French or foreign origin.

3 – Tax treatment of persons not domiciled in France

Subject to the provisions of tax treaties for the avoidance of double taxation, regardless of their nationality, persons not resident of France for tax purposes are taxable in France on their income from French sources only. Under Article 164 B of the General Tax Code, only the following are deemed as income from French sources:

- Income from property located in France or from rights relating to such property
- Income from French transferable securities and all other securities invested in France
- Income from business concerns situated in France
- Income from professional activities, salaried or not, or from for-profit operations carried on in France within the meaning of Article 92 of the General Tax Code
- Capital gains on the transfer for valuable consideration of property or rights of all kinds and profits derived from transactions carried out in particular by property dealers, where they relate to businesses operated in France and to properties located in France, property rights relating to them or shares in unlisted companies whose assets mainly consist of such property and rights
- Capital gains on the transfer of shares in companies having their registered office in France
- Amounts, including salaries, in consideration of artistic or sporting performances given or used in France

Under the above-mentioned Article 164 B of the General Tax Code, the following are also deemed as income from French sources where the payer of the income has their tax domicile or is established in France:

- Pensions and annuities
- Income received by inventors or in respect of copyright and all income derived from industrial or commercial property and similar rights
- Amounts paid in consideration of services of any kind rendered or used in France

Taxpayers domiciled outside France who receive income from French sources must in principle file a tax return.

B. EXEMPT PERSONS

Under the 1961 and 1963 Vienna Conventions on Diplomatic and Consular Relations, diplomatic and consular staff of foreign nationality are exempt from personal income tax on their official remuneration and their income from foreign sources.

III – TAXATION OF INCOME RECEIVED BY INDIVIDUALS

A. PERSONS DOMICILED IN FRANCE

1 – Business profits

Business profits include profits from industrial, commercial and craft activities, from certain activities taxed in that category by law (such as profits made by property dealers on property transactions) and, under certain conditions, from secondary activities.

The rules for determining the tax base are in principle identical to those that apply to corporation tax. However, the territorial rule for corporation tax does not apply to profits of enterprises liable to personal income tax.

Determined from the book profit, the taxable profit therefore corresponds to the result of all operations of any kind performed by the enterprise, subject to other adjustments under tax law. However, small businesses may opt for a simplified regime that reduces their accounting obligations, and very small businesses are generally taxed, unless they opt for actual assessment, on a notional profit equal to a percentage of their turnover (29% on sales and provision of housing, not including furnished rentals other than furnished holiday rentals and bed and breakfast accommodation, and 50% for other activities that do not come under the first category (micro-business profits regime).[18]

Taxpayers who are subject to the micro-business profits regime and whose income for one income splitting unit does not exceed a certain limit, and who are also subject to the micro-entrepreneur scheme, may opt to make a social security and tax payment in discharge of tax on a notional basis (auto-entrepreneurs). If they do so, they pay social security contributions and income tax on the activity on a monthly or quarterly basis by applying a 13.3%[19] rate for companies selling and providing housing, excluding furnished rentals other than furnished holiday rentals and bed and breakfast accommodation, and a 22.9% rate for companies that do not come under this first category.[20]

In addition, up until taxation of income for 2019, the business profits of companies subject to actual assessment which did not belong to an approved small business management centre or did not use a chartered accountant, were increased by 25%.[21]

[18] Enterprises whose annual turnover does not exceed €176,200 excluding VAT for sales or provision of housing, or €72,600 excluding VAT for other activities that do not come under the first category.
[19] 12.3% for social security contributions and 1% for income tax.
[20] 21.2% for social security contributions and 1.7% for income tax.
[21] The purpose of the surcharge is to offset the 20% allowance in the progressive income tax scale. The relief formerly applied to income in the wages and salaries category and to income in the business profits, non-commercial profits and agricultural profits categories of members of an approved management centre or association taxed on an actual basis.

Article 34 of the 2021 Budget Act progressively lowered this surcharge, the rate of which was set at 10% for taxation of 2022 income, in order for it to be ultimately phased out for taxation of 2023 income, as follows:

- For taxation of 2020 income, the surcharge rate was set at 20%
- For taxation of 2021 income, the surcharge rate was set at 15%
- For taxation of 2022 income, the surcharge rate was set at 10%

2 – Non-commercial profits

Non-commercial profits include the profits of the professions and of offices and practices whose holder does not have trader status, and the profits of all occupations, for-profit concerns and sources of profit not falling within any other category of profits or income (regular stock market trading, royalties, income received by inventors, etc.).

Taxpayers taxed on an actual assessment basis, called the "controlled return" (*déclaration contrôlée*) regime (i.e. those with annual revenue in excess of €72,600 excluding VAT), must fulfil certain accounting obligations. They are required to keep a ledger itemising their business revenue and expenditure and a record of fixed assets and depreciation.

Unlike business profits and profits liable to corporation tax, taxable non-commercial profits are equal, in principle, to the difference between revenue actually received and expenditure (including depreciation) necessary for the practice of the profession that have been paid and are justified.

Persons taxed on their non-commercial profits under the notional assessment system, called "micro-BNC" (i.e. with annual revenue less than or equal to €72,600 excluding VAT) are required only to keep a ledger itemising their revenue. Under this regime, the taxable profit is equal to 66% of revenue. Such taxpayers may opt, under certain conditions, to make a payment in discharge of tax and social security contributions on a notional basis. If they do so, they pay social security contributions and income tax on the activity on a monthly or quarterly basis by applying a 23.4% rate to revenue in the previous period.[22]

With the exception of businesses belonging to an approved small business management centre or using a chartered accountant, taxable profits were increased by:

- 20% for the taxation of income earned in 2020
- 15% for the taxation of income earned in 2021
- 10% for the taxation of income earned in 2022

This surcharge will be phased out as from taxation of 2023 income.

3 – Agricultural profits

Agricultural profits include in principle all income that farmers, tenant farmers or working owners derive from the operation of rural property. Generally speaking, agricultural profits include income derived from crop farming, livestock breeding, forestry and the sale of biomass or energy mostly derived from farming, and actions that help restore or maintain ecosystems from which society reaps benefits.

Theoretically, smallholders[23] are subject to the micro-agricultural profits regime unless they opt for an actual assessment regime, on the basis of profits determined at a fixed rate of 13% of their revenue (agricultural micro-earnings system).

4 – Income from property

Unless otherwise specified in international tax treaties, tax is due on income from developed or undeveloped property, even when such property is not located in France.

However, where such income is linked to the pursuit of an industrial, commercial, craft, agricultural or non-commercial activity, it is included in the profits of the activity according to the relevant rules. The 2016 Supplementary Budget Act provides that all income from

[22] 21.2% for social security contributions and 2.2% for income tax.

[23] Farms whose average revenue does not exceed €85,800 excluding VAT for three consecutive years.

furnished rentals shall be treated as business profits beginning in 2017, even in cases of occasional or seasonal furnished rentals.[24]

Net income from property is determined in one of the following two ways: the simplified "micro-foncier" regime, or the actual regime.

Taxpayers whose gross annual income from property does not exceed €15,000 and who do not let properties covered by certain special regimes automatically benefit from a simplified tax regime called "micro-foncier". In this case, the taxable income from property is determined after deducting a notional 30% allowance representing all expenses on the property from the revenue received for the year of taxation.

Taxpayers whose gross annual income from property exceeds €15,000 are covered by an actual regime. In this case, the taxable income from property is the difference between the amount of revenue received for the year of taxation and the total amount of expenses on the property paid during the same year. An exhaustive list of eligible expenses is given by law.

However, persons entitled to automatically benefit from the "micro-foncier" regime may opt for the actual regime.

Furthermore, there are a certain number of incentive schemes to encourage buy-to-let investment.

The 2016 Supplementary Budget Act set up the "Cosse" incentive scheme for affordable rent.[25] Beginning with income tax for the 2017 tax year, this scheme allows landlords who rent property directly or indirectly as part of an agreement with the National Housing Agency (ANAH) to benefit from a specific deduction for rental income. This deduction ranges from 15% to 85% depending on how tight the rental market is in certain areas of France and the type of rental.[26] However, Article 67 of the 2022 Budget Act transformed these arrangements into a tax reduction ("Loc'Avantages") starting on 1 March 2022, and provided for its extension in this new form until 31 December 2024. The rate of this tax reduction varies from 15% to 65% of gross income from the property based on the type of rental.

Similarly, the tax incentive for buy-to-let investments may take the form of other types of income tax cuts.

As an example, the Pinel Act provides entitlement to a reduction in income tax to promote buy-to-let investment in the middle-income sector for residents of France for tax purposes who acquire or have new or similar housing built and who undertake to rent it out unfurnished for use as the lessee's main residence, in compliance with caps on rent and resources.

The tax reduction applies to investments made in municipalities classified as geographic areas with tight housing markets.

Since 1 January 2021, eligibility for the Pinel tax reduction for housing which the taxpayer acquires new or off-plan, or which they have built, has been limited to housing located in residential buildings.

The tax reduction rate is 12% for an initial six-year rental commitment and 18% for an initial nine-year commitment, with the exception of investments made in overseas France where these rates are 23% and 29% respectively. Following these six- or nine-year periods, taxpayers are entitled to an additional tax reduction of 6% or 3%, accordingly, for each three-year extension of the rental commitment. The tax reduction could ultimately reach a maximum of 21% or 32% for a twelve-year rental commitment in mainland or overseas France.

Lastly, the arrangements are being gradually phased out through a progressive and proportional reduction in applicable rates throughout France starting on 1 January 2023 and

[24] Article 114 of the 2016 Supplementary Budget Act no. 2016-1918 of 29 December 2016.
[25] Article 46 of the 2016 Supplementary Budget Act no. 2016-1918 of 29 December 2016.
[26] Article 162 of the Housing, Planning and Digital Technology Reform Act no. 2018-1021 of 23 November 2018 ("Elan" Act) extends the scheme to certain geographical areas where there are the least housing shortages.

running until 31 December 2024 except for certain transactions (housing located in a priority neighbourhood with respect to urban policy or complying with quality levels higher than those provided for by regulations, especially as regards energy and environmental performance levels). The progressive reduction in rates does not apply either to the so-called "Denormandie" component of the arrangements which covers acquisitions between January 2019 and 31 December 2023 of premises used for housing which are subject to improvement work or acquisitions of premises used for a purpose other than housing which are subject to transformation work into accommodation, provided nevertheless that the amount of the work accounts for at least 25% of the overall cost of the transaction. Said housing must be located in municipalities where the need to renovate town centre accommodation is particularly pronounced or which have signed a regional revitalisation project contract (ORT).

5 – Wages, salaries, pensions and annuities

This category includes:

- wages, salaries, compensation and emoluments received in consideration of salaried employment, including the remuneration of managers of public limited companies (chairman of the board of directors, managing directors, deputy managing directors and members of the management board) and managers of private limited companies, allowances paid to members of the French and European Parliaments, and allowances paid to the holders of local elected offices[27]
- pensions and annuities

Since 1 January 2022, compensation paid for overtime and additional hours has been exempt from income tax up to an annual ceiling of €7,500.[28]

The net amount of taxable income in this category is determined by deducting, inter alia, mandatory social security contributions and, when the person is in active employment, expenses inherent in the function or job from the gross amount paid.

Unless otherwise provided, gross earned income includes all amounts and benefits in kind available to the taxpayer. Business expenses are normally taken into consideration on a notional basis (a 10% deduction, capped and reviewed each year).[29] However, taxpayers may opt to deduct the actual amount of their business expenses, subject to the production of vouchers.

Pensions and annuities without consideration are eligible for a 10% special allowance, though the amount for all members of the tax household may not exceed an amount revised each year in the same proportion as the upper limit of the first band of income tax, i.e. €4,132 for the taxation of income earned in 2022.

Purchased life annuities (RVTO) are eligible for a notional allowance at a rate which varies from 30% to 70% according to the recipient's age when the annuity becomes payable.

Under certain conditions and at the beneficiary's express and irrevocable request, pension benefits paid in the form of capital (excluding pension savings plans introduced by the Business Growth and Transformation Action Plan (PACTE) Act) may be taxed at 7.5%. This rate applies to the amount of capital less a 10% allowance.[30]

All income from exercising stock options or acquiring bonus shares allocated on or after 28 September 2012 is also taxed in this category.

Income from exercising stock options is taxed under the progressive income tax scale in the category of wages and salaries, and is subject to social security contributions on earned income at a rate of 9.7%[31] plus a specific 10% employee contribution.[32] [33]

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[27] Previously, allowances for local elected officials could be subject to withholding tax. This regime has been cancelled, and all allowances paid after 1 January 2017 are automatically taxed under the ordinary rules for wages and salaries (Article 10 of the 2017 Budget Act no. 2016-1917 of 29 December 2016).

[28] Article 4 of the 2022 Supplementary Budget Act no. 2022-1157 of 16 August 2022.

[29] €13,522 for the taxation of income earned in 2022.

[30] General Tax Code, Article 163 *bis*.

[31] Social Security Code, Article L.136-8: CSG = 9.2%. General Tax Code, Article 1600-0 G and Order no. 96-50 of 24 February 1996, Articles 14 and 19: CRDS = 0.5%.

[32] Social Security Code, Article L.137-14.

Vesting gains on bonus shares allocated by an extraordinary general meeting of shareholders between 8 August 2015 and 30 December 2016[34] are taxed under the same rules, after applying allowances for the length of ownership applicable to capital gains on securities[35] or the fixed allowance for disposals of the shares of SMEs by managers when they retire[36] which, in this case, applies in priority to the gains on disposals and then to the vesting gains for any surplus. These vesting gains are subject to social levies on income from assets (17.2%).

For bonus shares allocated by an extraordinary meeting of shareholders from 31 December 2016 to 31 December 2017, only the portion of the vesting gain up to an annual cap of €300,000 is taxed under the progressive income tax schedule in the category of wages and salaries after applying the above-mentioned fixed or proportional allowances.[37]

The portion of the vesting gains that exceeds this annual limit is taxed under the ordinary law rules for wages and salaries. It is subject to social security contributions on earned income at a rate of 9.7% plus a specific 10% employee contribution.[37]

For bonus shares allocated by an extraordinary meeting of shareholders on or after 1 January 2018, the portion of the vesting gains up to an annual cap of €300,000 can be reduced by the above-mentioned fixed allowance.[38] This fixed allowance applies as a priority to capital gains on disposals and then, for any surplus, to vesting gains. If there is a remainder, the vesting gains are reduced by a 50% allowance.[39] This portion of the gains is subject to social levies on income from assets at 17.2%.

The portion of the vesting gains that exceeds this annual limit is taxed under the ordinary law rules for wages and salaries. This portion of the gains is subject to social security contributions on earned income at a rate of 9.7% plus the above-mentioned specific 10% employee contribution.

6 – Investment income

This category covers income from variable-yield and fixed-income securities.

Income from variable-yield securities includes income from shares and similar income distributed by legal entities liable to corporation tax or to an equivalent tax (or opting for this tax). It may fluctuate depending on the performance of the issuer.

Income from fixed-income securities includes income from bonds and other negotiable debt securities and income from receivables, deposits, guarantees, shareholder current accounts, Treasury bills and short-term notes issued by public- or private-law legal entities. The rate of return is usually fixed during the investment period, but this is not always so.[40]

Since the 2018 Budget Act, investment products with variable income and those with fixed income have been subject to a 30% flat-rate tax on investment income (PFU) – 12.8% for income tax and 17.2% for social security contributions. The PFU is withheld by the payer of this income.

Taxpayers are nevertheless entitled to opt for taxation on the progressive income tax scale if this is more favourable. In this case, they are eligible for the 40% allowance for dividends.

Income distributed by French or foreign companies liable to corporation tax or an equivalent tax and received by individuals who are resident of France for tax purposes is liable to personal income tax at a progressive rate, after deducting, if the companies have their registered office in France, a European Union Member State or in a State or territory having

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[33] In the event of a "rebate" for employees granted by the company on the subscription or purchase price of shares and which represents the difference between the real value of the stock when the option is allocated and the price set for exercising the option, the proportion of the rebate in excess of 5% of the share's value, called the "excessive rebate", is subject to income tax under the ordinary rules for salaries in respect of the year during which the option is exercised (General Tax Code, Article 80 *bis* II).

[34] Article 135 of the Growth, Economic Activity and Equal Economic Opportunity Act no. 2015-990 of 6 August 2015.

[35] General Tax Code, Articles 150-0 D 1 *ter* or 1 *quater* (ordinary or increased holding period allowance) in their wording prior to the 2018 Budget Act no. 2017-1837 of 30 December 2017 (not contingent on the acquisition of shares prior to 2018).

[36] General Tax Code, Article 150-0 D *ter* in its wording stemming from the 2018 Budget Act no. 2017-1837 of 30 December 2017 (applies to disposals carried out between 1 January 2018 and 31 December 2024).

[37] Article 61 of the 2017 Budget Act no. 2016-1917 of 29 December 2016.

[38] Article 28 of the 2018 Budget Act no. 2017-1837 of 30 December 2017.

[39] General Tax Code, Article 200 A–3 in its wording originating from the 2018 Budget Act no. 2017-1837 of 30 December 2017.

[40] Floating or adjustable rate bonds and equity securities, for example.

concluded a tax treaty with a mutual administrative assistance clause to combat tax evasion and avoidance with France, a proportional 40% allowance.

In addition, some income is subject to a withholding tax discharging income tax liability:

Optional:

- Income relating to life insurance policies and capitalisation bonds and contracts, when they are redeemed or settled and which are related to premiums paid up to 26 September 2017, for which the beneficiary, an individual who is resident of France for tax purposes, elects for payment of the flat-rate withholding tax discharging income tax. The rate of the withholding tax is 35% if the term of the policy/contract is less than four years, 15% if the term is between four and eight years and 7.5% when the term is eight years or longer.[41]

Mandatory:

- Income from fixed-income securities where the debtor is based in France and which is paid outside France in a non-cooperative country or territory – barring exceptions. The rate of this mandatory withholding tax is set at 75%.
- Income from fixed-income investment products that is relinquished, pursuant to so-called "sharing" solidarity-based savings, in favour of public interest bodies which are compulsorily subject to a 5% flat-rate withholding tax discharging income tax liability.

Article 28 of the 2018 Budget Act repeals the optional arrangements for tax on income from fixed-income investment products not exceeding €2,000 at a flat rate of 24%, for the same tax household in respect of the same year.

Similarly, it eliminates the exemption applying to income from bonds subject to tax anonymity arrangements (bearer bonds), which is no longer subject to a withholding tax discharging income tax liability.

Certain regulated savings products are expressly exempt from income tax: interest on *Livret A*, *Livret d'Épargne Populaire* (LEP), *Livret Jeune* and *Livret de Développement Durable* (LDD) savings accounts.

Interest on home-ownership savings plans (PELs) opened up to 31 December 2017 is subject to the flat-rate tax on investment income (or, under a blanket option from the taxpayer, to the progressive income tax scale) for the portion of accrued interest as from the plan's twelfth anniversary. Interest on home-ownership savings accounts (CEL) – exempt up to the present – and on PELs opened as from 1 January 2018, is, as from the first year,[42] subject to the flat-rate tax on investment income or, under a blanket option from the taxpayer, to the progressive income tax scale.

Income from the withdrawal of capital from a retirement savings plan (PER) is subject to non-discharging withholding tax during the year of the withdrawal. Nevertheless, Article 40 of the 2021 Budget Act allows taxpayers with a base taxable income of less than €25,000 (for single people, widows/widowers, divorced people) or €50,000 (taxpayers subject to joint taxation) to request deferral of this tax until the income is collected.

Deduction of capital losses on crowdfunding operations

Article 25 of the 2015 Supplementary Budget Act no. 2015-1786 created a mechanism for recognising capital losses realised by individuals not acting in a professional or commercial capacity, in the event of non-repayment of crowdfunding loans granted on or after 1 January 2016 by way of a crowdfunding website. The capital loss is allowable for personal income tax

[41] Article 28 of the 2018 Budget Act no. 2017-1837 of 30 December 2017 stipulates a distinction between income from life insurance policies and capitalisation bonds depending on whether they are related to premiums paid up to 26 September 2017 or as from 27 September 2017. In the second case, taxation takes place in two steps: payment of non-discharging withholding tax (instalment) during the year when the premiums are paid, in the same conditions as the non-discharging withholding tax applying to income from fixed-income investment products (a payment exemption is allowed if the base taxable income for the year-before-last is less than €25,000 for a single person and €50,000 for joint taxation), and liability for income tax the following year (flat-rate tax on investment income or, under a blanket option from the taxpayer, the progressive scale).

[42] Article 28 of the 2018 Budget Act no. 2017-1837 of 30 December 2017.

alone and recognised in the tax year during which the debt becomes definitively uncollectable and, where applicable, during the five following years (General Tax Code, Article 125-00 A).

7 – Capital gains

Capital gains may be realised by individuals in the course of managing their private assets or in the pursuit of a business activity.

CAPITAL GAINS REALISED BY PRIVATE INDIVIDUALS

The taxation of capital gains realised by private individuals applies to capital gains on property and capital gains on the transfer of securities or shares for valuable consideration.

Capital gains on disposals without valuable consideration are not taxed as such, but are included in the assessment base for duty on transfers without valuable consideration (see Taxes on assets).

Capital gains on property:

Capital gains realised by individuals in the course of managing their private assets, during the sale for valuable consideration of property or property rights, are subject to income tax at a rate of 19%.[43]

Capital gains realised on the disposal of securities of companies not liable to corporation tax whose assets mainly comprise property or property rights ("companies investing predominantly in property") are subject to the same rules.

The taxable event is the sale for valuable consideration of the property, the rights relating to it or shares in companies investing predominantly in property. The capital gain is therefore taxable for the year in which the sale takes place, whatever the terms under which the price is paid.

However, some capital gains are expressly exempt from tax. This applies in the event of:

- the sale of the seller's main residence
- the sale of property for less than €15,000
- the first sale of a housing unit other than the seller's main residence, provided all or part of the sale price is used to acquire or build a housing unit for use as the main home within a period of 24 months from the initial sale. The seller must not have been the owner of their main home at any time over the four-year period preceding the sale.

The taxable base is equal to the difference between the sale price and the purchase price paid by the seller (or the market value if the property was acquired free of charge), plus, where relevant, certain exhaustively specified expenses and charges.

The calculated gross capital gain is reduced by an allowance based on length of ownership, the rates and timeframe of which are aligned regardless of the nature of the sold property for sales carried out since 1 September 2014, to wit:

- for the tax base, an allowance based on length of ownership of 6% for each year of ownership after the fifth year, followed by an allowance of 4% at the end of the twenty-second year of ownership, therefore leading to total exemption of capital gains on property from income tax at the end of the twenty-second year of ownership

- for the social contribution base, an allowance of 1.65% for each year of ownership after the fifth year, then 1.60% for the twenty-second year of ownership and, lastly, 9% for each year of ownership subsequent to the twenty-second year, therefore leading to total exemption of capital gains on property from social levies after thirty years of ownership

In addition, capital gains on the sale of buildings located within the catchment area of a major urban development project (GOU) or a regional revitalisation project (ORT) are subject

[43] Plus 17.2% of social levies.

to an extraordinary 70% allowance contingent upon, in particular, demolition of the existing buildings and construction, within four years of the acquisition date, of one or more residential buildings whose size is at least 75% of the maximum size authorised by town planning rules. This rate is increased to 85% when at least 50% of the surface area of the constructed accommodation is allocated for low- and middle-income social housing. This extraordinary allowance applies under the dual condition that the sale was preceded by an agreement to sell having acquired its legal date between 1 January 2021 and 31 December 2023 and that the sale is concluded by 31 December of the second year following the year in which the agreement to sell acquired its legal date at the latest.

In principle, capital losses on property sales cannot be set off against either capital gains of the same kind or overall income. Exceptionally, capital losses and gains may be set off in certain exhaustively specified cases, such as where the sold property was acquired by successive portions.

The notary is responsible for drawing up the capital gains return, filing it and paying the corresponding tax on the seller's behalf to the land registry in the location of the property. Payment is made when the sale deed is presented for registration.

No return needs to be filed if the capital gain is not taxable because it is expressly exempt or because it is eligible for the allowance based on length of ownership or if the sale generates no capital gain or a capital loss.

Under most international tax treaties concluded by France, capital gains on the sale of property are taxable, by virtue of an exclusive right or not, in the country where the property is situated. Where no such treaty exists, capital gains realised by a resident of France on the sale of property in another country are taxable in France.

Moreover, capital gains on property representing a taxable amount of more than €50,000 are subject to a surtax. This surtax does not concern capital gains from the sale of building plots or related rights. The rate is up to 6% based on a progressive scale depending on the amount of the taxable capital gain. It is owed by the seller and payable under the same conditions as income tax.

Capital gains on the disposal of securities and shares:

Capital gains on the disposal of transferable securities and shares made as from 1 January 2018 are subject to the flat-rate tax on investment income (Article 28 of the 2018 Budget Act)[44] or, under a blanket option from the taxpayer, to the progressive income tax scale.

Capital gains on sales are subject to the progressive income tax scale after applying an ordinary law allowance which increases on the basis of the length of ownership of the securities or shares sold: 50% from two years up to eight years and then 65% thereafter.

Investments in startups, small and medium-sized enterprises (SMEs less than ten years old when the sold shares were subscribed for or acquired) and transfers of undertakings are fostered by the introduction of an increased allowance at the progressive rate depending on the length of ownership of the securities or shares sold, applicable in the event of taxation under the progressive income tax scale: 50% from one to four years, 65% from four to eight years and 85% as from eight years.[45]

Capital gains on the disposal of securities and shares held for at least one year, made by SME managers when they retire, are subject to a special fixed allowance of €500,000. This allowance is non-concurrent with the ordinary law or increased holding period allowance. Article 28 of the 2018 Budget Act eliminates application of the aforementioned proportional allowances to any surplus.

Provided all the conditions are met, the aforementioned allowances for length of ownership apply only to the portion of the capital gains remaining after setting off capital losses of the same kind (capital losses for the current year or carried over from the ten previous years).

[44] Act no. 2017-1837 of 30 December 2017.

[45] This allowance for length of ownership does not apply in the event of taxation at the flat-rate for investment income.

When applicable, the gross amount of capital losses is offset against the gross amount of capital gains.[46]

Article 28 of the 2018 Budget Act stipulates that capital losses are offset, as a priority, against capital gains of the same nature which are taxable the same year, and then, where applicable, against those for the next ten years.

Exit tax scheme

Exit tax arrangements provide that taxpayers who were resident of France for tax purposes for at least six of the ten years prior to the transfer of their tax domicile outside France are taxed during this transfer for unrealised capital gains on securities, stocks and shares held directly or indirectly by members of their tax household on the transfer date.
Transfers of tax domicile outside France, that have taken place since 1 January 2014, cause taxation of income tax and social levies:[47]

- on unrealised capital gains relating to a stake of at least 50% in the profits of a company held by the taxpayer and members of their tax household
- on capital gains when assets in securities and shares exceed a total of €800,000

Unrealised capital gains, deferred-tax capital gains and claims from an earn-out clause are all in principle taxed subject to the flat-rate tax on investment income (or, under a blanket option from the taxpayer, to the progressive income tax scale), after taking account (where applicable) of the allowances available for length of ownership for capital gains tax on securities pursuant to the general regime and the incentive regime.

An automatic stay of payment without collateral is granted if the taxpayer transfers their residence for tax purposes to an EU Member State or to another country or territory having signed a mutual administrative assistance agreement to fight tax evasion and tax avoidance and a mutual tax recovery assistance agreement with France, and provided this country or territory is not a non-cooperative state or territory (NCST) within the meaning of Article 238-0 A of the General Tax Code.

If the domicile for tax purposes is transferred to a country other than those mentioned above, the stay may be granted, at the taxpayer's request, and in consideration of the guarantees that the taxpayer has to furnish before their departure.

Tax on unrealised capital gains is subject to relief eight years after the transfer of the residence for tax purposes outside of France for departures between 3 March 2011 and 31 December 2013 or fifteen years for transfers taking place between 1 January 2014 and 31 December 2018, provided the shares are still part of the taxpayer’s assets at the end of this period. For transfers of residence for tax purposes as from 1 January 2019, the relief period is reduced to two years for taxpayers whose shares are worth less than €2.57m or five years when they are worth more than €2.57m.[48]

*The SME innovation account (*compte PME innovation*, CPI)*

The SME innovation account (CPI) was created by Article 31 of the 2016 Supplementary Budget Act no. 2016-1918 (General Tax Code, Article 150-0 B). For a CPI opened after 1 January 2017, entrepreneurs can transfer shares of their company to the CPI and benefit from a deferral of taxation of capital gains provided the proceeds of disposals of these shares are reinvested in SME startups.

However, social security contributions due on capital gains realised on assets held in the CPI are withheld on an annual basis by the establishment that manages the CPI.

Share savings plan (PEA) to finance SMEs and mid-tier firms

[46] *Bulletin Officiel des Finances Publiques-Impôts* BOI-RPPM-PVBMI-20-10-40; Conseil d’Etat (joint chambers 3 and 8), judgment no. 390265 of 12 November 2015.
[47] Article 42 of the 2013 Supplementary Budget Act no. 2013-1279 of 29 December 2013.
[48] Article 112 of the 2019 Budget Act no. 2018-1317 of 28 December 2018.

Persons investing via a share savings plan (PEA) in shares or in units of certain mutual funds comprising mainly equities are exempt from income tax for dividends and the resulting capital gains provided no withdrawals are made from the PEA for a period of five years following its opening (General Tax Code, Article 163 *quinquies* D).

Article 70 of the 2014 Budget Act no. 2013-1278 of 29 December 2013, amended by Article 13 of the 2013 Supplementary Budget Act no. 2013-1279 of 29 December 2013, established a share savings plan to finance SMEs and mid-tier firms, known as the "PEA-PME", as from 1 January 2014. The PEA-PME replicates the main rules applicable to the PEA. The chief difference between the two savings plans is the kinds of eligible securities and the cap on contributions.

Article 27 of the 2015 Supplementary Budget Act no. 2015-1786 of 29 December 2015 simplified the eligibility criteria for the securities of "listed" SMEs and mid-tier firms to be eligible for the PEA-PME, by adding alternative eligibility criteria valid as from 1 January 2016.

Furthermore, this article extends the scope of securities eligible for this plan to encompass:

- certain listed debt securities (convertible bonds or bonds redeemable in shares)
- shares in European Long-Term Investment Funds (ELTIFs), provided these funds hold at least 50% eligible securities and no ineligible property assets

Moreover, to prevent the operating conditions of the PEA and PEA-PME from being circumvented, Article 94 of the 2016 Supplementary Budget Act no. 2016-1918 introduced two provisions for securities acquired in these plans as from 6 December 2016:

- "Self-sales" are prohibited, meaning that a PEA account holder cannot transfer securities held outside the PEA into the PEA
- Clarifications were given on how the 25% ownership threshold is assessed in cases of indirect ownership of the savings plan

Capital gains on the disposal of money-market fund shares reinvested in a PEA-PME

Article 20 of the 2015 Supplementary Budget Act no. 2015-1786 (General Tax Code, Article 150-0 B *quater*) created a temporary deferred taxation mechanism for income tax on capital gains from the disposal of shares of cash-equivalent collective investment schemes ("money-market funds") carried out between 1 April 2016 and 31 March 2017, if the proceeds of this disposal, net of social security contributions, are reinvested in a share savings plan for SMEs ("PEA-PME"). Provided certain conditions are fulfilled, this tax deferral becomes a definitive tax exemption if no withdrawals are made from the savings plan for five years after the date of the reinvestment.

Transactions carried out on a financial forward market

Transactions carried out on an occasional basis on a financial forward market, regardless of the market's location, on or after 1 January 2015 by individuals domiciled in France, are governed by the rules for capital gains on securities laid out in Article 150 *ter* of the General Tax Code. The holding period allowances do not apply to these capital gains (Article 19 of the 2015 Supplementary Budget Act no. 2015-1786 of 29 December 2015).

Profits made on an occasional basis on forward financial instruments are subject to the flat-rate tax on investment income or, under a blanket option from the taxpayer, to the progressive income tax scale.

However, Article 36 of the 2016 Supplementary Budget Act no. 2016-1918 provided for a flat-rate income tax of 50% on profits made as from 1 January 2017 by individuals on transactions involving forward financial instruments when the account-keeper or contracting party has its tax domicile or is located in a non-cooperative country or territory within the meaning of Article 238-0 A of the General Tax Code (Article 150 *ter*(1), paragraph 3).

This exceptional tax rate does not apply if the taxpayer can demonstrate that the transactions giving rise to these profits correspond to real transactions, with neither the aim nor the effect of shifting profits to a non-cooperative country or territory for purposes of tax fraud (Article 150 *ter*(2), paragraph 3).

Capital gains on the sale of movable property

Sales of movable property are covered by ordinary law arrangements for capital gains on movable property belonging to individuals. Capital gains realised on such property are liable to income tax at a flat rate of 19% and to social security contributions, as well as being subject to the special provisions concerning the flat-rate tax on valuable objects (TFOP) that is presented hereinafter.

The taxable capital gains, calculated according to the difference between the sale price and the purchase price of the goods, are reduced by a 5% allowance for each year of ownership after the second year, meaning that there is total exemption after twenty-two years of ownership.[49]

Nevertheless, sales of precious metals, jewellery, works of art, collectibles and antiques are covered by the TFOP. The tax applies to the good's sale price. The rate is 11% for sales of precious metals and 6% for sales of jewellery, works of art, collectibles and antiques.[50] The social security debt repayment contribution (CRDS) at a rate of 0.5% is also applicable to the sale price.

The TFOP is owed by the seller. However, if an intermediary is involved in the transaction, or otherwise, if the buyer is liable to VAT and based in France, they are responsible for settling the tax.

Optionally, sales of goods automatically liable to the TFOP may be subject to the ordinary law tax arrangements for capital gains on the sale of movable property, provided the seller is able to provide proof of the purchase date and price of the sold good or, otherwise, that they have owned it for more than twenty-two years.

Capital gains on the sale of digital assets

Article 41 of the 2019 Budget Act provides for 30% fixed-rate taxation (12.8% for income tax and 17.2% for social levies) of capital gains on occasional sales of digital assets, especially cryptocurrencies, made by individuals since 1 January 2019. As from 1 January 2023, Article 79 of the 2022 Budget Act gives taxpayers entitlement to expressly and irrevocably opt, for the same year of taxation, to be taxed under the progressive income tax scale.

However, income from digital asset purchase, sale or exchange transactions which are carried out under similar conditions to those establishing a business activity carried on by a person conducting these types of transactions on a professional basis, and income from taking part in creating or running distributed ledger technology, is taxed as non-commercial profits.

BUSINESS CAPITAL GAINS

Business capital gains are profits of an exceptional nature made on the sale of fixed assets by industrial, commercial, craft, agricultural or non-commercial enterprises.

A distinction is drawn between long-term and short-term capital gains (or losses). Short-term capital gains (or losses) are generally included in the base of the taxable profit subject to the progressive income tax scale, while long-term capital gains are taxed at a reduced rate equal to 30% (income tax for 12.8% and social levies for 17.2%).

The distinction between the long-term and short-term regimes is made according to the following rules:

- For non-depreciable assets, capital gains (or losses) are deemed to be short-term where the assets are disposed of within two years of being booked. In other cases, capital gains are long-term.
- For depreciable assets, capital gains (or losses) on disposal are deemed short-term. However, if the asset has been held for longer than two years, the portion of the capital gain greater than the amount of the depreciation applied is deemed to be long-term.

[49] Article 18 of the 2014 Budget Act no. 2013-1278 of 29 December 2013.
[50] Article 19 of the 2014 Budget Act no. 2013-1278 of 29 December 2013.

- Business capital gains realised by a taxpayer exercising an agricultural, commercial, industrial, craft or liberal profession may be totally or partially exempt under certain conditions:
  - On the sale of an individual enterprise or complete branch of activity where the activity has been carried on for at least five years and the value of the sold assets does not exceed certain thresholds.[51]
  - On the retirement of an individual where the activity has been carried on for at least five years: this exemption applies only to income tax at the 12.8% rate and does not apply to social levies (at the 17.2% rate), which remain payable.
  - An allowance of 10% per year of ownership after the fifth year may be deducted from long-term capital gains on the sale of property allocated by the enterprise to its own operations, meaning that they are entirely exempt after fifteen years.

Capital gains realised by very small enterprises are totally or partially exempt where the business activity has been carried on for at least five years and turnover does not exceed certain thresholds.

B. PERSONS NOT DOMICILED IN FRANCE

In principle, persons not domiciled in France must file an annual return reporting all their income if they have income from French sources.

The tax base, i.e. income received by taxpayers who are not residents of France for tax purposes, is determined on the basis of the same rules as those applying to the same type of income received by persons who are residents of France for tax purposes.

However, there are specific arrangements for calculating the tax.

Similarly, to address specific problems with collecting income tax owed by taxpayers who are not residents of France for tax purposes, certain French income received by such persons is subject to deductions at source or withholding tax with the latter differing from the withholding tax provided for under the "withholding at source" collection system. In some cases, the withholding may discharge the income tax liability partly or in full, meaning that progressive rates of tax are not applied to the income in question.

The rate of levies and withholding taxes on income paid or certain capital gains made in a non-cooperative country or territory or paid to persons (individuals or legal entities) whose residence for tax purposes or registered office is located in such a country, are increased by 75% (50% prior to 2013).

Some types of income are expressly exempted from income tax in France when received by non-residents.

1 – Calculation of income tax owed by persons not resident of France for tax purposes

Pursuant to Article 197 A of the General Tax Code, income tax owed by persons who are not residents of France for tax purposes on their French income is calculated according to the ordinary law rules applying to taxpayers who are residents of France for tax purposes, i.e. with application of the progressive scale and income splitting. Nevertheless, owing to their tax obligations being limited to their French income, they are not entitled to deductions of expenses from total income subject to income tax. They are not entitled to tax reductions or credits.[52]

Income tax owed by non-residents may not be less than a minimum amount calculated by applying a 20% rate to the portion of net taxable income which is less than or equal to the upper limit of the second band of the income tax scale (i.e. €27,478 for 2022 income) and a 30% rate to the portion above this limit; these 20% and

[51] This exemption also applies to enterprises liable to corporation tax under certain conditions, relating in particular to the ownership of their capital by individuals.

[52] For the calculation of income tax owed by Schumacker non-residents, refer to comment no.1 on page 41.

30% rates are respectively reduced to 14.4% and 20% for income originating in French overseas *départements*.[53]

Should they so wish, non-resident taxpayers may nevertheless opt for the "average rate" system when the average taxation rate after application of the progressive scale to all their income arising in France and abroad is less than the minimum rate. In this case, this "average rate" applies only to their French income. This option requires them to declare all their worldwide earnings.

2 – Income subject to withholding tax or a flat-rate levy

A- EARNED INCOME SUBJECT TO WITHHOLDING TAX UPON RECEIPT

WITHHOLDING TAX RELATING TO NON-SALARIED OR SIMILAR INCOME (GENERAL TAX CODE, ARTICLE 182 B)

Profits from non-commercial activities carried on in France by persons not domiciled there are taxable under the same rules as for profits of the same kind received by persons domiciled in France.

However, withholding tax that does not discharge income tax liability at the same rate as the normal corporation tax rate (25%) is levied on non-commercial or similar income paid by a debtor carrying on a business activity in France to individuals (or companies) that do not have a permanent business establishment in France.[54]

Withholding tax at the same rate is also generally levied on remuneration paid for services of any kind actually provided or used in France. However, the rate is 15% for amounts, including salaries, paid for sporting performances provided or used in France.

The amount of this withholding is set off against the income tax payable by the individual pursuant to Article 197 A of the General Tax Code on income from French sources. When it exceeds this amount, the taxpayer may apply for a refund of the excess withholding.

The rate of the withholding tax is increased to 75% when the amounts, other than salaries, are paid to individuals domiciled or based in a non-cooperative country or territory, unless the debtor presents proof that these amounts relate to actual transactions which essentially have a purpose or effect other than to enable them to be located in a non-cooperative country or territory.

When the 75% rate applies, the withholding discharges income tax and is not refundable.

There are reimbursement mechanisms for non-resident legal entities and organisations based in the European Union (EU) and the European Economic Area (EEA) that are running a deficit or to factor in the difference between taxes paid and taxes calculated from a net base of acquisition and retention expenses directly related to this income.

WITHHOLDING TAX RELATING TO INCOME FROM ARTISTIC PERFORMANCES (GENERAL TAX CODE, ARTICLE 182 A *BIS*)

Amounts paid for artistic performances given or used in France by a debtor carrying on a business activity in France to persons that do not have a permanent business establishment there are subject to withholding tax at 15%.

The base for this withholding tax is comprised of the gross amount of sums paid after deduction of a 10% allowance for business expenses.

For compensation paid in 2022, this withholding discharges income tax for the portion up to €44,172.

The rate of the withholding tax is increased to 75% when the amounts paid in consideration of artistic performances, other than salaries, benefit individuals domiciled or based in a non-

[53] The minimum rate rule does not apply to Schumacker non-residents.

[54] Non-resident legal entities and organisations based in the EU and the EEA that receive French income that falls within the scope of Article 182 B of the General Tax Code are entitled to a 10% fixed allowance on expenses.

cooperative country or territory, unless the debtor presents proof that these amounts relate to actual transactions which essentially have a purpose or effect other than to enable them to be located in a non-cooperative country or territory.

When the 75% rate applies, the withholding discharges income tax and is not reimbursable.

There are reimbursement mechanisms for non-resident legal entities and organisations based in the EU and the EEA that are running a deficit or to factor in the difference between taxes paid and taxes calculated from a net base of acquisition and retention expenses directly related to this income.

WITHHOLDING TAX RELATING TO WAGES, SALARIES, PENSIONS AND ANNUITIES (GENERAL TAX CODE, ARTICLE 182 A)

Wages, salaries, pensions and annuities paid to individuals not domiciled in France are liable to withholding tax calculated on a three-band scale, the limits of which vary in the same proportion as the upper limit of the income tax scale, rounded off to the nearest euro:

For 2022 income, the bands are as follows:

- No withholding tax is levied if the annual amount of income is less than €16,050
- Withholding tax is payable at 12% on income between €16,050 and €46,057
- The rate of withholding tax is 20% for income in excess of €46,057

The 12% and 20% rates are reduced to 8% and 14.4% for income originating in a French overseas *département*.

This withholding at source partially discharges income tax liability: the portion of income subject to withholding tax at 0% or 12% is exempt from income tax and is not taken into account in French income subject to income tax. Only the portion subject to 20% withholding tax is taxed on the progressive scale with other French income but with application of a minimum rate or a rate arising from application of the progressive scale if this is higher. The 20% (or 14.4%) withholding tax rate is offset against the amount of tax calculated in this manner.

However, the partially discharging nature of the withholding tax under Article 182 A of the General Tax Code does not limit taxpayers' reporting obligations to the surplus portion alone. They must report all salaries, pensions and annuities from French sources available to them during the year of taxation together with the total amount of withholding tax levied on such income on their annual tax return.

B – OTHER INCOME FROM FRENCH SOURCES SUBJECT TO DEDUCTION AT SOURCE IN DISCHARGE OF TAX LIABILITY OR TO WITHHOLDING TAX

FINANCIAL INCOME

Income from variable-yield securities (dividends and similar income):

Dividends and similar income distributed by French companies to individuals not domiciled in France for tax purposes or to legal entities that do not have their registered office in France, other than certain undertakings for collective investment, are subject to a 12.8% withholding tax in discharge of income tax liability for individual recipients and 25% for legal entity recipients (15% for non-profit organisations).

The rate is increased to 75% for income and revenue paid outside France in a non-cooperative country or territory, regardless of the tax domicile of the beneficiary of this income.

In addition, a statutory presumption of distribution was introduced by the 2019 Budget Act for payment of dividends made as part of a reverse transaction or similar operation carried out during a period of less than forty-five days.[55]

The rate is reduced, or the tax even waived altogether, under most international tax treaties.

[55] Article 36 of the 2019 Budget Act no. 2018-1317 of 28 December 2018.

There are reimbursement mechanisms for non-resident legal entities and organisations that are running a deficit or to factor in the difference between taxes paid and taxes calculated from a net base of acquisition and retention expenses directly related to this income.

Compensation allocated to members of the board of directors or supervisory board of public limited companies* (sociétés anonymes) *other than salaries and industrial property royalties

This compensation mentioned in the first paragraph of Article 117 *bis* of the General Tax Code is subject to income tax in the category of investment income.

When the aforementioned compensation is paid to individuals who are not residents of France for tax purposes, a 30% withholding tax is applied at source.

The withholding tax is levied by the entity legally responsible for paying it, namely the last payer in France. However, European financial intermediaries (also based in Iceland, Norway and Liechtenstein) may pay the withholding tax due on income distributed by listed French companies to their non-resident shareholders to the French government provided they have concluded an agreement with the French tax administration and have been authorised by the entity legally responsible for paying the tax to file returns and make payments.

Income from fixed-income securities (dividends and similar income)

This income is subject to 12.8% withholding tax for individual recipients and 15% or 17% for legal entity recipients. The flat-rate withholding tax applies, at an increased rate of 75%, to revenue from fixed-income securities paid by a debtor domiciled or based in France outside France in a non-cooperative country or territory, regardless of the tax domicile of the beneficiaries.

CAPITAL GAINS ON PROPERTY

Under most international tax treaties concluded by France, capital gains on the sale of property are taxable in the country where the property is located. Capital gains on the sale of a property located in France by a taxpayer domiciled outside France are taxable in France.

Capital gains on property made by legal entities or organisations located outside France are theoretically subject to a 25% levy. When the legal entity is liable for corporation tax, the levy is not discharging.

However, they are taxed at 19% when they are realised by non-resident individuals.

Under certain conditions, reimbursement mechanisms are provided for non-resident legal entities and organisations based in the EU and the EEA that are running a deficit.

Moreover, non-residents may be entitled to certain exemptions from capital gains tax on property, in particular, to a special exemption for sales of housing units located in France. The exemption is limited to one residence per taxpayer and to €150,000 of net taxable capital gains, under the dual condition that:

- the seller has been resident of France for tax purposes for a continuous period of at least two years at any time prior to the sale
- the sale is concluded by 31 December of the tenth year following the year when the seller transfers their tax domicile outside France at the latest or, without conditions as to time limits, when the seller has had free enjoyment of the property at least since 1 January of the year preceding the year of the sale

This exemption is separate from entitlement to the exemption with regard to sale of their former main residence in France on the date of transfer of residency for tax purposes outside France. The latter exemption applies:

- to persons transferring their residence for tax purposes to another EU Member State or to a country or territory which has signed a mutual administrative assistance agreement to fight tax evasion and tax avoidance and a mutual tax recovery assistance agreement with France

- when the sale is made by 31 December of the year following transfer of the residence for tax purposes outside France and provided the property was not made available to a third party between the transfer and sale dates

PROFITS FROM PROPERTY

Certain profits from property made by individuals domiciled outside France are subject to a withholding tax in discharge of income tax at the same rate as the normal corporation tax rate.

They are:

- profits made by property dealers
- profits made by individuals on the sale of properties they have built or had built and of related property rights
- profits made by individuals who sell land divided into plots intended for development

This rate is increased to 75% when the profits are made by taxpayers domiciled in a non-cooperative country or territory.

CAPITAL GAINS ON THE DISPOSAL OF SHARES DERIVING FROM SUBSTANTIAL INTERESTS

Unless otherwise provided for by an international tax treaty, gains resulting from the disposal by individuals or legal entities that do not have their tax domicile or registered office in France of shares in French companies are taxed at a flat rate of 12.8% (when owed by an individual) or 25% (when owed by a legal entity or organisation), where the seller, their spouse and their descendants and ascendants hold, or have held at some point during the previous five years, directly or indirectly, shares representing more than 25% of the corporate profits of the company whose shares have been sold. This levy discharges the income tax owed within the limit of the amounts having been subject to this tax.

Capital gains on the sale of shares in French companies are taxed at a flat rate of 75%, regardless of the proportion of rights to the profits of the relevant company, when they are realised by individuals or organisations domiciled, based or incorporated outside France in a non-cooperative country or territory.

CAPITAL GAINS DISTRIBUTED BY VENTURE CAPITAL COMPANIES

Amounts distributed by venture capital companies (VCCs) to non-resident individuals taken from the net capital gains on the disposal of shares by the company are subject to a 12.8% withholding tax (General Tax Code, Article 163 *quinquies* C).

Such distributions are subject to a 75% withholding tax when they are paid in a non-cooperative country or territory, regardless of the shareholder's country of residence.

3 – Exemption of certain categories of income or profits from French sources received by persons not domiciled in France for tax purposes

Gains from the transfer of transferable securities for valuable consideration that are made directly or through an intermediary by persons not domiciled in France for tax purposes and do not derive from substantial interests are exempt from income tax. This also applies to legal entities whose registered office is located outside France.

Interest on deposits made by non-residents with credit institutions established in France, as well as interest on most bonds subscribed for by non-residents are also exempt, except for interest paid by these institutions in a non-cooperative country or territory, regardless of the tax domicile of the beneficiaries (see section 2 above).

Lastly, salaried employees and senior managers treated in the same way for tax purposes (and certain non-salaried employees) who are called upon by a company based abroad to work for a limited period for a company based in France, and salaried employees and senior managers who are directly recruited in a foreign country by a company based in France, are

entitled to exemptions in respect of their earned income (Article 155 B of the General Tax Code). These arrangements apply to persons who were not domiciled in France for tax purposes during the five years prior to taking up their position and who can be considered as residents for tax purposes after taking up their position in France within the meaning of a and b of Article 4 B(1) of the General Tax Code.

Such "impatriates" are exempt until 31 December of the eighth year following the year in which they take up their position for the years when they are domiciled in France.[56] The income tax exemption also applies to 50% of certain investment income and income from intellectual or industrial property rights received in other countries ("passive income") and certain capital gains on the disposal of transferable securities and shares held in other countries.

IV – DETERMINATION OF TOTAL INCOME

In principle, taxable income is determined by adding up the net income in each category available to a tax household during the year of taxation.

TAXABLE INCOME IS A TOTAL INCOME

This means that it includes all the net income of the members of a tax household in one or more categories of income.

At the same time, losses in certain categories of income are set off, in principle, against other kinds of income. However, there are certain exceptions to this principle.

Property losses cannot be set off against total income except for the portion resulting from expenditure other than loan interest, up to a limit of €10,700. The portion that exceeds €10,700 or results from loan interest can be set off against income from property in the following ten years.[57]

This €10,700 limit is increased to €15,300 for taxpayers who report a property loss on the housing for which one of the deductions provided for in f or o of 1° of Article 31(I) of the General Tax Code (3° of Article 156(I) of the same code) is applied. It is also increased, without exceeding €21,400 per annum, in the commensurate amount of deductible expenses for energy retrofitting work paid for between 1 January 2023 and 31 December 2025, and enabling a property to change from an E, F or G energy rating to energy performance ratings A, B, C or D.[58] Losses from an agricultural business activity are only admitted as a deduction from total income if the total net income from other categories at the taxpayer's disposal does not exceed a defined limit (€119,675 for 2022 income). Otherwise, agricultural losses can only be set off against agricultural profits over the following six years.

Likewise, losses from the exercising in a non-professional capacity of activities treated as business or non-commercial profits for tax purposes may not be set off against total net income but only against profits from such activities carried out in the same year or in the following six years.

Under the same conditions as taxpayers domiciled in France, those not domiciled in France may set off losses of the same origin against profits or income from French sources, provided these losses are from French sources.

In the event of an overall loss (the total income in each category is negative), the latter can be carried over to the total income of the subsequent six years.

TAXABLE INCOME IS AN ANNUAL DISPOSABLE INCOME

The tax household is, in principle, taxed on its actual disposable income during the year (or tax period, if it derives from a non-salaried professional activity).

[56] Article 71 of the 2017 Budget Act no. 2016-1917 of 29 December 2016.

[57] However, property losses in respect of historic listed buildings can be set off against total income with no limit on the amount of said losses.

[58] Article 12 of the 2022 Supplementary Budget Act no. 2022-1499 of 1 December 2022.

However, exceptional or deferred income may, under certain conditions, be taxed under the income splitting system (*quotient familial*), which alleviates the impact of progressive taxation.

TAXABLE INCOME IS A NET INCOME

For economic or social reasons, some personal expenditure of the tax household is treated for tax purposes either as expenses deductible from total income or as tax reductions or credits that represent a percentage of the capped amount of the expenditure.

Court-ordered or statutory maintenance payments may be deducted from total income, in principle for the actual amount.

V – CALCULATING THE TAX

The authorities calculate personal income tax on the basis of the amounts declared by taxpayers, who are required to file a return reporting all income received in the previous year by the tax household.

In addition, those receiving income from professional activities (business profits, non-commercial profits, agricultural profits), investment income, income from property and capital gains on property are required to attach special declarations to the overall return.

All returns can be filed online on the impots.gouv.fr website in the "*Déclaration en ligne*" (online filing) section of the taxpayer's personal account.

The calculation of income tax takes the taxpayer's personal situation into account. The income tax calculation is adjusted to personal circumstances, inter alia, by means of an income splitting system and by allowing taxpayers tax reductions or credits for certain personal expenses.

THE INCOME SPLITTING SYSTEM

Income splitting is a way of taking dependants into account and, accordingly, to cushion the effects of progressive taxation by applying the progressive rate to a partial income, namely taxable income per unit.

The method involves dividing the tax household's taxable income into a certain number of units (one unit for a single person, two units for a married couple or partners of a PACS (civil partnership), an additional half unit for each of the first two dependent children and an additional unit for each dependent child thereafter).

The progressive tax scale is then applied to the taxable income per unit.

The scale, corresponding to one unit, is as follows (2022 income):[59]

Portion of taxable income (one unit)	Rate
For the portion under €10,777	0%
For the portion over €10,777 and less than or equal to €27,478	11%
For the portion over €27,478 and less than or equal to €78,570	30%
For the portion over €78,570 and less than or equal to €168,994	41%
For the portion over €168,994	45%

This tax per unit is multiplied by the number of units to determine the gross amount of tax payable.

For an equal number of dependants, however, the tax benefit from the income splitting system increases with the amount of taxable income. This means that this tax break is

[59] The scale was significantly amended most recently by the 2020 Budget Act which reduced the rate of the second band from 14% to 11% as from taxation of 2020 income.

capped at €1,678 per additional half unit and at €839 for each additional quarter unit for 2022 income.

Lastly, taxpayers with low incomes are eligible for relief on the taxes from the tax scale and after capping the effects of income splitting (gross tax), which alleviates the impact of entering the progressive income tax scale.

For 2022 income tax, the relief applies when the tax is less than €1,841 for single, divorced or widowed taxpayers and €3,045 for couples taxed jointly.

Calculating the net tax

The next step after determining the gross tax is to deduct any tax reductions and tax credits for which the taxpayer may be eligible, subject to the overall cap on tax breaks (see below).

Certain personal expenditure by the taxpayer that Parliament wishes to encourage, in particular for social or economic reasons, gives entitlement to a tax reduction (see, for example, III-A-4 Loc'Avantages, Pinel or Denormandie tax reductions) or a tax credit. The amount of the tax break corresponds to a given percentage of the actual expenditure, up to a ceiling. It is therefore usually independent of the amount of the taxpayer's income. In addition, any surplus, on the tax calculated after deducting tax reductions, of the tax benefit arising from tax credits may be refunded. Taxpayers not liable to tax therefore benefit from tax credits.

Deductible tax credits are granted, for example, for childcare such as the cost of hiring a child minder or for purchasing equipment for personal care. Expenses relating to employing a home help are also concerned.

The total benefit resulting from certain tax breaks exhaustively listed (mainly tax reductions and credits) has been capped. Thus, since taxation of 2013 income, total tax breaks on the basis of expenditure or investments made cannot represent a tax reduction of more than €10,000.

However, total tax breaks subject to the ordinary law cap, limited to €10,000, plus tax breaks due to investment overseas and/or subscriptions for the capital of "Sofica" financing companies for the cinema and audio-visual industries, are limited to an income tax reduction of €18,000.

In principle, the cap applies only to tax breaks granted in return for an investment or a service provided to the taxpayer. It does not apply to tax breaks linked to the taxpayer's personal situation (deduction of maintenance payments, tax breaks linked to dependency or disability) or to not-for-profit initiatives in the public interest (preservation of historic monuments, donations to non-profits, sponsorship, etc.).

NB:

Taxpayers who are not domiciled in France and who are only liable to tax on their income from French sources are not entitled to deductions of expenses from total income. With certain exceptions, they are not entitled to the tax reductions or credits for taxpayers domiciled in France.

Non-residents who are domiciled in another EU Member State or in a State party to the agreement on the EEA having concluded a tax treaty with a mutual administrative assistance clause to combat tax evasion and avoidance with France and who receive the majority of their income from French sources (so-called "Schumacker non-residents") are treated in the same way as persons residing in France for tax purposes under domestic legislation, whilst having a limited tax obligation within the meaning of international tax treaties. For the calculation of their income tax, they can invoke expenses allowed as deductions from their overall income, tax reductions and credits.

Taxpayers are informed of their net income tax liability several months after filing their income tax return by means of a notice of assessment sent to their domicile.

- Users may file their income tax returns and/or pay online at http://www.impots.gouv.fr/

TEMPORARY LEVY ON TOP EARNERS

The wealthiest taxpayers have to pay a temporary levy, in addition to income tax, which is based on their reference taxable income (RFR).

Subject to the application of international treaties for the avoidance of double taxation, the following persons are liable to the temporary levy:

- Taxpayers who are resident of France for tax purposes, who are liable to income tax and who have income from French or foreign sources that is part of their RFR
- Taxpayers who are not residents of France for tax purposes, who are liable to income tax in France and who have income from French sources that is part of their RFR

The RFR covers the net amount of income and capital gains taken into account to calculate the income tax liability, plus certain expenses deductible from the taxable income, certain income and profits exempt from income tax or subject to a deferral or stay of taxation, certain allowances applied to determine the income category and income and profits subject to levies or payments discharging tax liability.

To calculate the RFR used as the basis for the levy, the entire amount of income eligible for the income tax income splitting system is taken into account, i.e. before income splitting.

The temporary levy on top earners is calculated by applying a rate of either 3% or 4% according to the following scale:

<table>
<tr><th rowspan="2">Portion of reference taxable income</th><th colspan="2">Applicable rate</th></tr>
<tr><th>Single, widowed, separated or divorced taxpayer</th><th>Married taxpayer or taxpayer in a civil partnership, taxed jointly</th></tr>
<tr><td>Less or equal to €250,000</td><td>0%</td><td rowspan="2">0%</td></tr>
<tr><td>Between €250,001 and €500,000</td><td>3%</td></tr>
<tr><td>Between €500,001 and €1,000,000</td><td rowspan="2">4%</td><td>3%</td></tr>
<tr><td>More than €1,000,000</td><td>4%</td></tr>
</table>

The levy has special income splitting arrangements to mitigate the taxation of taxpayers having income considered exceptional owing to its amount.

The temporary levy on top earners is collected in the same manner as income tax. It is scheduled to remain in force until taxation of income for the year during which the general government deficit is reduced to zero.

CHAPTER 3: SOCIAL LEVIES

Since its inception in 1945, the social security system has been financed mostly from contributions levied on earned income and income from personal assets and investment products.

This arrangement distinguishes France from some of its European partners, which finance most social spending from tax.

However, in order to tackle social security funding problems and ensure that all income helps to finance social protection, supplementary levies of a tax nature were introduced to extend the range of resources.

They are the general social security contribution (*contribution sociale généralisée*, CSG), the social security debt repayment contribution (*contribution pour le remboursement de la dette sociale*, CRDS), the 2.2% social levy and, for pension and disability benefits, the 0.3% welfare contribution for elderly people living alone levied on retirement pensions (*contribution additionnelle de solidarité pour l'autonomie*, CASA).[60]

In addition, they include a 7.5% solidarity levy on income from personal assets and investment products.[61]

Thus, the overall rate of social security contributions on income from personal assets and investment products comes to 17.2%.[62]

Only individuals resident in France for tax purposes are liable to pay social security levies on investment income.

Nevertheless, individuals resident outside France for tax purposes are liable to pay social security levies on investment income earned on property owned in France.

The biggest payers of corporation tax are liable to a 3.3% social contribution.

NB:

Since 2016, the proceeds from social security contributions on investment income, which had previously been paid to entities providing contributory benefits (i.e. the national health insurance fund, national family allowance office and national pension fund), have been reallocated to social security entities that provide only non-contributory benefits (i.e. the old age solidarity fund, social security debt redemption fund and national solidarity fund for autonomy). The purpose of this change in budget[63] allocation was to comply with EU law following a judgment of the European Court of Justice (ECJ).[64] The French Supreme Administrative Court (*Conseil d'Etat*) immediately aligned itself with this judgment.[65] Under this case law, social security contributions on investment income are governed by the EU Regulation on social security due to the way these contributions are allocated. Therefore, individuals affiliated to the social security regime of another EEA/EU Member State or Switzerland are not liable to these contributions. Indeed, the proceeds of these social

[60] Social Security Code, Article L.137-41.
[61] General Tax Code, Article 235 *ter*.
[62] General Tax Code, Article 1600-0 E and Social Security Code, Article L.136-8: CSG = 9.2%. General Tax Code, Article 1600-0 G and Order no. 96-50 of 24 January 1996, Article 15 and 19: CRDS = 0.5 %. General Tax Code, Article 235 ter: solidarity levy = 7.5%.
[63] Article 24 of the 2016 Social Security Budget Act no. 2015-1702 of 21 December 2015.
[64] ECJ, 26 February 2015, case C-623/13, *de Ruyter*.
[65] French Supreme Administrative Court ruling no. 365511 of 17 April 2015.

security contributions must be used to finance benefits for the beneficiaries of the French social security regime only. Taxpayers can therefore challenge taxes assessed on this basis.

In addition, following the aforementioned ECJ judgment, Article 26 of the 2019 Social Security Budget Act no. 2018-1203 of 22 December 2018 introduced exemptions from the CSG and the CRDS on income from personal assets and investment products for persons entitled to benefit from the social security system of another EU/EEA Member State or Switzerland.

Social security contributions on income from personal assets and investment income are due according to the rules given in Articles L.136-6 and L.136-7 of the Social Security Code. Thereafter, special collection methods for these contributions may be implemented, depending on the type of income.

Note that social security contributions on capital gains subject to tax deferral under Article 150-0 B *ter* CGI are assessed at the rate in force the year these capital gains were realised (see section II, Article 34 of the 2016 Supplementary Budget Act no. 2016-1918).

I – GENERAL SOCIAL SECURITY CONTRIBUTION

The general social security contribution (CSG) is a levy with a social purpose. Unlike social security contributions, which entitle those who pay them to benefits, the CSG is levied like any other tax without any direct benefit in return.

The contribution is levied on individuals who are domiciled in France for tax purposes.

The CSG tax base is very wide, since it is levied in principle on earned income, substitution income, income from personal assets and investment income, whether they are taxed at a flat rate or, optionally, on the progressive income tax scale, subject to the flat-rate levy or exempt from personal income tax altogether.

CSG ON EARNED AND SUBSTITUTION INCOME

- **Income from salaried employment and similar income**

For income from salaried employment and similar income, the tax base comprises the gross amount of salaries and benefits in cash or in kind. 1.75%[66] is deducted from this base for professional expenses, limited to four times the annual social security ceiling (PASS).[67]

Since 1 January 2019, CSG has been deducted by the employer at source at a rate of 9.2%,[68] of which 6.8%[69] is deductible from the income tax base.

The employer pays the amount deducted at source to URSSAF, the body that collects social security contributions. Exceptionally, the CSG payable on employee shareholder income and on income from foreign sources is collected by the Public Finances Directorate General.

- **Non-wage earned income**

The CSG is also levied at the 9.2% rate on non-wage earned income and paid in advance in quarterly instalments.

- **Substitution income**

For substitution income, the rate[70] is set at:

[66] Social Security Code, Article L.136-2.
[67] The amount of the annual social security ceiling is available on this website: https://www.ameli.fr/entreprise/vos-salaries/montants-reference/plafond-securite-sociale.
[68] Social Security Code, Article L.136-8 Section I paragraph 1.
[69] General Tax Code, Article 154 *quinquies* Section I.
[70] Unless otherwise stated, all rates specified in Article L.136-8 of the Social Security Code.

- 9.2% for early retirement benefits received by employees who have taken early retirement since 11 October 2007, 6.8%[71] of which is deductible from the income tax base.

- 8.3% for pensions and disability benefits, 5.9% of which is deductible from the income tax base. This is reduced to 6.6% of which 4.2% is deductible from the income tax base, or 3.8% (fully deductible from the income tax base) when the income is received by recipients whose taxable income does not exceed a certain threshold.[72] The thresholds for a 3.8% tax rate are also the exemption limits for the CASA.[73] [74] Pensions and disability benefits are exempt from the CSG when the recipient's taxable income is below the exemption limit; exemption from the CSG also means exemption from the CRDS.[75]

- 6.2% for other substitution income (unemployment benefit and other benefits and allowances set forth in section II, paragraph 1 of Article L.136-8 of the Social Security Code), 3.8% of which is deductible from the income tax base. Recipients of unemployment benefit are entitled to this lower rate or may be fully exempt from the CSG under the same conditions applicable to pensions and disability benefits. Daily social security allowances for sickness, maternity, paternity and child care leave, work-related accidents and occupational illness are still subject to a rate of 6.2% regardless of how much the recipient earns.

The CSG on substitution income is generally levied at source by the organisation responsible for making these income payments.

CSG ON INCOME FROM PERSONAL ASSETS:

The CSG is levied on income from personal assets at 9.2%. The following are liable to the CSG:

- Income from property
- Purchased life annuities
- Investment income other than income on which the CSG has been deducted at source (see "CSG on investment income" below)
- Capital gains and profits liable to income tax, including long-term business capital gains and capital gains on transferable securities and shares
- Profits liable to income tax from industrial and commercial activities, agricultural activities and non-commercial profits not liable to pay CSG on earned and substitution income
- Income of indeterminate origin subject to estimated assessment and other amounts subject to estimated assessment for non-production or late production of the tax return
- Any other sources of income taxable in France on the basis of an international treaty which have not been subject to CSG on earned and substitution income

The CSG is levied on the net amount used to determine the income tax liability.

Nevertheless, CSG is levied on the gross amount of investment income, i.e. prior to the deduction of expenses incurred for acquiring or keeping the income and the 40% allowance.

[71] Unless otherwise stated, the deductible fraction of the tax is set forth in Article 154 *quinquies* of the General Tax Code.
[72] Social Security Code, Article L.136-8, Section III and III *bis*
[73] Limit for the welfare contribution for elderly people living alone levied on retirement pensions: Article L.137-41 of the Social Security Code.
[74] Under Article 14 of the 2019 Social Security Financing Act no. 2018-1203 of 22 December 2018, the reduced 3.8% rate for the CSG and the CASA exemption for taxpayers whose reference taxable income for two consecutive years does not exceed the limits set are maintained, refer to Article L.136-8, Section III, paragraph 2 of the Social Security Code.
[75] Social Security Code, Article L. 136-1-2, Section II, paragraph 1.

Income from capitalisation bonds or life insurance policies of eight years or more are taxed before application of the lump-sum allowance of €4,600 or €9,200.

Similarly, capital gains on transferable securities and shares are taxed before any length-of-ownership deduction.

Generally speaking, the CSG on income from personal assets, save in cases where it has been deducted at source, is collected via the assessment roll and it is verified in the same way as income tax.

6.8% of the CSG on income from personal assets is deductible from taxable income in the year it is paid[76] provided this income is liable to income tax calculated on the basis of the progressive scale (i.e. when the taxpayer waives the application of the 12.8% proportional rate set forth in Article 200 A of the General Tax Code, pursuant to paragraph 2 of the same article.

An upper limit is placed on the CSG deductible in relation to net gains on disposals of transferable securities and shares that benefit from a lump-sum allowance in favour of retiring company managers or from the increased holding period allowance set forth in Article 150-0-D 1 *quater* of the General Tax Code in keeping with the amount liable to income tax of each gain.

CSG ON INVESTMENT INCOME:

Income from fixed-income investments, together with dividends and similar income (with the exception of those received within the framework of a PEA share savings plan) are liable to the CSG on investment income at 9.2%:

- where they are liable to income tax at a flat rate or, optionally, at progressive rates and the payer of the income or revenue is established in France
- where they are exempt from income tax (with the exception of certain regulated tax-free savings products, namely *Livret A*, *Livret d'Épargne Populaire*, *Livret de Développement Durable*, *Livret Jeune* and *Livret d'Épargne Entreprise* savings accounts, reimbursement bonuses and premiums)
- where they are liable to withholding tax in full discharge of tax liability as per the 2013 Budget Act (see Chapter 2, Section 1)

The CSG is deducted at source, generally, in the case of fixed-interest investment income and distributed income, by the payer. In the case of tax-exempt products, the deduction is made in principle on payment of the income to the debtor or to the intermediary who pays the income in question and is then responsible for paying the amounts to the State.

6.8% of the CSG is deductible where income is liable to income tax determined by the progressive income tax scale.

CSG ON CAPITAL GAINS ON PROPERTY:

The CSG on capital gains on property and certain movables is collected at the same time as the withholding tax in discharge of income tax on the capital gain.

The social security contributions base for capital gains on disposals of property and related rights, liable to CSG and other social levies,[77] is determined through the application of a different length-of-ownership deduction to that applied to determine the tax base. 1.65% is deducted for each year of ownership after the fifth year up to the 21st; it falls to 1.60% for

[76] General Tax Code, Article 154 *quinquies*, Section II

[77] The general social security contribution (CSG) at a rate of 9.2%; the social security debt repayment contribution (CRDS) at a rate of 0.5% and the solidarity levy at a rate of 7.5%.

the 22nd year and is then raised to 9% for each year after the 22nd. In total, the exemption from social levies is acquired over a 30-year period (rather than 22 for income tax).

6.6% of the CSG paid on income from fixed-income investments and distributed income liable to income tax at progressive rates can be deducted from taxable income in the year in which it is paid.

The rate of CSG deductible from investment income gains is therefore in line with the rate of CSG deductible from earned income to bring the taxation of investment income into line with that of earned income.[78]

The CSG yielded €141.6bn in 2022 for all of its beneficiaries (family, healthcare, independent living, old-age solidarity fund (FSV), Social Security Debt Repayment Fund (CADES) and National Union for Employment in Industry and Commerce (UNEDIC) branches).

II – SOCIAL SECURITY DEBT REPAYMENT CONTRIBUTION

Like the CSG, it is payable by individuals who are domiciled in France for tax purposes and, where earned or substitution income is concerned, who contribute in any capacity whatsoever to a French compulsory health insurance scheme.

The rate is 0.5%.[79] The tax base is slightly wider than that of the CSG, since certain categories of income exempt from the CSG, such as family allowances and housing benefits, are liable to the CRDS.

The CRDS is collected in the same way as the CSG, with the exception of the contribution on earned and substitution income from foreign sources collected by individual assessment. The CRDS is not deductible from the income tax base.

It yielded €8.5bn in 2022.

III – 4.5% SOCIAL LEVY AND THE ADDITIONAL CONTRIBUTION TO THIS LEVY (eliminated on 1 January 2019)

Article 26 of the 2019 Social Security Budget Act no. 2018-1203 of 22 December 2018 eliminated the social levy and its additional levy on 1 January 2018 for income from personal assets and on 1 January 2019 for investment income.

IV – 7.5% SOLIDARITY LEVY

A solidarity levy is levied on income from personal assets and investment income. Its initial 2% rate was raised to 7.5% on 1 January 2018 for income from personal assets and on 1 January 2019 for investment income.[80]

The base and collection methods are identical to those of the CSG due on income from personal assets and investment income.

The solidarity levy is not deductible from total income liable to income tax.

Total social levies on investment income and income from personal assets (income from property, capital gains on disposals of securities, purchase life annuities, etc.) stand at 17.2%.

V – EMPLOYEE CONTRIBUTION ON GAINS FROM EXERCISING STOCK OPTIONS AND ACQUIRING BONUS SHARES

[78] Since 2013 Budget Act no. 2012-1509 of 29 December 2012

[79] Article 1600-0 G and 1600-0 H of the General Tax Code and Article 19 of Order no. 96-50 of 24 January 1996.

[80] Article 26 of the 2019 Social Security Budget Act no. 2018-1203 of 22 December 2018.

Gains from exercising stock options and acquiring bonus shares allocated since 16 October 2007 are liable to an employee contribution when the beneficiary is affiliated to a French compulsory health insurance scheme.

As an exception, this contribution is not due on vesting gains on bonus shares authorised by a decision of an extraordinary general meeting of shareholders:

- from 8 August 2015 to 30 December 2016[81]

- as from 31 December 2016, only for the portion of such gains not exceeding an annual limit of €300,000[82]

This contribution is levied on the gain from exercising stock options and/or acquiring shares.

The employee contribution is set at 10%.

This contribution is not deductible from the income tax base.

The employee contribution is verified, collected and payable under the same conditions, and is subject to the same penalties as those for the CSG on income from personal assets (see Section I above).

VI – EMPLOYEE CONTRIBUTION APPLICABLE TO CERTAIN PAYMENTS AND GAINS ON CARRIED INTEREST UNITS OR SHARES

A specific employee contribution[83] of 30% is levied on payments or gains on carried interest units or shares in venture capital mutual investment funds, venture capital companies and European private equity funds when these payments or gains are liable to income tax in accordance with the rules applying to wages and salaries.

This contribution discharges the beneficiary from paying any other contribution or social levy.

The base and collection methods are identical to those of the CSG due on income from personal assets.

VII – CONTRIBUTION FROM BENEFICIARIES OF TOP HAT PENSION SCHEMES (*RETRAITES CHAPEAUX*)

Annuities paid to beneficiaries of supplementary defined benefit pension plans (or "top hat" pension schemes) are liable to a specific social contribution, payable by the beneficiary (Social Security Code, Article L.137-11-1).

This contribution, whose calculation method and rate[84] vary on the basis of the annuities received and the liquidation date, is deductible from the income tax base up to the portion paid on the first €1,000 of monthly annuity (General Tax Code, Article 83 2°-0 *quater*).

VIII – SOCIAL CONTRIBUTION ON CORPORATION TAX

In addition, corporation tax payers are liable to a social contribution equal to 3.3% of the tax assessed on their taxable profits at the standard rate and at certain reduced rates, minus relief that may not exceed €763,000 per twelve-month period.

Corporation tax payers with turnover of less than €7,630,000, at least 75% of whose fully paid-up capital has been held continuously by individuals or a company meeting the same conditions, are exempt from the contribution.

[81] Article 135 of the Growth, Economic Activity and Equal Economic Opportunity Act no. 2015-990 of 6 August 2015.
[82] Article 61 of the 2017 Budget Act no. 2016-1917 of 29 December 2016.
[83] Social Security Code, Article L.137-18.
[84] Exemption of €400 or €500, then progressive rate with three brackets (7%, 14% and 21%). Since the Constitutional Council's decision no. 2012-662 DC of 29 December 2012, the latter rate is no longer applied.

The social contribution is collected in the same way as corporation tax and with the same guarantees and sanctions. It must be paid voluntarily by bank transfer at the latest on the date on which the outstanding balance of corporation tax is paid. Four instalments are owed, at the same dates as corporation tax instalments, before payment of the final balance.

The social contribution on corporation tax is not a deductible expense for the purposes of calculating the assessment base for corporation tax.

It yielded €1.27bn in 2021.

IX – CORPORATE SOCIAL SOLIDARITY CONTRIBUTION

Legal entities engaged in an economic activity in the competitive sector that generate turnover excluding VAT of at least €19,000,000[85] are required to pay a corporate social solidarity contribution (*contribution sociale de solidarité des sociétés*, C3S) intended to finance the social protection of non-employed persons (and specifically pension insurance).

The C3S must be declared and paid to the national fund of the social security scheme for the self-employed (RSI). Companies that generate turnover excluding VAT of no more than €19,000,000 are exempt from the C3S and are thus not required to file a C3S return.

Beyond the turnover threshold criterion, this tax is only payable by companies trading on 1 January of the year in question (the C3S is not payable for the year when the company was incorporated).

The C3S base comprises amounts subject to VAT as well as amounts liable to VAT but exempt from it.

The C3S is set at 0.16% of the turnover minus any deductions.

The C3S yielded €4.27bn in 2022.

[85] Threshold raised by Article 9 of the 2016 Social Security Budget Act no. 2015-1702 of 21 December 2015.

CHAPTER 4: PAYROLL TAXES

The main payroll taxes are the wage tax, the single vocational training and apprenticeship contribution[86] and employers' contributions to construction.

Only the wage tax is considered within the scope of this handbook.

The wage tax is payable by employers established in France who are not liable to VAT or were not liable to VAT on at least 90% of their turnover for the calendar year prior to that when the wages were paid. The taxpayers are mainly banks and insurance companies, the medical and paramedical sector, associations and other non-profit bodies.

In order to cut red tape for "micro-enterprises", the wages paid by employers whose annual turnover does not exceed the thresholds for dispensation from VAT, are exempt from the wage tax.

Turnover is determined in light of all receipts and other revenue, including those not liable to VAT (particularly dividends and subsidies).

The wage tax base is in line with that of the CSG applied to salaries and similar sources of income in accordance with the rules outlined in Articles L.136-1 to L.136-2 of the Social Security Code. The wage tax is levied on amounts paid as remuneration and expenses, miscellaneous benefits and bonuses including benefits in kind or cash benefits paid to employees in return for their work and effectively allocated during the calendar year. The wage tax base therefore includes profit sharing and employee incentive plans, employers' contributions to company savings plans and towards funding supplementary pension schemes and complementary health insurance plans. Save legislative provisions to the contrary, the CSG tax base applicable to earned income and the wage tax base are one and the same. The exemptions from the CSG specifically provided for in Articles L.136-1-1 to L.136-1-3 of the Social Security Code apply to the wage tax. The lump-sum deduction of 1.75% for business expenses on gross revenue in order to calculate the amount payable in respect of the CSG is however not applicable to determine the wage tax base.

In addition, under Article L.136-1-3 of the Social Security Code, remuneration corresponding to social security payments paid by employers is not included in the wage tax base.

The benefits mentioned in Section I, Article 80 *bis* and Section I, Article 80 *quaterdecies* of the General Tax Code (stock options and free share allocations) are also expressly not included in the wage tax base.

The tax base is calculated by multiplying the total taxable wages (earned income within the meaning of the CSG) by the ratio between the turnover not liable to VAT and total turnover for the year prior to their payment.

This tax liability ratio is calculated as follows:

- By numerator, the turnover which was not liable to VAT and which covers all receipts (particularly, subsidies not liable to VAT, except infrastructure subsidies and "extraordinary subsidies") and other revenue which did not provide entitlement to VAT deductions, thus including that relating to transactions not liable to VAT

[86] Under the Career Choice Act no. 2018-771 of 5 September 2018, the single vocational training and apprenticeship contribution supplants the apprenticeship tax and the continuous vocational training contribution as from 1 January 2019.

- By denominator, the total turnover, which covers all receipts and other revenue collected by the employer, regardless of the origin and classification and which also includes receipts and revenue relating to transactions not liable to VAT

The wage tax is assessed annually by applying a progressive scale by bands to the amount of gross wages paid to each employee. The bands are as follows:[87]

Annual individual wages	Applicable rate
portion less than or equal to €8,020	4.25%
portion greater than €8,020 and less than or equal to €16,013	8.50%
portion greater than €16,013	13.60%

The wage tax allowance, set forth in Article 1679 A of the General Tax Code, applicable to non-profit organisations governed by the Act of 1 July 1901, trade associations and their unions, public interest foundations, cancer organisations, mutual societies governed by the Mutuality Code with fewer than 30 employees, those governed by Book III of the same code with 30 employees or more and groups mentioned in Article 239 *quater* D of the General Tax Code which refers to the health and social/medical-social cooperation groups mentioned in Article L.312-7 of the Code for Social Action and Families. The 2022 allowance is €21,381.

The employers mentioned in Article 1679 A of the General Tax Code received, in respect of remuneration paid for 2017 and 2018, a wage tax credit. This arrangement was scrapped in respect of remuneration paid as from 1 January 2019,[88] with the excess in respect of the previous years still able to be offset against the tax balance payable for the three following years.

Lastly, the 2017 Budget Act[89] created a tax exemption on salaries for inbound assignees ("impatriates") hired by a company established in France and who began their assignment in France on or after 6 July 2016. A portion of remuneration related to their assignment in France is exempt from income tax.

Taxpayers pay the tax voluntarily on a monthly, quarterly or annual basis.[90] An annual summary return must be filed at the latest on 15 January of the following year so that the amount of tax due can be adjusted.[91] Since 2019, wage tax returns must be filed online. Taxpayers whose annual wage tax bill does not exceed €1,200 or the amount of relief are not required to file a return.

The wage tax is deductible from the base of the tax on profits (personal income tax or corporation tax).

[87] Article 90 of the 2018 Budget Act no. 2017-1837 of 30 December 2017 scrapped the increased rate of 20% for wage tax payable in respect of remuneration paid as from 1 January 2018.
[88] Article 87 of the 2018 Budget Act no. 2017-1837 of 30 December 2017.
[89] Article 71 of the 2017 Budget Act no. 2016-1917 of 29 December 2016. For the income tax exemption for "impatriates", see above.
[90] Decree no. 2121-1464 of 26 December 2012 adjusted the declaration threshold for companies subject to the wage tax from €1,000 to €4,000 for the annual declaration and from €4,000 to €10,000 for the quarterly declaration.
[91] Where employers liable to the wage tax make an annual payment, the return (which is the only reporting obligation) is accompanied by the total amount of tax due.

PART II: TAXES ON EXPENDITURE

Taxes on expenditure are levied on household and business consumption and investment.

Taxes on expenditure traditionally took the form of customs duties and excise duties on consumption and circulation.

The introduction of VAT and its widespread application have considerably reduced the scope of such indirect taxes and hence the revenue they raise, although one of them, the domestic tax on energy products (TICPE), yielded significant amounts.

CHAPTER 1: VALUE ADDED TAX

In order to create a single market between EU Member States, a number of VAT directives have been issued since 1967 which Member States have had to enact into their domestic law. Rules on the scope, tax base, liability for the tax, territoriality of the supply of goods and service provision and reporting requirements have been harmonised at European level. Member States may however apply transitional provisions relating to rates, exemptions and deduction entitlements.

In 2021, VAT yielded €186.7bn,[92] of which €95.5bn was allocated to the government. The 2022 estimate is €204.6bn and €214bn for 2023, of which €102.1bn and €97.4bn respectively is estimated to be allocated to the government.

I – CHARACTERISTICS OF VAT

VAT is a general consumption tax levied on all goods supplied and services[93] provided in France.

A. VAT IS A REAL TAX

Liability to VAT is determined by the type of transactions carried out. Accordingly, VAT is levied on goods supplied and services provided:[94]

- in the context of an economic activity (whatever the type)
- for valuable consideration, i.e. in return for consideration directly connected to the operation carried out
- by a liable person acting as such, i.e. an individual or legal entity independently performing transactions that fall within the scope of VAT

Some transactions are liable to tax under express provision of the law. These include intra-Community acquisitions,[95] imports,[96] as well as certain self-supplies of goods and services[97] and certain transactions contributing to building construction.

Activities carried on by legal entities governed by public law in their capacity as public authorities fall outside the scope of VAT except where non-liability leads to a distortion of competition.

Various exemptions also exist, including:

- teaching
- medical and paramedical activities and hospital care and medical treatment costs
- services provided to individuals by personal service organisations
- public interest organisations
- insurance and reinsurance and the provision of related services
- some banking operations (the granting and negotiation of credit, the grantor's management of credit, the negotiation and assumption of commitments, guarantees and other forms of security interest, the management of credit guarantees by the grantor of the credit, etc.)

Voluntary taxation is available as an option for some exempted activities, such as the letting of undeveloped real property for business use, the letting of rural property, banking and financial transactions normally exempt from VAT, etc.

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[92] Appendix to the 2023 Budget Bill: Ways and means assessments. Vol. I: Assessments of revenue.

[93] Operations other than supplies of tangible movable goods (rentals, transport, repairs etc.) or "mixed" operations deemed a provision of services (works on property etc.).

[94] The supply of a good shall mean the transfer of a right to dispose of tangible property as an owner.

[95] Acquisition of a good by a taxable person established in France from another taxable person established in another EU Member State.

[96] Arrival of a good in France from a non-EU country (regardless of whether a transfer of ownership has taken place or whether the operation has been carried out for valuable consideration or not).

[97] Operation through which an entity obtains, with or without the aid of a third party, a good or a supply of services from goods, components or resources that it owns.

Persons eligible for dispensation may elect to waive their right and opt to pay VAT.

On 1 January 2022, a "VAT group" system was introduced, an optional single taxable person mechanism by which taxable persons established in France that are closely tied in economic, financial and organisational terms can be considered a single taxable person liable to VAT, even if they are independent from one another from a legal standpoint. This group, formed for a minimum period of three years, appoints one of its members to fulfil VAT obligations (filing and tax payment obligations).

B. VAT IS A TERRITORIAL TAX

French VAT applies if the supply of goods or services is deemed to be made in France.

For the purposes of the application of VAT rules, the French territory includes mainland France, Corsica, the Principality of Monaco, territorial waters, the continental shelf and the *départements* of Guadeloupe, Martinique and Réunion. However, these three overseas *départements* are deemed export territories with regard to mainland France, in the same way as non-EU countries. VAT is temporarily not applicable in the *départements* of French Guiana and Mayotte, and is not applicable in overseas territorial units (French Polynesia, Wallis and Futuna, Saint Pierre and Miquelon, Saint Barthelemy, Saint Martin) and New Caledonia.

Supplies of tangible movable goods are deemed to be made in France where the good is situated in France:

- at the time of shipment or transport by the seller or the buyer or by another party on their behalf
- when it is made available to the buyer, if it is not shipped or transported
- on assembly or installation of the good by the seller or on the seller's behalf
- at the time of departure of a boat, aircraft or train, the place of arrival of which is on the territory of another Member State of the European Union in cases where the supply relates to goods to be sold in stores or shops that are stored on these means of transport

In addition, the supply of goods is deemed to be made in France when the point of departure of the good sent or transported is located outside of the European Union, and when the seller appoints itself as the entity liable to VAT for importing this good into France.

The place where a service is provided is deemed to be in France in the following cases:

- If the customer (beneficiary of the service provided) is liable to VAT, the service is provided in France when the customer has the registered office of their business or a permanent establishment to which the service is provided or, failing that, their domicile or usual home in France. In short, it is the customer's place of establishment which is considered.
- If the customer is not liable to VAT (a non-taxable individual or legal entity), the place where a service is provided is in France when the service provider has the registered office of their business or a permanent establishment from which the service is provided or, failing that, their domicile or usual home in France. In short, it is the service provider's place of establishment which is considered.

However, where services are not taxed following the application of these principles in the place where they are actually used, there are derogations. For example, some services are taxed in the location of the building to which they relate (accommodation, services related to real property, works on property, etc.), some in the location where they are physically provided (catering, cultural and sporting services, etc.), and some in other more specific locations such as the place where the means of transport is provided to the customer in the case of short-term rentals.

Telecommunications, broadcasting and electronic services are subject to VAT in France when they are provided to persons not liable to pay VAT that have their domicile or usual home in France, irrespective of the service provider's place of establishment (France, another EU Member State or a non-EU country). An exception is made for small European

service providers: these services are still liable to tax in their Member State of establishment if the total of these services provided to non-taxable persons from other Member States – plus the amount of intra-Community distance sales – is less than the annual €10,000 limit.

At the same time, when the service provider is established in France and provides these services to a non-taxable person established in another Member State, these services are deemed to be in France if this limit is not exceeded.

In application of the general principle governing taxation at the place of consumption, distance sales of goods, sent from another EU Member State or from a third country to an end-user located in France, are also liable to tax in France. There are a number of specific exceptions to this principle, for example in the case of intra-Community sales made by small operators that do not exceed a certain annual turnover amount and that are authorised to apply the VAT of the Member State from which dispatch or transport took place. As for sales – the place of departure of which is outside the EU and which are directly imported into France – they are liable to tax in France if the operator has opted for the international one stop shop (IOSS) or if the good was imported into another Member State before being shipped to France.

Foreign trade transactions (exports of tangible goods and similar supplies, provision of services relating to international trade in goods relating to ships and aircraft, intra-Community supplies and similar transactions) are generally exempt from VAT under certain conditions. However, taxpayers who carry out such transactions are entitled to deduct the VAT they have paid on the purchase of goods and services used in such transactions.

Intra-Community imports and acquisitions and similar transactions are in principle liable to VAT in France if that is where the transaction takes place.

C. VAT IS AN INDIRECT TAX PAID IN FRACTIONS

VAT is finally borne by the end-user since it is included in the sale price of products or services. Each intermediary (manufacturer, retailer, etc.) collects the tax provided for by law from the customer and pays it on to their local tax office, minus the VAT on inputs paid to their own supplier. VAT is a tax on value added, i.e. the value added to the product or service at each stage of production or marketing, such that at the end of the economic chain through which the good or service reaches the end-user, whatever its length, the overall tax burden corresponds to the tax calculated on the final sale price to the consumer.

D. VAT IS A PROPORTIONAL TAX

VAT is calculated by applying a proportional rate – dependent on the nature of the good or service provided – to the base amount of the transaction (free of VAT), whatever that amount may be.

II – TAX BASE

For the supply of goods, the provision of services and acquisitions within the EU, the tax base consists of all the sums, valuables, goods or services received or to be received by the supplier or service provider in return for them from the buyer, the customer or a third party, including subsidies directly linked to the price of such transactions.

Accordingly, in addition to the agreed price, the tax base includes all taxes, duties and levies of any kind except VAT itself and all incidental expenses. Such expenses include transport, insurance, packaging, etc.

Conversely, the taxable price does not include price reductions (cash discounts, rebates, etc. granted directly to the customer) or amounts refunded to intermediaries who incur expenses on their principals' behalf, insofar as the intermediaries are accountable to their principals, enter such expenses in suspense accounts in their books and justify the nature or exact amount of such outlays to the tax authorities.

The tax base for imports is the value defined by customs law in accordance with the prevailing EU regulations. As with domestic goods and services, however, the tax base must include duties, taxes and levies, excluding discounts, rebates and other reductions, as well as incidental expenses (commission, packaging, transport and insurance) to the destination point of the good and expenses arising from transport to another destination point within the EU, if known when the taxable event occurs.

III – CALCULATING THE AMOUNT OF VAT

In principle, for VAT, each taxable transaction is deemed separate and independent, and follows its own regime (territoriality, tax base, rates, exemptions) which is determined on the basis of its main component or its non-ancillary components. However, components that are so closely linked that they form, objectively, a single, indivisible economic operation that would be artificial to consider separately correspond to one single transaction. If a component is ancillary to one or several other components, it falls under the same transaction as those components. In the case of an economic transaction formed of several components (a composite offering), its scope should be determined in order to identify the applicable tax regime.

In order to determine how much VAT is due to the French Treasury, taxpayers deduct output VAT on their taxable turnover which is paid on the purchase of goods and services used to perform the transactions liable to VAT.

A. CALCULATING OUTPUT TAX

The amount of output tax is calculated by multiplying the net amount of the sale or provision of service (i.e. the amount excluding VAT) by the rate applicable to the transaction concerned.

The four rates are:

① The standard rate, which has been 20% since 1 January 2014. The standard rate applies to all transactions not expressly subject to another rate.

② The reduced rate of 10% has applied since 1 January 2014. It covers mainly:[98]

- passenger transport
- certain shows, games and entertainment (raffles at fairs, entry fees for exhibitions, cultural, recreational, educational or professional venues and facilities)
- certain services to individuals
- medical drugs not reimbursed by social security
- accommodation in hotels, furnished apartments or classified campsites
- sales of food and drink picked up or delivered for immediate or on-site consumption, including canteens (except school canteens)
- products for use in organic agriculture
- provision of new middle-income social housing, under certain conditions
- certain social housing renovations and related work
- improvements, conversions, layout and maintenance work (other than energy retrofitting of residential premises) on residential premises more than two years old, except for the portion corresponding to the supply of certain items of equipment (household and moveable equipment, as well as large items of equipment such as lifts or heating systems)

③ The reduced rate of 5.5% applies particularly to the following products and services:[99]

[98] Article 278 *bis* to *septies*, 279 and 279-0 *bis* of the General Tax Code.

[99] Article 278-0 *bis* of the General Tax Code

- Food for human consumption, products normally intended for use in preparing such foodstuffs and products normally used to supplement or replace such foodstuffs, save some products at the standard rate of 20%
- Food in school canteens
- Special devices and equipment for disabled persons, including their rental, lifts and similar equipment designed for disabled persons that comply with specific characteristics
- Feminine hygiene products
- Contracts for the delivery of low voltage electricity, heating and fuel gas distributed via grids, and heating supplies when at least 50% is generated from renewable energy sources[100]
- Room and board in retirement homes and residences for disabled persons, as well as services for frail individuals
- Books via any type of medium, including downloading, and live shows (in theatres, circuses, concerts etc., with the exception of shows given in establishments where consumption during the show is commonplace)
- Cinema tickets and tickets for films shown during screenings of a non-commercial nature or at cinema festivals
- Deliveries of works of art by the artist or their assigns, imports and certain intra-community acquisitions of works of art, collectable items or antiques
- Energy retrofitting of residential premises completed more than two years ago and related work
- Entry fees received by organisers of sporting events
- Certain waste management services for operations for which the taxable event occurs as from 1 January 2021[101]
- Delivery or construction of social housing under certain conditions
- Unprocessed agricultural, fishery and poultry products normally destined for the preparation of foodstuffs for animal consumption or for farm production
- Masks, gels, hand sanitiser solutions and personal protective equipment used to combat the spread of COVID-19

④ A specific 2.1% rate charged in particular on: [102]

- print and online press publications
- medical drugs reimbursed by social security
- blood products
- sale of animals for butchery and prepared meat products to non-taxable persons

NB: Special rates apply in the overseas *départements* where VAT is applicable (Guadeloupe, Martinique, Réunion) and in Corsica.

B. OFFSETTING THE TAX ON INPUTS

In principle, only the tax applied on price components of a taxable transaction that provides entitlement to deductions is deductible from the VAT on this very transaction. Except where expressly provided otherwise (e.g. expenditure on accommodation, passenger transport, etc.), VAT invoiced to liable persons by their suppliers on acquired goods and services (purchases, overheads, capital expenditure) used to perform transactions liable to VAT is deducted from output tax.

[100] On 1 January 2019, solar thermal energy was also included on the list of eligible renewables (Article 18 of the 2019 Budget Act no. 2018-1317 of 28 December 2018).
[101] Currently taxed at an intermediate rate of 10% (Article 190 of the 2019 Budget Act no. 2018-1317 of 28 December 2018).
[102] Articles 281 *quater* to *nonies*, as well as 298 *septies* of the General Tax Code.

Certain exempt transactions are expressly treated as transactions liable to VAT to exercise the right to deductions. This is particularly the case for intra-Community supplies and exports.

VAT on price components of an exempt transaction can therefore not be deducted generally speaking. Voluntary taxation is therefore available as an option for some exempted activities, such as the letting of undeveloped real property for business use, the letting of rural property, and certain banking and financial transactions, so that the taxable person can benefit from deductions. Persons eligible for dispensation from VAT may also elect to waive their right and opt to pay VAT.

Taxpayers themselves determine the total amount of VAT to be paid.

If the VAT on inputs is greater than the output VAT, the taxable person generally offsets this excess of VAT on inputs (VAT credit) against the output VAT of the following period or may ask for a refund under conditions.

Liable persons based in other countries may under certain conditions obtain a refund of VAT charged on goods purchased or imported and services provided in France under the procedure provided for in Directive 2008/9/EC of 12 February 2008 (taxable persons established in an EU Member State) or the Thirteenth Council Directive 86/560/EEC of 17 November 1986 (taxable persons not established in an EU Member State).

IV – OBLIGATIONS ON LIABLE PERSONS

Liability to VAT entails the following tax and accounting obligations:

- Reporting the existence, identification or discontinuation of an activity
- Keeping itemised accounts supported by vouchers or a special ledger
- Issuing invoices showing the price excluding VAT, the rate, the amount of VAT and the VAT identification number of the seller or service provider and, for certain intra-Community transactions, that of the buyer or customer
- Filing monthly or quarterly turnover returns, depending on the annual amount of tax payable for taxable persons subject to the actual normal tax regime; or an annual return (with payment in two instalments) for those subject to the actual simplified tax regime;
- Filing recapitulative statements of customers and European Sales Lists for goods and services for certain intra-Community transactions
- Voluntarily paying the tax to the Business Tax Department (SIE) or, for the largest businesses, to the Large Business Directorate (DGE) of the Public Finances Directorate General (DGFiP) on submitting the turnover return or in instalments paid in advance

Taxable persons are dispensed from paying VAT if their turnover during the preceding calendar year did not exceed:[103]

- €91,900 excluding VAT for supplies of goods, sales of food and drink to be consumed on the premises or accommodation services (€101,000 where turnover in the year before that did not exceed €91,900)
- €36,800 excluding VAT for other services (€39,100 where turnover in the year before that did not exceed €36,800)

Special rules apply for activities falling into the two categories mentioned above. There is also a €47,700 (excluding VAT) special exemption limit for authors, artists, performers and lawyers.

VAT obligations are not applicable to liable persons exempt from VAT, except in cases where they are liable to VAT on intra-Community acquisitions or imports.

As from 1 January 2022, with the transfer of import VAT responsibilities from the Directorate General of Customs and Excise to the Public Finances Directorate General, taxable persons may file and, if applicable, deduct VAT payable on their imports directly in their turnover return.

[103] Section I, paragraph 1 of Article 293 B of the General Tax Code.

Only VAT payable on imports carried out by entities not liable nor identified for VAT are still collected by the customs authority.

V – SPECIAL RULES

There are also numerous sets of special rules that take into account the specific conditions for carrying on certain activities, such as banking and financial services, investment gold transactions, petroleum products and travel agencies.

CHAPTER 2: GOODS AND SERVICES TAXES

This chapter covers the main sector-specific taxes on goods and services detailed in the Goods and Services Tax Code (CIBS) in force since 1 January 2022 as well as those that will be incorporated into the code by 2024.

I – ENERGY TAXES

A. FRACTIONS OF EXCISE DUTY ON ENERGY

The breakdown of fractions of excise duty on energy[104] is as follows:

- Fractions charged in mainland France (formerly the domestic consumption tax on energy products - TICPE) and in overseas France (formerly the special consumption tax on fuels - TSC) on energy products other than natural gas and coal, particularly fuel
- Fraction charged on natural gas (formerly the domestic consumption tax on natural gas - TICGN)
- Fraction charged on coal (formerly the domestic tax on consumption of coal - TICC)
- Fraction charged on electricity (formerly the domestic consumption tax on electricity for end-users - TICFE)

All these energy products are also liable to VAT. These fractions of excise duty are included in the tax base for products liable to VAT.

Since 2011, regional councils and the Corsican Assembly can raise the standard rates of fractions of excise duty on the tax category of diesel and petrol sold in their regions to end-users and used as motor fuel for transport. The tax revenue generated from these increases is entirely allocated to funding a sustainable transport infrastructure as set forth in Articles 11 and 12 of the Grenelle 1 Act, or to funding improvements in the urban transport network of the Greater Paris region.[105]

Since 1 January 2017, the government-funded institution Île-de-France Mobilités (formerly the *Syndicat des transports d'Île-de-France*, STIF – the public transport organising authority for the Greater Paris region) can also raise the standard rates of the fraction of excise duty corresponding to the tax category of diesel and petrol sold to end users in the Greater Paris region.[106]

Since 1 January 2022, the task of collecting the fractions of excise duty on electricity, natural gas and coal has been in the process of being transferred from the Directorate General of Customs and Excise to the Public Finances Directorate General. This transfer will take place on 1 January 2024 for fractions of excise duty on the tax category of diesel and petrol in mainland and overseas France.

The gross yield of the largest fraction of excise duty – that charged in mainland France on energy products used as fuels (formerly the TICPE), stood at €32.0bn in 2021, breaking down as €10.9bn allocated to local authorities, €20.2bn to the government, €1.3bn to the Agency for Transport Infrastructure Funding (AFITF) and €0.1bn to Île-de-France Mobilités. The gross yield of the three other fractions of excise duty on electricity, natural gas and coal respectively (formerly TICFE, TICGN and TICC) totalled €9.7bn in 2021.

B. INCENTIVISING TAX ON THE USE OF RENEWABLES IN TRANSPORT

The incentivising tax on the use of renewables in transport (TIRUERT)[107] is a tax serving a specific purpose.[108] It does not apply in overseas France.

[104] Articles L.312-1 to L.312-107 of the Goods and Services Tax Code.
[105] Planning Act no. 2009-967 of 3 August 2009 for implementing the Grenelle Environmental Consultation.
[106] Article L.312-40 of the Goods and Services Tax Code.
[107] Article 266 *quindecies* of the Customs Code.
[108] See Article 1(2) of Directive 2008/118/EC concerning the general arrangements for excise duty.

The TIRUERT is the new name, in force since 1 January 2022, for the former incentivising tax on biofuel blending (TIRIB), which itself replaced the motor fuel pollution tax (TGAP) from 1 January 2019.

This tax sets a target for the use of renewables in transport in compliance with the RED II Directive,[109] beyond which the amount due in respect of this tax is zero for the taxable person. It is an incentive whose primary goal is not budgetary in nature. It seeks to bring about a change in the behaviour of taxable persons (mainly oil storage depots), to enhance renewable use in transport.

The taxable person can thereby lower the tax in proportion to the share of renewables deemed to be contained in the fuels they consume during the year in question. Only biofuels or renewable fuels meeting strict sustainability criteria set at European level can be factored into the calculation of the reduction in the tax rate. Palm oil biofuels have been prohibited since 1 January 2020, and soybean biofuels since 1 January 2022.

Since 1 January 2022, using public charging stations to supply electricity to road transportation has allowed users to accrue TIRUERT credits for reductions, providing contracts for difference for charging stations. A specific biofuel blending target for kerosene, set at 1%, has also been in effect since 1 January 2022.

Since 1 January 2023, the petrol blending target has stood at 9.5% and the diesel blending target at 8.6%. Article 67 of the 2023 Budget Act no. 2022-1726 of 30 December 2022 sets out, as from 1 January 2024, increased TIRUERT blending targets for petrol (from 9.5% to 9.9%), diesel (from 8.6% to 9%) and aviation fuel (from 1% to 5%).

As from 1 January 2024, the TIRUERT will also apply to the support scheme for the production of renewable hydrogen and low-carbon hydrogen using the electrolysis of water, albeit with the latter benefiting from a smaller tax incentive than the former.

The actual amount collected has been small for several years (yield of €1m in 2020 and €4m in 2021), with targets having been achieved on the whole.

II – TAXES ON BEVERAGES

A. EXCISE DUTY ON ALOCHOL

For tax purposes, alcoholic beverages are drinks with alcohol by volume (ABV) of 1.2% or more (0.5% for malt beer and mixtures of malt beer and non-alcoholic beverages).

There are five fractions of excise duty on spirits and alcoholic beverages:[110]

- A fraction is charged on spirits and alcoholic beverages (with exception to the surcharge applicable in overseas France) that are not classified under another category (wine, beer, intermediate products). The base of this fraction is assessed on the volume of pure alcohol contained in the product, expressed in hectolitres of pure alcohol (HPA). The standard rate of the excise duty in 2023 stands at €1,834.42 €/HPA, except for traditional rum from overseas France made available for consumption in mainland France (€917.72 /HPA). This fraction’s yield stood at €2.28bn in 2021. For public health reasons, alcoholic beverages with more than 18% ABV are liable to a levy which yielded €756m in 2021.
- A fraction is charged on intermediate products (i.e. alcoholic beverages with an ABV of more than 1.2% but no more than 22%). These intermediate products notably include fortified wines, liqueur wines and wine-based aperitifs. This fraction’s tax base is assessed on the volume of finished product expressed in hectolitres (hL). Its tariff in 2023 stands at €198.91/hL of finished product. However, for natural sweet wines and Protected Designation of Origin liqueur wines, the duty stands at €49.73/hL in 2023. The duty yielded €61m in 2021.
- A fraction is charged on still and sparkling wines with between 1.2% and 15% ABV, provided that the alcohol content results entirely from fermentation. This fraction

[109] Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources, also known as “RED II”, has set a target for 14% of the energy consumed in transport to be supplied by renewables by 2030.

[110] Article L.313-15 of the Goods and Services Tax Code.

also applies to non-fortified wines with between 15% and 18% ABV, whose alcohol content is entirely derived from fermentation. In addition, this excise duty applies to all fermented beverages other than wine or beer with between 1.2% and 15% ABV. This fraction's tax base is assessed on the volume of finished product expressed in hectolitres. In 2023, its tariff stands at €3.98/hL of finished product for still wines and for fermented beverages other than wine and beer, at €9.85/hL for sparkling wines, and at €1.39/hL for cider, perry and mead. This fraction yielded €109m in 2021.

- A fraction is charged on beer with an ABV of more than 0.5%. This fraction's tax base is assessed on the volume of the finished product multiplied by the ABV. In 2023, its tariff is set at €7.82/hL per percent of alcohol for beer with ABV above 2.8% and at €3.91/hL per percent of alcohol for beer with ABV below 2.8%. For small brewers producing beer with ABV above 2.8% and whose production capacity does not exceed 200,000 hL, the 2023 tariff stands at €3.91/hL. Beer produced by an individual and not brewed as part of any business activity and consumed by them or members of their family or guests are exempt from this excise duty provided that it is not subsequently sold. The yield of this fraction stood at €1.08m in 2021.

Excise duty on alcohol is calculated when it is made available for consumption. Any person trading in spirits, alcohol-based products and alcoholic beverages must also comply with specific economic regulations.

This excise duty has been entirely allocated to the welfare scheme for non-salaried farmers.

B. TAXES ON NON-ALCOHOLIC BEVERAGES

Non-alcoholic beverages are not subject to excise duty, but a combination of three taxes may be applied:

- The tax on non-alcoholic beverages containing added sugar,[111] payable in respect of the first consignment in France of a non-alcoholic beverage or a non-alcoholic fruit or vegetable juice that can be consumed as is and contains added sugar, irrespective of its place of production. The tax amount is calculated by applying a progressive scale to the taxable product's volume based on the percentage of added sugar
- The tax on non-alcoholic beverages,[112] comprising two components:

  The first component relates to certain liquid products: drinking water, including natural and artificial mineral water and sparkling water containing no added sugar, sweeteners or flavourings; beverages other than fruit and vegetable juices with an ABV of no more than 0.5%; laboratory-grade water such as distilled or conductivity water. The rate stands at €0.54/hL.

  The second component concerns beverages and fruit or vegetable juices containing artificial sweeteners. In 2023, the rate stands at €3.17/hL.
- The tax on natural mineral water,[113] payable by the operator of the source in respect of deliveries of this water, irrespective of its treatment, including when the operator has incorporated this water into other products to produce, for example, a beverage based on natural mineral water. The tax's rate is set by decision of the municipality where the natural mineral water source can be found, and is capped at €0.58/hL, or, for certain municipalities, at €0.70hL.

These three taxes have been collected by the Public Finances Directorate General since 1 January 2019.

The yield of the first two taxes, which stood at €500m in 2021,[114] is entirely allocated to funding the welfare scheme for non-salaried agricultural professionals.

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[111] Article 1613 *ter* of the General Tax Code.
[112] Article 1613 *quater* of the General Tax Code.
[113] Article 1582 of the General Tax Code.
[114] €456m for the tax on non-alcoholic beverages containing added sugar and €41m of the component of tax on non-alcoholic beverages relating to beverages containing artificial sweeteners.

III – EXCISE DUTY ON TOBACCO PRODUCTS

Duty on tobacco products is levied in the form of excise duty[115] and VAT at the standard rate of 20%.

EU law governs excise duty on tobacco products, establishing principles on its structure and rates to apply. Its structure covers several tax categories including cigarettes, cigars and cigarillos, fine cut tobacco intended for the rolling of cigarettes and other smoking tobacco products. In France, chewing tobacco products and snuff are also covered. The 2023 Social Security Budget Act introduced, as from 1 March 2023, tax categories for heated tobacco sold in stick form, other heated tobacco products and other tobacco products smoked or inhaled after heating them.[116]

Excise duty on tobacco products is payable at the point when the products are released for consumption. The duty is comprised of an *ad valorum* duty and a specific duty calculated per unit. The excise duty amount is either (i) the total of the excise duty rate multiplied by the sale price plus the tariff of the specific component of the excise duty, or (i) a minimum level of tax.

Excise duty on tobacco products is collected by the Directorate General of Customs and Excise, with this collection to be entrusted to the Public Finances Directorate General as from 1 January 2024.

The yield of the excise duty on tobacco products, which stood at €14.3bn in 2021, is allocated to funding social security organisations. In overseas *départements*, the yield paid to them totalled €144m in 2021.

IV – GENERAL TAX ON POLLUTING ACTIVITIES

The general tax on polluting activities (TGAP)[117] seeks to change consumer behaviour by encouraging environmental protection with implementation of the "polluter pays" principle. This principle is that damage caused to the environment is liable to a specific tax intended as a disincentive to polluting activities by making them more expensive.

The TGAP comprises four components that are independent taxes and may be combined with one another for the same taxable person. They relate to waste, mined or quarried materials, detergents and emissions of pollutants into the atmosphere. A specific tax base and rate applies to each component.

Article 24 of the 2019 Budget Act scrapped reduced TGAP rates for storage and incineration methods as from 2021 in a move to encourage waste recycling.

Persons liable to the TGAP are required to voluntarily declare the amount of tax payable and make advance payments, with the balance being determined when the declaration is filed. The Public Finances Directorate General has declared, assessed, verified and collected the TGAP components "mined or quarried materials", "detergents" and "emissions of pollutants" since 1 January 2020, and the "waste" component since 1 January 2021.[118]

The tax yielded €824m in 2021.

V – TAX ON CERTAIN SERVICES PROVIDED BY LARGE ENTERPRISES IN THE DIGITAL SECTOR

The tax on certain digital services provided by large enterprises in the digital sector (TSN) entered into force on 31 December 2019, and has been codified since then in the General Tax Code.[119] The tax applies to two major service categories:

- Digital intermediation services which, through a digital interface, allow users to interact with each other, particularly with respect to the supply of goods or services

[115] Articles L.314-1 to L.314-37 of the Goods and Services Tax Code.
[116] Article 15 of the 2023 Social Security Budget Act no. 2022-1216 of 23 December 2022.
[117] Article 266 *sexies* of the Customs Code.
[118] Article 193 of the 2019 Budget Act no. 2018-1317 of 28 December 2018.
[119] Articles 299 and 300 of the General Tax Code, Articles 1693 *quater* and 1693 *quater* A of General Tax Code, as well as Articles L.16 C and L.70 A of the Book of Tax Procedures.

directly between these users
- Targeted advertising services that allow advertisers to place targeted advertising messages on a digital interface based on the data collected from users

This tax addresses the need to ensure a fairer tax system and is applicable until international tax rules are adapted to assess the digital presence of these large enterprises for profit-taxing purposes.

Enterprises falling within the tax's scope are those, irrespective of their place of establishment, that generate revenue in consideration of taxable services of more than €750m over the prior calendar year in respect of services provided internationally and €25m for services provided in France. For enterprises, whatever their type, that have direct or indirect ties, determining whether these thresholds are crossed is assessed at the level of the group they form together.

Its rate is 3% of the revenue generated by the taxable person excluding VAT in respect of the year when the tax is due.

As for the two liability thresholds set, only services with a broad audience generating considerable income are concerned.

This tax yielded €474m in 2021.

VI – TAXES ON LAND VEHICLES

A. TAXES ON THE REGISTRATION OF VEHICLES

1) FIXED CHARGE

A fixed charge[120] is due upon any issuance of a registration certificate for a land vehicle. It therefore applies to any land vehicle subject to the registration requirement, regardless of whether or not the vehicle has an engine.

The fixed charge stands at €11.[121]

2) REGIONAL TAX ON LAND MOTOR VEHICLES

The regional tax on land motor vehicles[122] is payable upon any issuance of a registration certificate following a change in ownership or related situation (e.g. change in co-ownership arrangement for a vehicle).

The tax is the total of a regional rate set by decision of the regional authority (capped at €60) multiplied by the vehicle's engine rating.[123]

While reduced rates and exemptions are provided for by law[124] (particularly for electric, hydrogen or electric-hydrogen hybrid-powered vehicles), regional councils may also decide to grant a partial or full exemption for vehicles powered by a "clean" energy source (electricity, hydrogen, natural gas, liquefied petroleum gas) or by E85 (flex fuel).[125]

3) TAX ON COMMERCIAL VEHICLES

The tax on commercial vehicles[126] is payable upon any issuance of a registration certificate following a change in ownership or related situation concerning a vehicle used to transport goods (EU category N) or passengers with more than eight seats plus the driver's seat (EU categories M2 and M3).

The tax's rate is determined using a scale based on the technically permissible maximum laden mass of the vehicle.[127]

Issuance of certificates for vintage vehicles is exempt from this tax.[128]

[120] Good And Services Tax Code, Article L.421-30, paragraph 1.
[121] Good and Services Tax Code, Article L.421-38.
[122] Good and Services Tax Code, Article L.421-30, paragraph 2.
[123] Good and Services Tax Code, Article L.421-42.
[124] Good and Services Tax Code, Articles L.421-46 to L.421-49, L.421-51 and L.421-52.
[125] Good and Services Tax Code, Article L.421-50.
[126] Good and Services Tax Code, Article L.421-30, paragraph 3.
[127] Good and Services Tax Code, Article L.421-56.
[128] Good and Services Tax Code, Article L.421-57.

4) TAXES ON THE REGISTRATION OF PASSENGER VEHICLES

The tax on carbon emissions[129] and the tax on mass in running order[130] is applicable to passenger vehicles upon their first registration in France (new or imported second-hand vehicles, and vehicles converted into passenger vehicles).

For registration tax purposes, passenger vehicles are defined as:[131]

- vehicles designed and manufactured to transport people, with no more than eight seats plus a driver's seat (EU category M1),[132] except special purpose vehicles without wheelchair access
- pick-ups (EU category N1) with at least five seats, provided that they are not exclusively used in the operation of ski lifts and ski areas

a) TAX ON CARBON EMISSIONS ("CARBON MALUS")

The rate of tax on carbon emissions, known as the "carbon malus",[133] is determined, for vehicles with EU-type approval,[134] based on carbon emissions (in grams per kilometre travelled), and for other vehicles on engine rating.[135]

For vehicles with EU type-approval, changes to the carbon emission measurement standards were taken into consideration when defining the applicable scale.

Two scales have been defined:

- The WLTP scale[136] appliable to vehicles registered in accordance with this standard[137]
- The NEDC scale[138] applicable to other vehicles[139]

The following are exempt from the tax: wheelchair accessible vehicles and, eligible for one vehicle per beneficiary, vehicles whose owner – or their child – holds a mobility-inclusion card marked "disability"; vehicles running exclusively on electricity, hydrogen or a combination of the two; vehicles used for the operational requirements of fire and rescue services and civil protection organisations.[140]

Households with three of more dependent children also benefit from a reduction in carbon emission levels of 20 grams per kilometre or of one fiscal horsepower (CV) per child, capped at one vehicle with five seats or more.[141]

Similarly, legal entities owning a vehicle with eight seats or more benefit from a reduction in carbon emission levels of 80 grams per kilometre (or 4 CV).[142]

A 40% reduction in the carbon emission levels (or a 2 CV reduction) is also applied to vehicles specially equipped to run on E85 ethanol (flex-fuel vehicles) whose carbon emissions do not exceed 250 grams per kilometre (or whose engine rating does not exceed 12 CV).[143]

For vehicles that have already been registered (imported second-hand vehicles and vehicles converted into passenger vehicles), a 10% reduction in the amount of tax payable is applied for each twelve-month period since the vehicle was first registered.[144]

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[129] Good and Services Tax Code, Article L.421-30, paragraph 4, a.
[130] Good and Services Tax Code, Article L.421-30, paragraph 4, b
[131] Good and Services Tax Code, Article L.421-2 and L.421-30, paragraph 4.
[132] Vehicles classified under national class 'private cars".
[133] The carbon malus is part of the bonus-malus scheme introduced in 2007 in the wake of the Grenelle Environment Round Table.
[134] EU-type approval of a vehicle is defined as the act whereby the competent administrative authority certifies that the vehicle complies with the EU technical specifications required so that it can be brought into service (Goods and Services Tax Code, Article L.421-4).
[135] Goods and Services Tax Code, Article L.421-64.
[136] Worldwide Harmonised Light Vehicles Test Procedures, set forth in Commission Regulation (EU) 2017/1151 of 1 June 2017.
[137] Goods and Services Tax Code, Article L.421-62. Vehicles registered under the WLTP standard are set out in Article L.421-6 of the Goods and Services Tax Code.
[138] The New European Driving Cycle, set forth by Council Directive 70/220/EEC of 20 March 1970.
[139] Goods and Services Tax Code, Article L.421-63.
[140] Goods and Services Tax Code, Articles L.421-65, L.421-69, L.421-67 and L.421-70-1.
[141] Goods and Services Tax Code, Article L.421-70.
[142] Goods and Services Tax Code, Article L.421-66.
[143] Goods and Services Tax Code, Article L.421-68.
[144] Goods and Services Tax Code, Article L.421-60. This reduction is only applicable after a minimum period of six months from the first time the vehicle was registered.

For passenger vehicles registered for the first time on or after 1 January 2022, the tax is capped at 50% of the purchase price of the vehicle, inclusive of all taxes.[145]

b) TAX ON VEHICLE MASS IN RUNNING ORDER (WEIGHT MALUS)

The unit rate of the tax on vehicle mass in running order – known as weight malus – is set at €10/kg beyond the 1,800 kg limit.[146]

The aforementioned exemptions for the carbon malus are applicable, in addition to the reductions for households with at least three dependent children (200 kg per child) and legal entities owning a vehicle with eight seats or more (400 kg) and the 10% reduction per twelve-month period since the vehicle in question was first registered.[147].

Rechargeable hybrid vehicles with an electric range of more than 50 kilometres are also exempt.[148]

There is also a limit in place to ensure that the combination of the carbon malus and the weight malus does not exceed the maximum amount of the carbon malus (€40,000 in 2022 and €50,000 in 2023).[149]

B. TAXES ON THE USE OF VEHICLES FOR COMMERCIAL PURPOSES

A vehicle is used to conduct commercial activities primarily when it fulfils one of the two following conditions:

- It is owned by a business and registered in France
- A business assumes its total or partial cost, the expenses incurred by an individual to acquire or use it as part of business travel[150]

The amount of taxes on the use of vehicles for commercial purposes is calculated based on the duration of this use.[151]

1) TAXES ON THE USE OF VEHICLES FOR PASSENGER TRANSPORTATION PURPOSES

In the context of taxes on the use of passenger vehicles, passenger vehicles are defined as:[152]

- vehicles designed and manufactured to transport people, with no more than eight seats plus a driver's seat (EU category M1),[153] except special purpose vehicles without wheelchair access
- pick-ups (EU category N1) with at least five seats, provided that they are not exclusively used in the operation of ski lifts and ski areas
- vans (EU category N1) designed for passenger transport[154] and used for this purpose

a) ANNUAL TAX ON CARBON EMISSIONS

The rate of the annual tax on carbon emissions is calculated based on the vehicle's approval type.

For vehicles with an EU-type approval, three scales can be applied:

- The WLTP scale, applicable to vehicles registered in accordance with this standard[155]

[145] Goods and Services Tax Code, Article L.421-61
[146] Goods and Services Tax Code, Article L.421-72 and L.421-75.
[147] Goods and Services Tax Code, Articles L.421-76, L.421-80, L.421-78, L.421-81, L.421-77, L.421-73 and L.421-80-1.
[148] Goods and Services Tax Code, Article L.421-79.
[149] Goods and Services Tax Code, Article L.421-74.
[150] Goods and Services Tax Code, Article L.421-95. To prevent any form of distortion of competition, paragraph 3 also refers to vehicles travelling in France for the purposes of conducting the commercial activities of a business that would not fulfil one of the two aforementioned conditions (cases of vehicles registered outside of France).
[151] For each tax on the use of vehicles, this amount is the sum of the part of the calendar year during which the vehicle has been used (number of days of ownership / number of days in the calendar year) multiplied by the annual rate applicable to the vehicle.
[152] Goods and Services Tax Code, Article L.421-2.
[153] Vehicles classified under national class 'private cars'.
[154] I.e. vehicles that have, or can have following a simple adjustment, two rows of seats.
[155] Goods and Services Tax Code, Article L.421-120.

- The NEDC scale, applicable to vehicles that have received EU-type approval but were not registered in accordance with the WLTP standard if they were registered for the first time on or after 1 June 2004 and were used by the business for the first time on or after 1 January 2006[156]
- The engine rating scale, applicable to vehicles that have not received EU-type approval or those that were registered for the first time before 1 June 2004 and were used by the business for the first time before 1 January 2006[157]

The following are exempt from the tax:

- Wheelchair accessible vehicles[158]
- Vehicles exclusively used by the taxable person as hire vehicles or courtesy vehicles in the context of repair work that are provided to customers[159]
- Vehicles hired by the taxable person over a period of no more than one calendar month or thirty consecutive days[160]
- Vehicles used for public transport, agricultural, forestry, driving lessons or sporting competition purposes[161]
- Vehicles used by non-profit or public interest organisations[162]
- Vehicles used by a sole proprietorship[163]
- Vehicles running exclusively on electricity, hydrogen or a combination of the two[164]
- Vehicles running on a combination of (i) electricity, hydrogen, natural gas or LPG and (ii) a fossil fuel, subject to a maximum carbon emission (or engine rating) limit[165]

b) ANNUAL TAX ON PASSENGER VEHICLE AGE

The rate of the annual tax on passenger vehicle age is calculated based on the year when the vehicle was first registered and its energy source (diesel or similar motor fuels, or another energy source).[166]

Barring the exemption granted on the proviso that a maximum carbon emission limit is not exceeded, the aforementioned exemptions from annual tax on carbon emissions are also applicable to annual tax on vehicle age.

2) ANNUAL TAX ON HEAVY GOODS VEHICLES (FORMERLY "AXLE TAX")

The annual tax on heavy goods vehicles (formerly "axle tax") is applicable to the following vehicles whose technically permissible maximum laden mass is at least 12 tonnes:[167]

- Vehicles designed to transport goods without a trailer or semi-trailer (EU categories N2 and N3)
- Vehicles consisting of a tractor classified under EU category N2 or N3 and of one or more semi-trailers (EU category O)
- Trailers (EU category O) of a technically permissible maximum laden mass of at least 16 tonnes

The rate of the tax is calculated based on the vehicle's number of axles, its technically permissible maximum laden mass, in tonnes, and whether or not it has an air suspension system.[168] There is a 75% reduction for vehicles shipped by combined transportation (i.e. partly by rail, sea or river).[169]

[156] Goods and Services Tax Code, Article L.421-121.
[157] Goods and Services Tax Code, Article L.421-122.
[158] Goods and Services Tax Code, Article L.421-123.
[159] Goods and Services Tax Code, Article L.421-128.
[160] Goods and Services Tax Code, Article L.421-129.
[161] Goods and Services Tax Code, Articles L.421-130 to L.421-132.
[162] Goods and Services Tax Code, Article L.421-126.
[163] Goods and Services Tax Code, Article L.421-127.
[164] Goods and Services Tax Code, Article L.421-124.
[165] Goods and Services Tax Code, Article L.421-125.
[166] Goods and Services Tax Code, Article L.421-134 and L.421-132.
[167] Goods and Services Tax Code, Article L.421-100.
[168] Goods and Services Tax Code, Article L.421-146.
[169] Goods and Services Tax Code, Article L.421-156.

The following are exempt from this tax:

- Vintage vehicles[170]
- Vehicles used for national defence, domestic security, emergency services and road maintenance purposes[171]
- Vehicles on which such equipment as cranes and pumps are permanently installed to carry out public and industrial works, as well as vehicles used for transport on worksites[172]
- Vehicles used for transporting goods for circuses, fairs and riding centres[173]
- Vehicles used for agricultural and forestry activities by agricultural and forest farmers, agricultural cooperatives that pool equipment and agricultural and forestry contractors[174]

PART III: TAXES ON ASSETS

Assets may be taxed when transferred for valuable consideration (sale) or without valuable consideration (gift, inheritance). In these cases, the tax generally takes the form of registration duty.

Property assets may be taxed by the fact of their ownership. In that case they are liable to an annual tax on their total value, in the form of property wealth tax (*impôt sur la fortune immobilière*, IFI) and property taxes. The latter are considered in Part IV (Local direct taxes) of this handbook.

Assets may also be liable to capital gains tax on disposal. As capital gains constitute income, their tax treatment is considered in Part I (Income taxes) of this handbook.

[170] Goods and Services Tax Code, Article L.421-147.
[171] Goods and Services Tax Code, Articles L.421-149 and L.421-150.
[172] Goods and Services Tax Code, Articles L.421-148 and L.421-151.
[173] Goods and Services Tax Code, Articles L.421-152 to L.421-154.
[174] Goods and Services Tax Code, Article L.421-155.

CHAPTER 1: REGISTRATION DUTIES

I. – REGISTRATION PROCEDURE

Traditionally, the registration procedure involves a civil servant analysing a deed and assessing and collecting the duties provided for by law. Taxation is therefore a primary purpose, but registration also has civil consequences since it gives the deed a legal date and, in certain cases, is a condition of its validity.

Civil registration may be combined with the property registration procedure whereby transfers of real property are made a matter of public record. The combined registration procedure most commonly applies to deeds relating to the sale of real property or real property rights.[175]

In principle, registration duties are assessed on the market value of the assets at the date of the deed or transfer, as expressed in the deed or in the estimated value declaration filled out by the parties and verified by the authorities. The market value of an asset corresponds to the price at which it could be sold or bought under market conditions.

Registration duties may be fixed, proportional or progressive depending on the type of deed or legal transaction subject to the procedure.

Fixed duties remain a constant amount for all deeds in a given category. A fixed duty's amount may vary depending on the type of taxable transaction (innominate deeds, powers of attorney, divorces, etc.).

Proportional duties represent a constant percentage of the value of the assets that are the subject of legal deeds or transactions. They apply mainly to sales of real property and insurance policies.

Progressive duties are those whose rate increases with the market value of the assets concerned. They apply in particular to transfers without valuable consideration.

In principle, duty is paid when deeds are presented for registration. In some cases, however, payment may be made by instalments or deferred. Duty on transfers without valuable consideration (duty owed when deeds of gift or declarations of estate are filed) may in some cases be paid in the form of art works handed over to the central government, subject to ministerial approval.

The tax normally accrues to the central government, but *départements* and municipalities receive some of the revenue from duty on sales of real property.

In 2021, registration duties yielded €35.2bn for the government (of which €16.1bn accrued to local authorities), including:

- €14,807m in respect of duty on transfers without valuable consideration following death
- €3,877m in respect of duty on transfers without valuable consideration inter vivos
- €898m in respect of land registration tax
- €837m in respect of transfer taxes

II. – MAIN REGISTRATION DUTIES

A. SALE OF REAL PROPERTY

A proportional duty is levied on sales of real property, in principle subject to the combined procedure, comprising the following elements:

- Land registration tax, which accrues to the *département* and is calculated in principle at a single 3.80% rate. *Départements* may adjust the rate, though it may not be less

[175] Article 17 of the 2013 Supplementary Budget Act no. 2013-1279 of 29 December 2013 extended this combined registration to donations of property without consideration that take place after 1 July 2014.

than 1.20% or more than 4.50% for transfers occurring on or after 1 March 2016. It is important to note that most *départements* have adopted the maximum rate of 4.50%.[176]

- An additional 1.20% tax that accrues to municipalities or *département* equalisation funds.[177]
- A 2.37% levy on the amount of the duty that accrues to the *département*, charged by the central government for "assessment and collection costs".

Acquisitions made by the central government or by its scientific, educational, welfare or charitable institutions or by local authorities are exempt from all transfer duty.

Various types of preferential tax treatment (reduced rates, proportional duty exemptions or tax base relief), some of which are discretionary and established by decision of *département* councils, are applied to certain real property sales due to the nature of the property or the status of the seller or buyer.

B. TRANSFERS OF BUSINESSES AND SIMILAR TRANSFERS

Transfer duties payable on the transfer of a business or similar transfers comprise a duty accruing to the central government plus a tax for the *département* and a tax for the municipality.

The following table gives a breakdown:[178]

Fraction of the taxable value	Government	*Département*	Municipality	Aggregate
up to €23,000	0%	0%	0%	0%
between €23,000 and €107,000	2%	0.60%	0.40%	3%
between €107,001 and €200,000	0.60%	1.40%	1%	3%
over €200,000	2.60%	1.40%	1%	5%

For business premises located in the Greater Paris Region, an additional registration duty of 0.6% has been applied since 1 January 2016 on behalf of this region.

Special rates apply to transfers of businesses in certain priority areas for regional development, provided the business is operated by the buyer for a period of five years. Special relief is also applicable in the event of the transfer of full ownership of the company to employees or to close associates of the seller, provided the buyer will actually manage the company and operate it for a period of five years.

C. REGISTRATION DUTIES APPLICABLE TO COMPANIES

Companies are liable to registration duties on incorporation, on the occurrence of certain events during their lifetime and on dissolution, as well as when shareholders sell their shares.

1) Incorporation

The creation of a company implies the contribution to the company of assets distinct from those of the shareholders. The tax treatment of these contributions varies depending on whether they are made for valuable consideration or in exchange for shares.

Contributions made in exchange for shares, i.e. contributions fully exposed to the risks of the undertaking, are not liable to registration duties.

However, a contribution made in exchange for shares by a person not liable to corporation tax to a legal entity liable to corporation tax is subject to a special transfer duty in the following cases:

[176] In 2022, only the *départements* of Mayotte, Indre and Morbihan maintained the 3.80% rate.
[177] The fund divides the tax receipts among municipalities with fewer than 5,000 inhabitants.
[178] Scale applicable to transfers of businesses completed since 6 August 2008.

- Where the contribution concerns real property or real property rights, a special transfer duty is levied at an overall 5% rate
- Where the contribution concerns a business, goodwill, a right to a lease or a promise of a lease on real property, a special transfer duty is levied, calculated by applying the scale used to assess the duty payable on transfers of businesses

However, an exemption applies if the contributor agrees to retain the shares remitted in return for the contribution for three years.

Contributions for valuable consideration, which may be analysed as a sale by the contributor to the company in return for unconditional compensation such as the payment of a sum of money or the assumption of a liability incurred by the contributor, are treated as transfers for valuable consideration according to the nature of the assets concerned (real property, business as a going concern, etc.).

Contributions may be a mixture of the two (i.e. remunerated both by shares and by unconditional compensation), in which case the relevant treatment is applied to each category.

2) Forming, changing and dissolving a company

Changes may take place during a company's lifetime that affect its share capital or certain aspects of its status.

Since 2019, corporate instruments, which were formerly liable to a fixed duty of €375 or €500 depending on the amount of a company's share capital, have no longer been subject to registration duties. This exemption applies to capital increases and decreases, mergers, demergers and partial contributions of assets, as well as corporate registration renewals and dissolution instruments (where they do not record any transfer of movable or immovable assets).

However, in the event of a dissolution with a transfer of assets (liquidation), the assets must be sold to a third party (depending on the nature of the asset). This rule also applies in the event of a transfer to and division among shareholders (for which a duty may be payable according to the tax treatment of the company, the nature of the transferred assets and the transferees).

3) Transfers of shares for valuable consideration

Transfers of shares for valuable consideration are liable to registration duties in proportion to the value of the shares.

For shares and related securities:

As from 1 August 2012, a proportional duty of 0.1% has been levied, with the following exceptions:

- Purchase of shares by a company as part of the acquisition of its own shares by a listed firm, which will be transferred to members of an employee savings scheme or as part of a capital increase
- Acquisitions of shares (and associated rights) of companies under a safeguard procedure or in receivership
- Share purchases between companies that are members of the same group
- Acquisitions in connection with mergers, demergers and partial contribution of an entire branch of activity
- Transactions liable to the financial transaction tax
- Acquisitions of shares under earlier incentive schemes to support employees taking over a firm

For shares classified as parts sociales, the rate is set at 3%, and relief equal to €23,000 divided by the total number of shares is applied to the value of each share;

For transfers of participating interests in companies investing predominantly in real property,[179] the rate is increased to 5% without any relief.

Because of the many different types of company and shares there are many special registration regimes that are not considered in the scope of this handbook.

Irrespective of registration duty, capital gains on transfers of shares are likely to be liable to income tax (see the corresponding section in Part I, Income taxes).

D. INHERITANCE AND GIFT DUTIES

Transfers without valuable consideration include transfers following death (inheritances) and transfers without consideration inter vivos (gifts).

In order to determine which assets are subject to duty on transfers without valuable consideration (*droits de mutation à titre gratuit*, DMTG) in France, the residence for tax purposes of the donor or deceased should be taken into account. Therefore, unless otherwise provided for by an international tax treaty:

- Where the donor or deceased is domiciled in France for tax purposes, duty on transfers without valuable consideration is payable on all movable and immovable assets situated in or outside France. However, any duty paid outside France on such assets situated outside France is offset against tax payable in France.
- Where the donor or deceased is not or was not domiciled in France for tax purposes:
  - If the heir, donee or legatee is domiciled in France on the transfer date or has been domiciled there for at least six of the previous ten years, duty on transfers without valuable consideration is payable on movable and immovable assets situated in or outside France.
  - In other cases, transfer duty is payable only on the French assets the heir, donee or legatee receives. As a rule, transferred assets are valued based on their real market value on the day of the taxable event, according to the parties' detailed estimated declaration in respect of movable or immovable assets.

For certain assets, the rules for determining the basis of assessment differ according to whether the transfer is an inheritance or a gift.

For the purposes of calculating duty on transfers following death, several valuation methods for taxing furniture are used, in order of preference:

- public sale
- an inventory drawn up in the manner required by Article 789 of the Civil Code
- the parties' estimated declaration, which cannot be less than 5% of all other inherited assets

In addition, relief of 20% is applied to the real market value of the property if, on the date of death, the property is the main residence of the deceased and if, on that same date, it is occupied as a main residence by the surviving spouse, partner under a PACS (civil partnership), the minor or adult protected children of the deceased, or the minor or adult protected children of the deceased's spouse or partner.[180]

In the case of an inheritance, the deceased's debts at the date of death are generally deducted from the assets of the estate. However, debts that are presumed to be either repaid or fictitious are not deductible.

[179] A company investing "predominantly in real property" is an unlisted legal entity whose assets mainly consist or consisted during the year before the transfer of the interests concerned of real property or real property rights situated in France or participating interests in other unlisted legal entities investing predominantly in real property. Rent-controlled housing bodies and semi-public companies that build or manage low-rental housing are not deemed companies investing predominantly in real property.

[180] These provisions apply under the same conditions when the adult children of the deceased, their spouse or partner are unable to work under normal conditions of profitability due to physical or mental impairment, congenital or acquired.

Funeral expenses are deducted from the assets of the estate up to a maximum of €1,500 or from all assets if the assets of the estate are less than this amount.

In the case of a gift, debts incurred by the donor in order to acquire or in the interest of the transferred assets that are passed on to the recipient in the deed of gift are deductible from the basis on which duty on transfers without valuable consideration is assessed.

The duty amount is calculated by applying a progressive or proportional scale to the amount of the net share received by each beneficiary, less, where applicable, a personal allowance, the amount of which varies according to the degree of kinship between the parties to the transfer, and exemptions related to the status of one of them or to the nature of the assets transferred.

The personal allowance is set, for inheritances and gifts, at:

- €100,000 for ascendants, surviving children and those represented should they predecease or renounce their inheritance or gift
- €15,932 for surviving or represented brothers and sisters
- €7,967 for nephews and nieces

In addition, relief of €159,325 is applied to the share of any heir or donee with a physical or mental disability, and which may be combined, where applicable, with the personal allowance received in respect of their kinship.

Persons fully exempt from inheritance tax include the surviving spouse or the deceased's partner under a PACS, as well as, under certain conditions, brothers and sisters living under the same roof.[181] If no other relief is claimed, relief of €1,594 is applied to every share of the inheritance.

In the case of a gift, the relief is:

- €80,724 for gifts between spouses and between partners of a PACS
- €31,865 for gifts by grandparents to their surviving or represented grandchildren
- €5,310 for gifts from great-grandparents to great-grandchildren

Personal allowances are renewable every fifteen years.

There are several applicable rates for duty on transfers without valuable consideration depending on the nature of the relationship between the beneficiary and the donor or deceased:

- **Scale applicable to transfers (inheritance or gift) between parents and children:**

Fraction of net taxable part	Rate (%)
up to €8,072	5%
between €8,072 and €12,109	10%
between €12,109 and €15,932	15%
between €15,932 and €552,324	20%
between €552,324 and €902,838	30%
between €902,838 and €1,805,677	40%
over €1,805,677	45%

- **Scale applicable to gifts[182] between spouses and partners of a PACS:**

[181] The brother or sister must be single, widowed, separated or divorced at the time of death, be over 50 years of age upon inheritance or suffer from an infirmity that prevents them from meeting their own needs and have been constantly domiciled with the deceased during the five years before death.

[182] Inheritances between spouses or partners of a PACS are exempt from duty on transfers without valuable consideration.

Fraction of net taxable part	Rate (%)
up to €8,072	5%
between €8,072 and €15,932	10%
between €15,932 and €31,865	15%
between €31,865 and €552,324	20%
between €552,324 and €902,838	30%
between €902,838 and €1,805,677	40%
over €1,805,677	45%

- **Scale applicable to transfers (inheritance or gift) between brothers and sisters:**

Fraction of net taxable part	Rate (%)
up to €24,430	35%
over €24,430	45%

- **Scale applicable to transfers between distant relatives or non-relatives:**

Fraction of net taxable part	Rate (%)
Transfers between relatives up to the fourth degree inclusive	55%
Transfers between relatives beyond the fourth degree and non-relatives	60%

Various rules exist for special exemptions that may be claimed, for example, according to the status of the deceased/donor or heir/donee, as in the case of gifts or legacies to the central government or to research, educational, welfare or charitable government-funded institutions.

Exemptions may also apply according to the nature or situation of the assets transferred. Shares in companies and sole proprietorships having an industrial, commercial, craft, agricultural or professional activity are therefore exempt from duty on transfers without valuable consideration for up to 75% of their value under certain conditions (the "Dutreil" schemes). In particular, the deceased or donor, with other shareholders, must have given a collective undertaking to retain the transferred shares for at least two years and then an individual undertaking to retain the transferred shares for at least four years. A partial 75% exemption from duty on transfers without valuable consideration also applies for the transfer of certain rural properties, including forest and woodland properties and shares in certain agricultural group ventures (forestry group ventures, agricultural land group ventures) under certain conditions (such as their sustainable management). Where there is an agreement with the central government, transfers of buildings listed or registered as historic monuments are fully exempt from duty on transfers without valuable consideration.

Temporary partial exemptions are also provided for in order to promote the reconstitution of property titles (buildings located in Corsica and Mayotte with respect to transfer duty following death).

Lastly, a number of special provisions are in place for gifts in the event of:

- freehold gifts of craft industry assets, business assets, agricultural assets, the client base of a sole proprietorship or shares or equity interests in a company for employees, which are entitled to relief of €300,000 on the value of the assets or client base, or on the portion of the value of the shares making up the assets or client base, under certain conditions

- freehold family gifts of money up to €31,865, every fifteen years, are exempt from duty on transfers without valuable consideration under certain conditions[183]

[183] On the date of transfer the donor must be less than 80 years old and the donee at least 18 years old or emancipated.

Taxpayers have up to six months from the date of death to file the inheritance declaration.[184]

Heirs, legatees or donees and their guardians are required to file a signed, detailed declaration using a printed form provided by the tax authorities.

Those exempt from this requirement include direct heirs and the surviving spouse or partner under a PACS when the estate's gross assets are less than €50,000[185] or other persons when assets are less than €3,000.

Special provisions for life insurance policies:

Life insurance policies are a special case and are subject to special tax rules.

Amounts, annuities or values payable directly or indirectly by one or more insurance companies or similar undertakings ("life insurance", as a rule) on the policyholder's death are not included in the insured party's estate. They are therefore, in principle, not subject to inheritance tax.

However, the portion of premiums paid by the policyholder after the age of 70 is subject to duty on transfers without valuable consideration according to the degree of kinship between the beneficiary and the policyholder. Amounts payable following the death after 70 of the holder of a retirement savings plan in the form of a life insurance policy are also subject to duty on transfers without valuable consideration according to the degree of kinship with the beneficiary. Duty on transfers without valuable consideration is payable on the portion of all policies taken out on the life of the same insured party that exceeds €30,500.

When such amounts, annuities or values do not fall under the scope of these special tax rules, they are subject, after deduction of a set allowance of €152,500 per beneficiary, to a levy:

- of 20% of the portion reverting to each beneficiary between €152,500 and €700,000
- of 31.25% for the fraction of the net portion reverting to each beneficiary over €700,000

For the so-called "*vie-génération*" life-insurance policies (in which at least one-third is invested in low- and middle-income social housing, the social and solidarity-based economy, venture capital or mid-tier companies), a proportional allowance of 20%[186] is added to the set allowance of €152,500.[187]

CHAPTER 2: STAMP DUTIES

Stamp duties (*droits de timbre*) are collected on the performance of certain administrative procedures or the drafting of certain documents; they are also a way of paying for the issuing of certain documents.

[184] For a death occurring in mainland France; in other cases, the time-limit is one year.
[185] Provided these individuals did not previously receive an unregistered or undeclared gift or hand-to-hand gift from the deceased.
[186] This special allowance is applied prior to the general allowance of €152,500.
[187] Decree no. 2014-1011 of 5 September 2014 concerning the policies and investments set out in Article 990 I of the General Tax Code which are eligible for a proportional allowance specifies the assets in which the policy must be invested.

They are generally paid for electronically and attached to the document to be registered or the administrative procedure to be carried out. They may also be paid for by affixing a sticking stamp.

Stamp duty has to be paid in order to obtain many administrative documents, such as residence permits and passports, hunting permits and licences to drive motor pleasure boats.

CHAPTER 3: PROPERTY WEALTH TAX

Property wealth tax is an annual tax payable by individuals on account of their ownership of property, the net value of which, assessed on 1 January of the year of taxation, exceeds a certain amount.

Property wealth tax replaced wealth tax (*impôt de solidarité sur la fortune*, ISF) on 1 January 2018. In 2021, property wealth tax yielded tax revenue of €2.1bn.

I. – LIABLE PERSONS

Individuals liable to property wealth tax are those who own net taxable property assets that, when added to those of all other members of their tax household, are valued at more than €1.3m as at 1 January of the year of taxation.

Persons domiciled in France for tax purposes are taxable on their taxable property assets in and outside France (taxation on "worldwide assets").

However, persons not domiciled in France within the meaning of French domestic law are taxable only on their assets and property rights situated in France.

Persons who transfer their domicile to France are taxable, for the five years following their establishment in France, only on their assets and property rights situated in France, where they have been domiciled abroad for tax purposes during the five years prior to the transfer of their domicile.

Property wealth tax is assessed on the basis of the "tax household", which comprises spouses, cohabiting partners, partners of a PACS and minor children whose assets either of them legally administers.

II. – TAX BASE

The tax base for property wealth tax includes all assets and property rights of the members of the tax household as at 1 January of the year of taxation (developed and undeveloped land as well as real property rights such as usufruct or easements). Shares or equity interests in companies owned by the members of the tax household are taxed on the basis of the portion of their value corresponding to the property or property rights owned by these companies, regardless of the number of levels of interposition.

Some assets are fully or partly exempt from property wealth tax, namely business assets (property or property rights attached to an operating sole proprietorship[188] or to an operating company in which a member of the tax household works, as well as certain rural properties given on long-term leases). Woods and forests as well as shares in forestry group ventures are entitled to a partial exemption up to three-quarters of their value under the same conditions as those applicable for exemption from duty on transfers without valuable consideration. Under certain conditions, leased rural properties and shares in agricultural land group ventures or rural land group ventures are also entitled to a partial exemption up to three-quarters of the fraction of the real market value of the leased properties, irrespective of the number of leases, or shares, below the limit of €101,897 and up to one-half of the fraction of the real market value of the properties or shares above this limit. Regarding property rights, shares in real estate investment trusts (*sociétés immobilières d'investissement cotées*, SIIC) are not factored into the calculation of the assessment base where the taxpayer owns less than 5% of the share capital and voting rights.

As a rule, taxable assets are valued according to the rules applicable to inheritance tax (i.e. in principle at real market value), with said value being assessed as at 1 January of the year of taxation. However, 30% relief is applied to the real market value of the property which the individual liable to property wealth tax owns and occupies as their main home.

[188] Manufacturing, agricultural, commercial, professional or craft.

Only debts associated with taxable assets may be deducted from the assessment base (and, where applicable, in an amount proportional to the fraction of their taxable value), up to a limit of 50% of the amount of the debt where the taxpayer's taxable property assets are valued at more than €5m. To be deductible, debts must exist on 1 January of the year of taxation, must be the personal responsibility of the taxpayer, their spouse filing jointly (or concubine or civil partner) or their minor children whose assets they legally administer, and must be supported by all types of proof compatible with the written procedure. They must concern specific expenses incurred for a taxable asset (such as improvement or construction expenses).

The deduction of certain types of debt (family loans, including those contracted directly or indirectly with a close relative, self-borrowing or borrowing from a company you own, unless you can prove that such debt was contracted under normal terms) is, however, prohibited under law.

III. – TAX SCALE

The property wealth tax is calculated based on progressive income bands. The taxable threshold is set at €1.3m, but once this threshold has been achieved, the property assets are taxed from €800,000.

The tax is calculated by applying the appropriate band to the net taxable value of the assets of the taxpayers in question. The applicable tax rate is as follows:

Net taxable value of the assets	Rate (%)
up to €800,000	0
between €800,000 and €1.3m	0.50
between €1.3m and €2.57m	0.70
between €2.57m and €5m	1
between €5m and €10m	1.25
over €10m	1.50

A "smoothing" mechanism has been introduced for taxable assets worth between €1,300,000 and €1,400,000 to mitigate the impact of changing bands.

In addition, the taxpayer may deduct from their property wealth tax 75% of the amount of gifts made in cash and in full ownership of company shares traded on a regulated market to certain public interest bodies, up to a limit of €50,000 per year.

All taxpayers are required to report the gross and the net taxable value of their property assets on their income tax return (form no. 2042 C).[189] Details on the composition and value of the taxable assets are to be provided on appendices accompanying this tax return.

IV. – CAPPING OF PROPERTY WEALTH TAX

The property wealth tax scale has a capping mechanism meant to ensure that the total tax paid in respect of property wealth tax and income tax does not exceed 75% of income for the previous year. Any surplus is deducted from the amount of property wealth tax due, with no refund possible.

Thus, the property wealth tax for a taxpayer residing for tax purposes in France is reduced by the difference between:

- on one hand, the total of the property wealth tax and taxes owed in France and abroad on income and products for the previous year (including social security contributions and withholding tax in discharge), calculated prior to allocation of the tax credit thresholds for taxes paid outside France and non-discharging deductions

[189] For cohabitating partners, this information is to be reported on the tax return of one of these partners.

- on the other hand, 75% of the total global income, net of business expenses, for the previous year, after deduction of the category-specific thresholds used to calculate the income tax due for the previous year, together with income exempt from tax and the products subject to a withholding tax in discharge during the same year in France or abroad

Income distributed to a company liable to corporation tax that is controlled by the taxpayer shall be included for the purposes of calculating the property wealth tax cap if the primary aim of the company's existence and the decision to report income this way is to evade all or part of the property wealth tax by benefiting from a tax advantage that runs counter to the object or purpose of the capping mechanism. However, only the portion of the distributed income corresponding to the artificial reduction in the income taken into account for calculating the cap shall be included.

This rule is meant to prevent certain abuses of the methods used to calculate the cap on income subject to property wealth tax.

CHAPTER 4: TAX ON THE MARKET VALUE OF REAL PROPERTIES OWNED IN FRANCE BY LEGAL ENTITIES (3% TAX)

French and foreign legal entities (corporate bodies, organisations, trusts and comparable institutions) deemed to directly or indirectly own one or more real properties situated in France or hold real property rights relating to such properties are liable to an annual tax on the market value of such properties or rights.

The tax is payable on real properties and real property rights owned on 1 January of the year of taxation. The rate is 3% of the market value of such properties or rights.

However, a number of exemptions are possible for legal entities liable to this tax, depending on the situation and subject to certain requirements:

- International organisations, sovereign States and their political and territorial subdivisions.
- Legal entities that are not deemed companies investing predominantly in real property (whose properties situated in France account for less than 50% of French assets they hold, either directly or indirectly).
- Listed legal entities.
- Legal entities, provided they are established in the European Union or in a country or territory bound to France by an administrative assistance agreement with a view to combating tax evasion and avoidance or in a country bound to France by a treaty under the terms of which they enjoy the same treatment as legal entities having their registered office in France:
  - whose share in a real property or properties situated in France or real property rights held directly or indirectly relating to such properties is less than €100,000 or 5% of the market value
  - that manage pension schemes, public interest organisations and institutions or organisations and institutions managed without personal gain
  - that operate as variable-capital companies investing predominantly in real property (*sociétés de placement à prépondérance immobilière à capital variable*, SPPICAV).
- Legal entities that agree to provide the authorities, at their request, with information on their shareholders, partners or other members, as well as legal entities that declare their property assets annually. The exemption may be comprehensive or granted partially according to the shareholders or members of which the legal entities are aware. Legal entities are nevertheless not required to declare shareholders or members that own less than 1% of their capital.

PART IV: LOCAL DIRECT TAXES

Local direct taxes are the oldest taxes in the French tax system. They succeeded the direct taxes that had been created in 1790 and 1791 as central government taxes and were transferred to local authorities in the 1914-1917 tax reform.

Local taxes are collected by the central government on behalf of local authorities (regions, *départements*, municipalities) and government-funded intermunicipal cooperation institutions (EPCIs).

There are four main local taxes – property tax on developed land (*taxe foncière sur les propriétés bâties*, TFPB), property tax on undeveloped land (*taxe foncière sur les propriétés non bâties*, TFPNB), residence tax (*taxe d'habitation*, TH) and the local economic contribution (*contribution économique territoriale*, CET), with the latter comprising a business premises contribution (*cotisation foncière des entreprises*, CFE) and a contribution on business value added (*cotisation sur la valeur ajoutée des entreprises*, CVAE), the latter of which will be completely abolished in 2024.[190] To this is added the flat-rate tax on network businesses (*imposition forfaitaire sur les entreprises de réseaux*, IFER) as well as some additional or similar taxes.

The key feature of local taxes is that they are mainly assessed on a property's notional rental value (*valeur locative cadastrale*), except for the contribution on business value added and the flat-rate tax on network businesses.

Notional rental value is determined using different methods depending on the type of premises. Legislation makes a distinction between three categories of premises: business premises, industrial premises and residential premises.

Regarding business premises, up until 2016, their rental value was calculated on the basis of the rental market on 1 January 1970, using the owner's description of each property. As these rental values no longer reflected the reality of the current rental market, a review of rental values was undertaken. Since 1 January 2017, the rental value of business premises has been based mainly on a rate-based method, which involves classifying each premises into one of 39 categories created according to its nature and purpose (shops, workshops, offices, restaurants, etc.) and applying a rate in euros per square metre. Rates are determined on the basis of the state of the rental market within assessment sectors with a homogeneous rental market. To ensure that the rental values of business premises do not deviate over time from the rents actually charged, the parameters used to calculate the rental value are regularly updated. The rates applicable to each category of premises in each assessment sector are updated each year on the basis of the rents declared by the operators, without changing the scope of the assessment sectors. These sectors must also be reviewed regularly to avoid any disconnect with the rental market: this is the purpose of the sector updates, which are scheduled every six years.

Pursuant to Article 156 of the 2019 Budget Act, the rental values of industrial premises may be assessed using the method applicable to business premises when the value of the industrial fixtures, fittings, plant machinery and equipment on the premises is below a threshold of €500,000, or using the "accounting" method when this value is above this threshold. This method, which is based on the value of fixed assets recorded on the balance sheet, involves applying interest rates to the cost price of the various components of industrial plants.

The parameters of the "accounting" method were overhauled by the 2021 Budget Act. The interest rates applicable to the assessment of the rental value of industrial plants have been reduced by half. This permanent measure has halved the rental value of these plants, thus also halving property tax contributions for many companies operating industrial plants.

Lastly, for residential premises, these rental values represent, in theory, the annual rent that could be generated by a property. They are calculated on the basis of the rental market on 1 January 1970 and information declared by the owner of the premises. These rental values are

[190] Article 55 of the 2023 Budget Act stipulates the gradual phasing out of the contribution on business value added: in 2023, its rate was reduced by half, and as from 2024, companies liable for the contribution on business value added will no longer pay it.

mainly determined by comparison, pending the review of rental values for residential premises, which is scheduled for the 2028 tax year. This method involves classifying residential premises into a category according to their amenities and composition (eight categories of premises: from "high-end luxury" to "very run-down" premises). The surface area corresponding to the number of square metres of floor space is then weighted based on the category of residential premises. Corrective factors are applied to this weighted surface area to take into account the state of repair of the property, its general location (proximity to or distance from the town centre, quiet location, flood risk, etc.), specific location (exposure, presence of green spaces, presence or absence of undeveloped outbuildings, etc.) and amenities. All these factors are combined to give the total weighted surface area of the property, which is then multiplied by a rate that is determined based on the category of residential premises and the reference premises.

Local tax rates are set by local government assemblies (*département* and municipal councils, etc.) when voting their annual budget according to the revenue that the various beneficiary authorities expect from the taxes that accrue to them. However, the rates of local direct taxes (TH, TFPB, TFPNB and CFE) set by municipalities and government-funded intermunicipal cooperation institutions with their own tax raising powers are governed by capping and linking rules that make it possible to contain the increase in taxes paid by non-voting taxpayers, particularly businesses, by linking it to the increase in taxes paid by "voting" households. These rates are applied to bases determined by central government. There are many permanent or temporary exemptions.

In 2021, the six main local direct taxes accruing to local authorities yielded €53.9bn (breaking down as residence tax of €2.7bn, property tax on developed land of €34.3bn, property tax on undeveloped land of €1.1bn, business premises contribution of €6.8bn, flat-rate tax on network businesses of €1.6bn and refuse collection tax of €7.4bn).

CHAPTER 1: PROPERTY TAX ON DEVELOPED LAND

Property tax on developed land (TFPB) is levied annually on developed land situated in France except where there is entitlement to permanent exemption (e.g. public property used for public services or services of general interest that do not generate income) or temporary exemption (e.g. new or innovative enterprises, incentives for development as part of urban or spatial planning policy). The tax accrues to municipalities and their government-funded intermunicipal cooperation institutions. Since 2021, the *département* share of property tax on developed land has accrued to municipalities.

Taxable property includes permanent constructions perpetually attached to the ground such as premises intended to accommodate people (residential properties) or business assets (workshops, sheds), certain civil engineering structures and transport routes, land immediately necessary for such constructions, etc.

The tax base is the net cadastral income, defined as equal to 50% of the notional rental value regularly updated by the authorities.

The amount of tax is calculated by multiplying the tax base by the rates voted by each beneficiary local authority for the year in question.

The tax is payable by the owner of the property (or, in the case of division of ownership, the life tenant) at 1 January of the year of taxation.

Exemption or automatic relief is granted to elderly or disabled people of modest means, under certain conditions of resources and cohabitation. A cap of 50% of income for the property tax on developed land contribution relating to main homes is planned to help less well-off households owning their own home.

In addition, certain permanent exemptions are granted based on the nature and use of the property. Buildings used exclusively and permanently for agricultural purposes are exempt, as are buildings used for agricultural purposes by farms, subject to certain operating conditions. Certain structures, such as those built to ensure the supply of drinking water, along with places of worship and fixed assets used for photovoltaic power generation are also permanently exempt from property tax on developed land.

Lastly, in the context of spatial planning, local authorities whose territory is fully or partially covered by certain area-based exemption schemes may decide to exempt certain taxable properties located in such areas from property tax on developed land (e.g. hotels, furnished tourist accommodation and bed-and-breakfast establishments located in rural revitalisation areas, as well as residential premises located in an area covered by a technological risk prevention plan and, since 2020, commercial or craft companies operating on their territory and located in a rural business revitalisation area).

In 2021, €34.3bn in property tax on developed land accrued to local authorities.

CHAPTER 2: PROPERTY TAX ON UNDEVELOPED LAND

Property tax on undeveloped land (TFPNB) is levied annually on owners of any undeveloped land of any nature situated in France except where there is entitlement to permanent exemption (public property) or temporary exemption (incentives for organic farming, reforestation and the conservation of environmental interest zones). Soil and land subject to property tax on developed land are exempt from property tax on undeveloped land. The tax accrues to municipalities and their government-funded intermunicipal cooperation institutions.

As with the property tax on developed land, the tax is payable by the owner of the land (or, in the case of division of ownership, the life tenant) at 1 January of the year of taxation.

The basis for assessing the property tax on undeveloped land is 80% of the notional rental value of the property resulting from valuations regularly updated by the authorities.

To encourage owners to put their land up for sale in order to increase the volume of available lots, a flat-rate increase per square metre in the notional rental value of buildable lots may be applied by municipal council decision. This increase is capped to reflect the degree of property market pressure in the municipality in question. Agricultural land, including that left fallow, is however exempt from any increase.

The amount of tax is calculated by multiplying the net cadastral income of each property by the rates voted by each beneficiary local authority for the year in question.

In 2021, €1.1bn in property tax on undeveloped land accrued to local authorities.

CHAPTER 3: RESIDENCE TAX AND TAX ON VACANT RESIDENTIAL PREMISES

I. - RESIDENCE TAX

As from 1 January 2023, residence tax (TH) on second homes and other furnished premises not used as a main residence has been payable for:

- furnished residential premises other than those used as a main residence

- furnished premises used for their intended purpose and occupied privately by companies, organisations and private bodies, and which are not used to assess the business premises contribution

- non-industrial and non-commercial furnished premises occupied by central government, *département* and municipal bodies, and by government-funded institutions other than those that are automatically exempt from residence tax pursuant to Article 1408 of the General Tax Code

However, exemptions or relief are available to public educational, scientific and welfare institutions, disadvantaged individuals, diplomats, and managers of young workers' hostels, migrant workers' hostels and sheltered housing, as well as to non-profit accommodation for dependent elderly people.

Sufficiently furnished residential premises and their dependencies (gardens, garages, private parking spaces) are liable to residence tax. The tax is payable by any person who, on 1 January of the year of taxation, has taxable premises at their disposal, whatever their status (owner, tenant, free occupier).

Residence tax is assessed on the notional rental value of residential premises resulting from valuations of developed land updated by the authorities. For residential premises used as the taxpayer's main home, following a decision by local government, compulsory relief for dependants or optional relief (general relief on the base, special relief on the base, relief for disabled people) is deducted from the notional rental value.

The amount of tax is calculated by multiplying the income from the tax base by the rate voted by the beneficiary municipality or government-funded intermunicipal cooperation institution for the year in question.

In keeping with the introduction of the elimination of residence tax on main residences (*taxe d'habitation principale*, THP) for 80% of taxpayers,[191] the permanent phasing out of this tax is scheduled to take place over the 2020 to 2023 period.[192]

In 2022, households meeting the income requirements set out in Article 1417 of the General Tax Code became fully exempt from residence tax on main residences, with the change affecting 80% of taxpayers. The other 20% of households became partially exempt from 65% of the amount payable for this tax.

As from 1 January 2023, no household has been liable to residence tax on main residences. Starting that year, residence tax remains applicable only to furnished residential premises other than those used as a main residence and business premises not subject to the business premises contribution.

In addition, municipalities in areas experiencing a housing shortage and where the tax on vacant residential premises (*taxe sur les logements vacants*, TLV) is applicable, may decide to increase by 5% to 60% the portion of the residence tax assessment accruing to them from

[191] Article 5 of the 2018 Budget Act no. 2017-1837 of 30 December 2017.
[192] Article 16 of the 2020 Budget Act no. 2019-1479 of 28 December 2019.

furnished premises not used as a main residence (*taxe d'habitation sur les résidences secondaires*, THRS).

Tax relief is however planned for former main residences of individuals in retirement homes or long-term care, as well as in the case of double residence for professional reasons or for a reason that is outside the will of the taxpayer.

In 2022, residence tax of €2.8bn accrued to local authorities (taking into account any increases in the residence tax on second homes).

II. – TAX ON VACANT RESIDENTIAL PREMISES

The annual tax on vacant residential premises is a national tax separate from residence tax. It is applicable in urban areas where there is a significant imbalance between supply and demand for housing leading to acute housing shortages. These areas have high rents, high purchase prices for older housing and/or a high number of housing applications compared with the number of people moving into social rental housing each year.

Outside these areas, the tax on vacant residential premises is applicable in municipalities where there is a significant imbalance between supply and demand for housing resulting in acute housing shortages across the existing residential housing stock. These areas have high rents, high purchase prices for older housing and/or a high proportion of residential premises other than those used as a main residence in relation to the total number of housing units.[193]

It is payable by the owner of the property on 1 January of the year of taxation for each unfurnished property that has been vacant for at least one year on 1 January of the year of taxation (i.e. properties falling outside the scope of premises subject to residence tax). The rates are set at 17% of the rental value of property for the first year of taxation and 34% starting from the second year of taxation.[194]

Moreover, provided the annual tax on vacant residential premises is not applicable to their territory, municipalities and government-funded intermunicipal cooperation institutions with their own tax raising powers may, provided they meet certain conditions, levy residence tax on residential premises vacant for two years or more on 1 January of the year of taxation.

The notion of vacancy is shared by these two forms of taxation: residential premises are not considered vacant in cases where they were occupied for more than ninety consecutive days during the previous year of taxation, or in cases where the vacancy was for reasons beyond the taxpayer's control.

The residence tax on vacant residential premises yielded €83m in 2022.

[193] Article 73 of the 2023 Budget Act no. 2022-1726 of 30 December 2022.
[194] As stipulated in Article 74 of the 2023 Budget Act no. 2022-1726 of 30 December 2022.

CHAPTER 4: LOCAL ECONOMIC CONTRIBUTION

The local business tax (*taxe professionnelle,* TP) was abolished on 1 January 2010 and was replaced by a local economic contribution (CET) comprised of a business premises contribution (CFE) based on the rental value of property and a contribution on business value added (CVAE) calculated on the basis of the value added generated by a business. Article 55 of the 2023 Budget Act stipulates the gradual phasing out of the contribution on business value added. In 2023, the rate of the contribution on business value added will be reduced by half. In 2024, the phase-out will be complete, meaning that the local economic contribution will be replaced by the sole business premises contribution.

I. – BUSINESS PREMISES CONTRIBUTION

Individuals or legal entities, unincorporated companies or trustees, in respect of their activity governed by a trust agreement, carrying on a regular non-salaried business activity in France are liable to the business premises contribution every year.

All the local business tax exemptions were kept for the business premises contribution, except optional exemptions applying to infrastructure and movable property and those which have lapsed. Exemptions may be:

- automatic and permanent for certain activities and organisations (essentially cultural, educational, health-related, social, sports-related or tourism activities carried on by the central government, local authorities and government-funded institutions; major seaports, low-rental housing organisations; agricultural activities and organisations; private schools, some craft or press activities; specialised press distributors, etc.).
- automatic and temporary (young lawyers; businesses located in an urban revitalisation area or a priority development area).
- optional (granted by local authority decision or in the absence of a decision to the contrary) and permanent (furnished accommodation landlords, Municipal Credit Banks, live performances, cinemas, independent bookshops with the LIR label, independent record shops, etc.). Subject to certain conditions, an allowance is applied to the business premises contribution tax base for businesses based in new-generation free-trade zones (*zone franche d'activité de nouvelle generation*, ZFANG) in overseas *départements*.
- optional and temporary, granted through urban planning arrangements or urban policy (area-based tax schemes: urban/regional free-trade zones for entrepreneurs, priority urban neighbourhoods, rural business revitalisation areas, city centre revitalisation areas, rural revitalisation areas, regional assistance areas, defence restructuring areas, employment revitalisation areas) with a view to fostering new, innovative enterprises (innovative startups and university startups) as well as new businesses and any extensions of companies' business activities into these zones for a period of three years, or with a view to encouraging certain occupations (doctors, paramedical professionals and veterinarians).

The tax base for the business premises contribution is comprised of the rental value solely for property liable to property tax in France which the taxpayer has used, for business purposes, during the reference period for taxation (excluding, for example, assets destroyed or disposed of during this period). Certain property falling within the scope of property tax on developed land but which has been temporarily or permanently exempt from it are also excluded from the tax base for the business premises contribution: this is the case for machinery and other facilities, and equipment used to operate industrial plants and the fixed assets used for photovoltaic power generation.

The business premises contribution is generally assessed in each municipality where the taxpayer has premises or land. In principle, it is payable for the entire year by a taxpayer

carrying on a taxable and non-exempt activity on 1 January on the basis of the tax components existing on the last day of the reference period, subject to a certain number of exceptions. For business creations, it is not owed for the first year and the tax bases are halved for the year after creation.

The tax base is subject to general or optional reductions and allowances. A 30% allowance is applied to the rental value of industrial plants, while reductions in the tax base apply to certain property (e.g. ports and airports) and to certain activities (e.g. craft-related, cooperatives and seasonal businesses).

Local authorities and government-funded intermunicipal cooperation institutions with their own tax raising powers may decide to introduce various reductions in the business premises contribution: for example, they may decide to apply a reduction in tax base for shops and boutiques whose main surface area is less than 400 square metres and which are not part of a commercial complex, or a reduction, under certain conditions, for buildings used for scientific and technical research.

In addition, a special relief scheme for reducing the tax bases is designed to offset the consequences of the two-year gap between the reference period for taxation and the year of taxation in the event of a taxpayer's reduced professional activity.

The business premises contribution is calculated by multiplying the resulting tax base less reductions and allowances by the rates decided upon by the municipalities or their government-funded intermunicipal cooperation institutions with their own tax raising powers.[195]

The calculated amount may not be less that the minimum contribution determined from a base. The amount of this base is set by the municipal council or the government-funded intermunicipal cooperation institution, replacing the former. This base must respect the following scale:

Minimum tax base scale for the business premises contribution on turnover or revenue	
Turnover or revenue	**Minimum tax base since 1 January 2022**
up to €10,000	between €237 and €565
between €10,001 and €32,600	between €237 and €1,130
between €32,601 and €100,000	between €237 and €2,374
between €100,001 and €250,000	between €237 and €3,957
between €250,001 and €500,000	between €237 and €5,652
from €500,001	between €237 and €7,349

The net turnover or net revenue taken into account is that which has been recorded during the reference period (the penultimate year prior to the taxation year or the last twelve-month financial year ending during said year).

Taxpayers recording turnover or revenue of €5,000 or less are exempt from the minimum business premises contribution.

In 2022, the business premises contribution accrued €7.1bn to local authorities.

II. – CONTRIBUTION ON BUSINESS VALUE ADDED

NB: Article 55 of the 2023 Budget Act no. 2022-1726 of 30 December 2022 stipulates the gradual phasing out (over a two-year period) of the contribution on business value added, involving the reduction by half of the rate of the contribution (in 2023, for the last tax band, the rate will change from 0.75% to 0.375% of value added), followed by its complete phase-out in 2024.

[195] Only municipal bodies receive the business premises contribution, unlike the local business tax which was paid to all local authorities: municipalities, *départements* and regions.

Individuals or legal entities, unincorporated companies and trustees, in respect of their activity governed by a trust agreement, carrying on an activity within the scope of application of the business premises contribution and whose turnover exceeds €152,500 are liable to the contribution on business value added up to 31 December 2023.

While all businesses with turnover of more than €152,500 must file returns, only persons carrying on a regular non-salaried business activity in France and whose pre-tax turnover exceeds €500,000 are liable to the contribution on business value added due to the progressive tax rates presented below.

Exemptions and allowances under the contribution on business value added are related to those for the business premises contribution. Businesses which are automatically and entirely exempt from the business premises contribution are also entirely exempt from the contribution on business value added. What is more, at the company's request, all exemptions and optional allowances under the business premises contribution apply to the contribution on business value added, subject to rules on decision-making by local authorities and government-funded intermunicipal cooperation institutions.[196] In either case, exemptions and allowances under the contribution on business value added are related to those for the business premises contribution and the former are therefore lost when the conditions for exemptions or allowances under the business premises contribution are no longer met.

The amount of the contribution on business value added represents a fraction of the value added generated by the business during the reference period for taxation.

However, the rate of the contribution on business value added is progressive according to turnover. Using the following scale for 2023, the percentage of value added actually taxed varies according to the amount of turnover:

If turnover excluding VAT is:	The effective tax rate is:
< €500,000	0%
€500.000 ≤ TURNOVER ≤ €3,000,000	0.125% x [(TURNOVER - €500,000) / €2,500,000]
€3,000,000 < TURNOVER ≤ €10,000,000	0.125% + 0.225% x [(TURNOVER - €3,000,000) / €7,000,000]
€10,000,000 < TURNOVER ≤ €50,000,000	0.35% + 0.0025% x [(TURNOVER - €10,000,000) / €40,000,000]
> €50,000,000	0.375%

The amount of relief is also increased by €250 for businesses with turnover of less than €2,000,000.

As with the business premises contribution, for companies with turnover of more than €500,000, the minimum contribution on business value added is set at €63.

The contribution on business value added is calculated on the turnover recorded and value added generated during the reference period (the year for which the taxation applies).

Turnover and value added used in respect of the contribution on business value added are defined differently according to the company's business regime: ordinary law companies (those receiving non-commercial profits (BNC) and which use cash-based accounting and those receiving income from property), credit institutions and accredited investment companies, financial instrument management companies, companies formed to carry out a single financing transaction, insurance and reinsurance companies, mutual insurance companies and provident institutions. Accordingly, for each regime, the nature of the revenue and expenses used to calculate turnover and value added factors in legal, economic and accounting considerations which are specific to each of the five business sectors concerned by these regimes.

Value added calculated pursuant to these rules may not exceed a set ceiling according to turnover related to taxable business activity. For ordinary law companies, this ceiling is:

[196] In respect of the allowance applicable in overseas *départements*, in order to calculate the contribution on business value added, the value added of establishments entitled to an allowance on their net tax base for the business premises contribution under Article 1466 F CGI is subject, if they so request, to an allowance at the same rate, up to €2,000,000 of value added.

- 80% of turnover corresponding to taxable business activity for taxpayers having turnover of €7,600,000 or less
- 85% of turnover corresponding to taxable business activity for taxpayers having turnover of more than €7,600,000

Taxpayers carrying on their business activity on 1 January of the tax year owe the contribution on business value added.

Proceeds from the contribution on business value added are shared among municipal bodies and *départements* according to their own rules. As from 2023, proceeds from the contribution on business value added are paid to the central government budget. Municipalities, EPCIs with their own tax raising powers and *départements* will be entitled to permanent compensation in the form of a portion of net VAT revenue.

It should be noted that prior to 2023, the contribution on business value added paid by a company liable to the contribution and with several establishments located within various local authorities was shared by these authorities on a proportional basis:

- *One-third of the contribution being based on the rental value of fixed assets taxed under the business premises contribution in each municipality*
- *Two-thirds of the contribution being based on the number of staff employed in each municipality*

To increase the appeal of the opening of industrial plants in regions agreeing to host them, these proportions were assigned two weighting factors (set at 5 and 42) in order to appropriately divide up the proceeds from the contribution on business value added.

The contribution on business value added paid to local authorities in 2022 came to €9.3bn.

III. – RELIEF ON THE LOCAL ECONOMIC CONTRIBUTION

To gain a better understanding of the taxpaying capacity of businesses, the local economic contribution is being capped for the 2023 tax year at 1.625% of the value added generated by a business. This measure limits the overall tax burden for a taxpayer when the sum of the business premises contribution and the contribution on business value added comprising the local economic contribution exceeds a threshold above which the tax is disproportionate to the taxpaying capacity of the business, defined on the basis of the value added generated by a business.

Businesses whose local economic contribution is more than 1.625% of their value added can now apply for relief corresponding to the difference between (i) the total amount of the business premises contribution and the contribution on business value added for which they are liable and (ii) the amount of this cap applied to their value added. The amount of relief is equal to the difference between the amount of the local economic contribution owed for the tax year and 1.625% of the value added of the company. The value added used is that generated during the reference period for the contribution on business value added. There is no limit to the amount of tax relief resulting from the capping of the local economic contribution.

It should be noted that the phase-out of the contribution on business value added on 1 January 2024 will bring the local economic contribution to an end. As a result, the cap according to value added will be replaced by the capping of the sole business premises contribution, the rate of which is being reduced from 1.625% to 1.25% of value added in 2024.

CHAPTER 5: FLAT-RATE TAX ON NETWORK BUSINESSES

A flat-rate tax on network businesses (IFER) was introduced in 2010 for the benefit of regional authorities or their government-funded intermunicipal cooperation institutions and the "Société du Grand Paris" government-funded institution.

Ten categories of assets are subject to the flat-rate tax on network businesses:

- Wind and marine turbines
- Nuclear or fossil fuel-fired power plants
- Photovoltaic or hydraulic power generation facilities
- Geothermal power generation facilities
- Electric transformers in public electricity transmission and distribution grids
- Radio stations
- Rolling stock used by the national rail network to transport passengers
- Rolling stock used by public transport lines in Ile-de-France. Revenue from this portion of the flat-rate tax on network businesses is allocated to the "Société du Grand Paris" government-funded institution.
- The main distribution frames of the copper local loop and certain telephone switching equipment
- Certain gas facilities and pipelines for natural gas and other fossil fuels, pipelines for transporting chemical products

All assets located in France are subject to the flat-rate tax on network businesses, regardless of the location of the taxpayer's registered office.

Specific tax base and calculation rules and coding in the General Tax Code apply to each asset category.

As an example, for nuclear or fossil fuel-fired power plants, the tax was set at €3,254 per megawatt of installed power for 2022. In addition, for photovoltaic power generation facilities, the tax has been reduced from €7.82 to €3.254 per kilowatt of installed power for the first twenty years of taxation for facilities commissioned after 1 January 2021. For the rolling stock used by the national rail network to transport passengers, the tax for 2022 was calculated on a scale that changes according to the type of rolling stock (i.e. a high-speed driving unit is taxed at €39,104 whilst a carriage for high-speed passenger transport is taxed at €11,172).

Article 108 of the 2023 Budget Act no. 2022-1726 of 30 December 2022 increased the tax on geothermal power generation facilities from €20.42 to €24 per kilowatt of installed power on 1 January of the year of taxation.

The amounts and rates for each component of the flat-rate tax on network businesses are adjusted each year by the provisional rate of change in the consumer price index, excluding tobacco products, as indicated in the Budget Bill.

In 2022, the flat-rate tax on network businesses accrued €1.69bn to local authorities.

CHAPTER 6: URBAN PLANNING TAXES

With an eye to streamlining, upgrading and aligning with the management of property taxes, the 2021 Budget Act provided for the transfer of the construction tax (TA) and the housing portion of the rescue archaeology tax (TAP), formerly the rescue archaeology fee (RAP), to the Public Finances Directorate General (DGFiP). Order no. 2022-883 of 14 June 2022 sets out the regulatory framework for the transfer of management of urban planning taxes which apply to initial applications for urban planning authorisations filed as from 1 September 2022.

I. CONSTRUCTION TAX

The construction tax applies to the construction, reconstruction or extension of buildings, facilities or improvements of any kind that are subject to urban planning authorisation arrangements (building permits, development permits and prior declarations of works). It is owed by the recipient of the authorisation, by the construction manager in the event of an illegal construction or by the recipient of the transfer of the authorisation, as applicable.

The construction tax base varies depending on the project. For construction projects, it is the total revenue obtained by multiplying the surface area of the construction by the value per square metre of this surface area, which was set for 2023 at a fixed amount of €885 for municipalities located outside the Greater Paris Region and at €1,003 for those located within this region, and by the rates of local authorities (municipality, government-funded institution for intermunicipal cooperation (EPCI) and, possibly, the Ile-de-France Regional Council). These values are revised on 1 January each year on the basis of the most-recent construction cost index published by the National Institute of Statistics and Economic Studies (INSEE). The tax has a fixed value for certain specific facilities (caravan pitches, simple leisure accommodation, swimming pools, wind turbines, etc.).

The municipal and, where applicable, the intermunicipal rate may vary from 1% to 5% and may be as much as 20% in some areas. The *département* rate is the same for the entire *département* and may not exceed 2.5%. In the Greater Paris Region, the rate may be no more than 1%.

A 50% allowance is granted on the fixed values for the first 100 square metres of premises and their outbuildings used as the main residence, housing or accommodation premises financed with government aid, industrial and craft premises, and warehouses and covered carparks used for commercial purposes.

The General Tax Code also provides for the following exemptions:

- Automatic: for the construction of premises to be used for a public service or of public use, housing and accommodation premises (social housing and temporary or emergency accommodation structures financed by a government-subsidised loan for low-rental housing for the integration of low-income households (PLA-I), very low-rental social housing in the overseas *départements*), certain agricultural premises (commercial greenhouses, warehouses for storing agricultural products, etc.), premises used for equestrian activities, premises with a surface area of less than five square metres, premises constructed in certain zones or catchment areas (development zones, catchment areas for operations of national interest and urban partnership project agreements)
- Optional (granted by a decision or in the absence of a decision to the contrary by local authorities): for the construction of housing financed by an interest-free loan, industrial or craft premises, and certain special premises (building listed as an historical monument, retail store with surface area devoted to sales of less than 400

square metres, health centre, garden shed, pigeon house, dovecote and garden greenhouse for non-professional use).

The tax is received by municipalities or EPCIs, the greater Lyon area, *départements*, the Corsican local authority and the Greater Paris Region. In 2021, a total of €2.2bn was assessed for this tax (€1.4bn for the municipal and intermunicipal share, €740m for the *département* share and €60m for the Greater Paris Region's share).

II. RESCUE ARCHAEOLOGY TAX

The rescue archaeology tax is levied on operations affecting the subsoil. The amount of the tax and the procedures to carry out vary depending on the nature of the works.

The tax applies to the construction, reconstruction or extension of buildings, facilities or improvements of any kind that are subject to urban planning authorisation arrangements, and which affect the subsoil, irrespective of the depth.

The rescue archaeology tax base is similar to that of the construction tax. The tax rate is 0.40% of the fixed value of the property complex.

Exemptions are granted for constructions and improvements to be used for a public service or of public use, agricultural premises, buildings used for equestrian activities, facilities for laying and using undersea data transmission cables, etc.

CHAPTER 7: OTHER LOCAL TAXES

I. – REFUSE COLLECTION TAX

Municipalities may levy a refuse collection tax (TEOM) in order to offset the cost of collecting and processing household waste when it is not covered by the local authority's normal revenue and no refuse collection fee (REOM) has been introduced. Where responsibility for household waste disposal has been transferred to an EPCI, it may levy a tax provided it at least collects the waste. The tax is assessed on the net cadastral income used as the base for property tax on developed land.

Refuse collection tax is payable on all properties belonging to individuals or legal entities liable to property tax on developed land or temporarily exempt from it (new builds, for example).

Moreover, municipalities and EPCIs which levy the refuse collection tax may introduce an incentivising portion in addition to its fixed portion to encourage waste reduction and sorting (General Tax Code, Article 1522 *bis*). The incentivising portion is calculated by multiplying the volume of waste produced within each taxable premises during the year prior to the year of taxation by one or more rates and it factors in the volume or possibly the nature of the waste produced. The rates are set each year through deliberation so that the revenue from the incentivising portion accounts for between 10% and 45% of total refuse collection tax revenue.

In addition, the incentivising portion may be introduced by municipalities and EPCIs in one or several areas of their regions for a maximum of seven years. Following this experimentation period, the incentivising portion is extended to the entire region or eliminated after deliberation by the municipality or EPCI that introduced it.

The refuse collection tax yielded €7.9bn in 2022.

II. – SPECIAL INFRASTRUCTURE TAXES

Special infrastructure taxes accrue to a competent public land bank or development agency within the remit of a local authority when the latter introduced them. They are payable by all taxpayers (individuals or legal entities) liable to local taxes within a given area and are calculated as additional taxes to the four main local taxes (residence tax, property taxes and the business premises contribution).

A special infrastructure tax was introduced as from the year following the year when the government-funded institution for the Grand Projet Ferroviaire du Sud-Ouest (GPSO) was set up in order to help fund rail infrastructure in south-west France for an amount set at €29.5m per year (General Tax Code, Article 1609 H).[197] As from 1 January 2024, a special additional tax for an amount set at €21.5m per year will be levied (General Tax Code, Article 1609 I).[198]

In 2020, the revenue from all these taxes totalled €466m, €73m of which was allocated to the Société du Grand Paris (SGP).[199]

III. – TAX FOR MANAGING AQUATIC ENVIRONMENTS AND FLOOD PREVENTION

Municipalities and EPCIs with their own tax raising powers which are competent with regard to managing aquatic environments and flood prevention may introduce a tax (GEMAPI) in order to fund these responsibilities.

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[197] Article 103 of the 2022 Budget Act no. 2021-1900 of 30 December 2021 and Article 77 of the 2023 Budget Act no. 2022-1726 of 30 December 2022.

[198] Article 77 of the 2023 Budget Act no. 2022-1726 of 30 December 2022.

[199] Article 31 of the 2010 Supplementary Budget Act no. 2010-1658 of 29 December 2010 introduced a special infrastructure tax for the benefit of the Société du Grand Paris (SGP) government-funded institution to finance the assignments entrusted to it. The revenue allotted to the SGP is set on an annual basis.

On 1 January 2018, responsibility for managing aquatic environments and flood prevention was transferred from municipalities to EPCIs.

Every year, the revenue from this tax is decided on by deliberation and capped at €40 per inhabitant. The revenue voted on is the same as the forecasted annual amount of operating and investment expenses resulting from managing aquatic environments and flood prevention. The revenue is broken down between all individuals or legal entities liable to property taxes, residence tax and the business premises contribution. The tax's base is calculated under the same conditions as for the municipal or intermunicipal portion of the main tax which it supplements.

For municipalities, the revenue from this tax was €380m in 2022.

IV. – TAX ON RETAIL FLOOR SPACE

The tax on retail floor space (TaSCom) is levied on retail establishments regardless of the legal form of the company that operates them. To be liable to the tax, these establishments must meet certain conditions relating to surface area (more than 400 square metres), their incorporation date (after 1 January 1960) and their turnover (€460,000 or more).

The amount of the tax is calculated by applying a rate, which varies according to the annual turnover per square metre, the surface area and the business activity, to the total retail floor space. In some cases, this amount may be increased by 30% for establishments with retail floor space of more than 5,000 square metres and annual turnover, exclusive of taxes, of more than €3,000 per square metre, by 50% for those with retail floor space of more than 2,500 square metres or a reduction of €1,500 for establishments located in areas designated as priority neighbourhoods by urban policy.

Since 2012, EPCIs (or the municipality benefitting from the tax) have been able to apply a multiplying coefficient of between 0.8 and 1.2 to the revenue from the tax.

The revenue from the tax on retail floor space is received by the municipality in the region where the taxable establishments are based or by EPCIs with their own tax raising powers and by the government for the proceeds of the 50% increase.

This tax yielded €983m in 2021, with €794m being received by municipalities and €189m being allocated to the central government budget.

V. – OTHER RELATED TAXES

There are also taxes for the costs of chambers of agriculture, commerce and industry and trade and crafts which accrue to these chambers and which are designed as additional taxes to the local economic contribution (CET). In 2024, the elimination of the contribution on business value added (CVAE) will automatically lead to the phasing out of the CVAE surtax (TACVAE), as the latter is assessed on the basis of the contribution on business value added itself.

In addition, a special additional annual tax was introduced to benefit the Greater Paris Region, with an eye to financing investments in public transport. It is paid by all taxpayers liable to the property tax on developed land or to the business premises contribution in the municipalities of the Greater Paris Region. The revenue from this additional tax is established each year by the Ile-de-France Regional Council, up to a cap of €80m (General Tax Code, Article 1599 *quater* D).

Lastly, a specific tax on premises used for offices, trade, storage and parking (TSB) is applicable in the Greater Paris Region. The rate varies depending on the location of the premises. There is also a specific tax on parking space (TSS). Similarly, as from 2023, a tax on premises used for offices, trade, storage and parking has been levied in the Bouches-du-Rhône, Var and Alpes-Maritimes *départements* to fund part of the Ligne Nouvelle Provence Côte d'Azur railway project.

APPENDICES

List of tax treaties concluded by France and in effect on 1 January 2023

Abbreviations:

R: rider

AA: administrative arrangement

SA: special agreement

T: Treaty

G: gifts

RD: registration duty

EL: exchange of letters

WT: wealth tax

IT: income tax

IN: inheritance tax

Country or territory	Date of the treaty (T), special agreement (SA), rider (R) or exchange of letters (EL)	Taxes concerned
South Africa	T 8 November 1993	IT-WT
Albania	T 24 December 2002	IT-WT
Algeria	T 17 October 1999	IT-WT-IN
Germany	T and EL 21 July 1959 R 9 June 1969 R 28 September 1989 R 20 December 2001 R 31 March 2015 AA 16 February 2006 T 12 October 2006	IT-WT IT Cross-border workers IN-G
Andorra	T 2 April 2013 SA 22 September 2009	IT Exchange of information
Saudi Arabia	T 18 February 1982 R 18 February 2011 EL 20 December 1988 and 22 February 1989 R 2 October 1991 EL 16 June 1993 and 31 October 1993 EL 3 January 1994 and 3 May 1995 EL 9 September 1998 and 2 January 1999 EL 14 April 2003 and 6 July 2003 EL 27 November and 30 December 2008 EL 26 December 2013 and 25 May 2014 EL 11 June and 10 December 2018	IT-WT-IN Exchange of information Renewal of agreement
Argentina	T 4 April 1979	IT-WT

Country or territory	Date of the treaty (T), special agreement (SA), rider (R) or exchange of letters (EL)	Taxes concerned
	R 15 August 2001 EL 28 May 2018 and 29 January 2019	
Armenia	T 9 December 1997 R 5 February 2003 and 3 February 2004	IT-WT
Australia	T 20 June 2006	IT
Austria	T 26 March 1993 R 23 May 2011 T 26 March 1993	IT-WT Exchange of information IN-G
Azerbaijan	T 20 December 2001	IT-WT
Bahrain	T 10 May 1993 R 7 May 2009	IT-WT-IN Exchange of information
Bangladesh	T 9 March 1987	IT
Belgium	T 12 August 1843 (confirmed by Article 14 of the tax treaty of 20 January 1959) T 10 March 1964 R 15 February 1971 R 8 February 1999 R 12 December 2008 R 7 July 2009 T 20 January 1959	Exchange of information IT Cross-border workers Exchange of information S-DE
Benin	27 February 1975	IT-IN-RD
Belarus[200]	T 4 October 1985	IT
Bolivia	T 15 December 1994	IT-WT
Bosnia-Herzegovina[201]	T 10 February 1993 EL 3 and 4 December 2003	IT
Botswana	T 15 April 1999 R 27 July 2017	IT
Brazil	T 10 September 1971	IT
Bulgaria	T 14 March 1987	IT
Burkina Faso	T and EL 11 August 1965 R 3 June 1971	IT-IN-RD
Cameroon	T and EL 21 October 1976 R 31 March 1994 R 28 October 1999	IT-IN-RD
Canada	T 2 May 1975 R 16 January 1987 R 30 November 1995 R 2 February 2010	IT-WT-G-IN
Province of Quebec	Tax agreement of 1 September 1987 R 3 September 2002	IT-WT
Central African Republic	T 13 December 1969 and EL 13 and 16 December 1969	IT-IN-RD

[200] The treaty between France and the former USSR of 4 October 1985 continues to govern the bilateral relations between France and Belarus.

[201] The agreement with Bosnia-Herzegovina provides that the tax treaty between France and the former Socialist Federal Republic of Yugoslavia of 28 March 1974 continues to govern their bilateral relations.

Country or territory	Date of the treaty (T), special agreement (SA), rider (R) or exchange of letters (EL)	Taxes concerned
Chile	T 7 June 2004	IT-WT
China	T 26 November 2013	IT
Cyprus	T 18 December 1981	IT-WT
Colombia	T 25 June 2015	IT-WT
Congo	T 27 November 1987	IT-IN-RD
South Korea	T 19 June 1979 R 9 April 1991	IT
Côte d'Ivoire	T and EL 6 April 1966 R 25 February 1985 R 19 October 1993 SA 24 April 1961 EL 16 May and 14 June 1995	IT-IN-RD IT (public remuneration)
Croatia	T 19 June 2003	IT
Denmark	EL of 28 February 1930 on navigation[202]	IT
Egypt	T 19 June 1980 R 1 May 1999	IT-WT
United Arab Emirates	T and EL 19 July 1989 R 6 December 1993	IT-WT-IN
Ecuador	T 16 March 1989	IT
Spain	T 10 October 1995 EL 19 February 1998 EL 26 November 2002 EL 1 March and 22 April 2005 EL 22 December 2003 and 1 March 2005 T 8 January 1963 SA 25 January 1961 EL 3 July 1964 EL 21 May and 1 June 1965	IT-WT IN Cross-border workers
Estonia	T 28 October 1997	IT-WT
United States	T 31 August 1994 and EL 19-20 December 1994 R 8 December 2004 R 13 January 2009 T 24 November 1978 R 8 December 2004	IT-WT IN-G
Ethiopia	T 15 June 2006	IT
Finland	T 11 September 1970 T 25 August 1958	IT-WT IN
Gabon	T 20 September 1995	IT-IN-RD-WT
Georgia	T 7 March 2007	IT-WT
Ghana	T 5 April 1993	IT
Greece	T 21 August 1963	IT
Guinea	T 15 February 1999	IT-WT-IN-G
Hong Kong	T 21 October 2010	IT-WT
Hungary	T 28 April 1980	IT-WT

[202] As the tax treaty of 8 February 1957 was terminated by the Danish government and as it has not been effective since 1 January 2009, the EL of 28 February 1930 took effect once again as from that date.

Country or territory	Date of the treaty (T), special agreement (SA), rider (R) or exchange of letters (EL)	Taxes concerned
India	T 29 September 1992	IT-WT
Indonesia	T 14 September 1979	IT-WT
Iran	T 7 November 1973	IT
Ireland	T 21 March 1968	IT
Iceland	T 29 August 1990	IT
Israel	T 31 July 1995	IT-WT
Italy	T and EL 5 October 1989 T 20 December 1990	IT-WT IN-G
Jamaica	T 9 August 1995	IT
Japan	T 3 March 1995 R 11 January 2007	IT
Jordan	T and EL 28 May 1984	IT
Kazakhstan	T 3 February 1998	IT-WT
Kenya	T 4 December 2007	IT
Kyrgyzstan[203]	T 4 October 1985	IT
Kosovo[204]	T 10 February 1993 EL 4 and 6 February 2013	IT Treaty succession agreement with the French government
Kuwait	T 7 February 1982 EL 17 August and 18 October 1988 R 27 September 1989 R 27 January 1994	IT-WT-IN
Latvia	T 14 April 1997	IT-WT
Lebanon	T 24 July 1962	IT-IN
Libya	T 22 December 2005	IT-WT
Lithuania	T 7 July 1997	IT-WT
Luxembourg	T 20 March 2018 R 10 October 2019 SA 16 July 2020, 27 August 2020, 7 December 2020, 9-10 March 2021, 15 June 2021, 23 September 2021, 6 and 13 December 2021	IT-WT Cross-border workers – COVID-19 agreements
Macedonia	T 10 February 1999	IT-WT
Madagascar	T and EL 22 July 1983	IT
Malaysia	T 24 April 1975 R 31 January 1991 R 12 November 2009	IT
Malawi[205]	T 14 December 1950 EL 5 November 1963 EL 31 December 1963	IT
Mali	T and EL 22 September 1972	IT-IN-RD
Malta	T 25 July 1977	IT-WT

[203] The treaty between France and the former USSR of 4 October 1985 continues to govern the bilateral relations between France and Kyrgyzstan.
[204] The tax treaty between France and the former Socialist Federal Republic of Yugoslavia remains in effect within the framework of bilateral relations between France and Kosovo.
[205] The Franco-British treaty of 14 December 1950 continues to be effective in relations between France and Malawi.

Country or territory	Date of the treaty (T), special agreement (SA), rider (R) or exchange of letters (EL)	Taxes concerned
	R 8 July 1994 R 29 August 2008	
Morocco	T and EL 29 May 1970 EL 5 and 14 December 1983 R 18 August 1989 EL 30 April 2018 and 21 January 2019	IT-IN-RD
Mauritius	T 11 December 1980 R 23 June 2011	IT-WT Exchange of information
Mauritania	T and EL 15 November 1967 AA 8 March 1994	IT-IN-RD
Mexico	T 7 November 1991	IT
Monaco	T and EL 18 May 1963 EL 9 December 1966 R 25 June 1969 EL 6 August 1971 R 26 May 2003 T 1 April 1950 SA 25 February 2019	Particular type of tax treaty not chiefly designed to avoid double taxation. IN
Mongolia	T 18 April 1996	IT-WT
Montenegro[206]	T 10 February 1993 R 26 March 2003	IT
Namibia	T 29 May 1996	IT-WT
Niger	T and EL 1 June 1965 R 16 February 1973	IT-IN-RD
Nigeria	T 27 February 1990	IT
Norway	T 19 December 1980 R 14 November 1984 R 7 April 1995 R 16 September 1999	IT-WT
New Zealand	T 30 November 1979	IT
Oman (Sultanate of)	T 1 June 1989 R 22 October 1996 R 8 April 2012	IT-IN IT-IN-WT
Uzbekistan	T 22 April 1996	IT-WT
Pakistan	T 15 June 1994	IT
Panama	T 30 June 2011	IT
Netherlands	T 16 March 1973 R 7 April 2004	IT-WT
Philippines	T 9 January 1976 R 26 June 1995 R 25 November 2011	IT IT-WT Exchange of information
Poland	T 20 June 1975	IT-WT
Portugal	T 14 January 1971 R 25 August 2016	IT IT

[206] The treaty with Serbia and Montenegro, which took effect on 26 March 2003 and which provides that the tax treaty between France and the former Socialist Federal Republic of Yugoslavia of 28 March 1974 continues to govern their bilateral relations, continues to apply vis-à-vis Montenegro.

Country or territory	Date of the treaty (T), special agreement (SA), rider (R) or exchange of letters (EL)	Taxes concerned
	SA and EL 3 June 1994	IN-G
Qatar	T and EL 4 December 1990 R 14 January 2008	IT-WT-IN
Czech Republic	T 28 April 2003	IT-WT
Romania	T 27 September 1974	IT-WT
United Kingdom	T 21 June 1963 T 19 June 2008	IN IT
Russia (Federation of)	T 26 November 1996	IT-WT
Senegal	T and EL 29 March 1974 R 16 July 1984 R 10 January 1991	IT-IN-RD
Serbia[207]	T 10 February 1993 SA 26 March 2003	IT
Singapore	T 15 January 2015	IT
Slovakia	T 1 June 1973 SA 24 June and 7 August 1996	IT-WT
Slovenia	T 7 April 2004	IT-WT
Sri Lanka	T 17 September 1981	IT
Sweden	T 27 November 1990 EL 14 and 18 March 1991 T 8 June 1994	IT-WT IN-G
Switzerland	T 9 September 1966 R 3 December 1969 EL 12 March and 26 May 1970 R 22 July 1997 EL 14 February and 2 June 2006 EL 28 August and 26 November 2008 R 27 August 2009 R 25 June 2014 SA 11 April 1983 EL 25 April et 8 June 1984 EL 2 and 5 September 1985 EL 21 and 24 February 2005 EL 5 and 12 July 2007 SA 30 October 1979	IT-WT IT (cross-border workers)
Syria	T 17 July 1998 EL 16 December 2004	IT
Territory of Taiwan	AA 20 December 2010	IT
Thailand	T 27 December 1974 EL 20 August 1999 and 6 March 2000	IT
Togo	T 24 November 1971 EL 25 and 26 November 1971	IT-IN-RD
Trinidad and	T 5 August 1987	IT

[207] The treaty with Serbia and Montenegro, which took effect on 26 March 2003 applies to Serbia.

Country or territory	Date of the treaty (T), special agreement (SA), rider (R) or exchange of letters (EL)	Taxes concerned
Tobago		
Tunisia	T 28 May 1973 AA 29 May and 24 June 1985	IT-IN-RD
Turkmenistan[208]	T and EL 19 July 1989 SA 28 April 1994	
Turkey	T 18 February 1987	IT
Ukraine	T 31 January 1997	IT-WT
Venezuela	T 7 May 1992	IT
Vietnam	T 10 February 1993	IT-WT
Zambia[209]	T 14 December 1950 EL 5 November 1963 EL 31 December 1963	IT
Zimbabwe	T 15 December 1993	IT-WT

[208] The treaty between France and the former USSR of 4 October 1985 continues to govern the bilateral relations between France and Turkmenistan.
[209] The Franco-British treaty of 14 December 1950 continues to be effective in relations between France and Zambia.

New Caledonia and overseas territorial units with which the French Republic has concluded a tax treaty

COUNTRY	Treaty date	Taxes concerned
New Caledonia	T 31 March and 5 May 1983	IT-IN-RD-G
French Polynesia	T 28 March and 28 May 1957 R 29 December 2009	Taxes on investment income Exchange of information
Saint Barthelemy	SA 14 September 2010	Exchange of information
Saint Martin	T 21 December 2010 SA 23 December 2009	IT Exchange of information
Saint-Pierre-et-Miquelon	T 30 May 1988	IT-IN-RD-G

English translation: Centre de traduction des ministères économiques et financiers