



## France

### Introduction

Income tax in France is assessed on a family/household basis. Income tax liability is determined by applying progressive tax rates to the net taxable income of the household in conjunction with a quotient based on family size. The determination of net taxable income depends on the residency status of the person and the person's household, and is generally achieved by taking gross taxable income less certain allowable deductions (including mandatory social security contributions).

### Contact

**Didier Hoff**

**FIDAL Direction Internationale\***

Partner

**T:** +33 1 55681540

**E:** [dhoff@fidalinternational.com](mailto:dhoff@fidalinternational.com)

### Key messages

Extended business travelers may be subject to French tax on their salary earned for French workdays.

\* Fidal is an independent legal entity that is separate from KPMG International and KPMG member firms.

## Income tax

### Liability for income tax

Individuals' liability for French income tax will depend on their French tax residence status. French tax residents are subject to tax on their worldwide income, whereas French tax nonresidents are subject to tax on their French-sourced income only. A person is deemed a resident of France by fulfilling any of the following criteria.

- The individual maintains a permanent household in France.
- The individual's main place of abode is in France.
- Most of the individual business activities are performed in France.
- The center of the individual's economic interests is in France.

Most extended business travelers will be considered nonresidents for French tax purposes and subject to tax on their French-sourced income only if they remain residents in their home country. The salary earned in relation to workdays spent physically in France will usually be considered French-sourced and therefore subject to French income tax, unless it is exempt under the provisions of a double tax agreement (income tax treaty with another country).

Some business travelers may become French tax residents if their family moves to France with them and they do not maintain a home outside France. Such employees will be subject to French tax on their worldwide income. Employees who arrive in France and become French tax residents for the first time (or have been nonresident for at least five years) may have access to tax concessions designed to decrease the tax burden on temporary resident workers.

Income tax is generally payable in the year after the income is earned, with payments potentially due in February, May, and September. However, where an individual is a French tax nonresident, income tax must be withheld at the source on their French-sourced income and remitted to the authorities.

### Tax trigger points

There is no minimum threshold number of days worked in France before taxation may be applied. However, the provisions of an international tax treaty may provide for an exemption from tax in France on salary income, provided the employee respects the threshold number of days spent outside of France during the relevant period as required by the particular treaty. Currently, the French tax authorities do not actively enforce an economic employer approach to the reading of treaties. Thus, if there is no recharge of salary costs to the French entity, it may currently be possible to apply the treaty exemption. This position should be closely monitored, as commentary on the subject is expected in the future.

### Types of taxable income

As nonresidents, extended business travelers will usually be subject to French tax on salary and benefits-in-kind earned in relation to their French workdays, as well as income from any French-sourced investments or capital gains.

### Tax rates

The net taxable salary income of nonresidents is taxed initially via withholding at the source at progressive rates of 0, 12, and 20 percent. Ordinary progressive tax rates up to 41 percent may also apply where taxable income reaches certain thresholds. Any additional liability would be assessed via an annual income tax return. Where the beneficiary is a nonresident, a specific withholding on the French-sourced portion of gains of stock options and restricted stock units has been introduced as of April 1, 2011.

## Social security

### Liability for social security

The French social security system is a complex architecture of various statutory and nonstatutory schemes, which may differ for each employer and industry type. The rate of employee contributions can be as much as 23 percent and 45 percent for employers. Some contributions are capped; others are not.

Extended business travelers employed by an entity located in an EEA member state or Switzerland, in most cases, can be exempt from French contributions and remain subject to their home country social security scheme.

Business travelers arriving from a country outside the EEA or Switzerland that does not have an agreement with France on social security will generally be subject to French social security contributions.

## Compliance obligations

### Employee compliance obligations

French tax returns for resident taxpayers must be filed by the legal deadline of March 1 following the year of income. However, in the past few years, the French tax authorities have extended this deadline to the end of May. Taxpayers who are residents of European countries and Mediterranean countries (including North Africa) file by June 30, and all other nonresidents file by July 15.

### Employer reporting and withholding requirements

Where remuneration is paid to a nonresident taxpayer for services rendered in France, the employer is required to file monthly returns and withhold nonresident tax. Additional tax may be due via the tax return.

Where no exemption is applicable, employers are required to withhold employee social security contributions on a monthly basis and remit them, along with employer contributions, to the relevant authority for each scheme.

Foreign employers who do not have a fixed place of business in France are required to register with the authorities and will be subject to the same rules and regulations as for French-based employers.

## Other

### Work permit/visa requirements

A visa must generally be applied for before the individual enters France. The type of visa required will depend on the purpose of the individual's entry into France.

### Double taxation treaties

France has entered into a number of double taxation treaties with other countries to prevent double taxation and allow cooperation between France and overseas tax authorities in enforcing their respective tax laws. As a general principle, the provisions of double tax treaties will override domestic rules.

### Permanent establishment implications

There is the potential that a permanent establishment could be created as a result of extended business travel, but this would be dependent on the type of services performed and the level of authority the employee has.

### Indirect taxes

France has value-added tax (VAT).

### Transfer pricing

France has a transfer pricing regime. A transfer pricing implication could arise to the extent that the employee is being paid by an entity in one jurisdiction but performing services for the benefit of the entity in another jurisdiction, in other words, a cross-border benefit is being provided. This would also be dependent on the nature and complexity of the services performed.

### Local data privacy requirements

France has data privacy laws.

### Exchange control

France does not restrict the flow of currency into and out of France. There is, however, a requirement for French tax residents to report their foreign bank accounts.

### Nondeductible costs for assignees

Nondeductible costs for assignees include contributions to nonmandatory social security regimes and to foreign pension plans.

---

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

The material contained within draws on the experience of KPMG tax personnel and their knowledge of local tax law in each of the countries covered. While every effort has been made to provide information current at the date of publication, tax laws around the world change constantly. Accordingly, the material should be viewed only as a general guide and not be relied on without consulting your local KPMG tax adviser for the specific application of a country's tax rules to your own situation.

© 2011 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved. 23943NSS