

Individuals taxation

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Employees and managers coming to work in France can benefit from a favorable tax regime.

Taxable income

Persons having their tax domicile in France are subject to French income tax, on all their income from French and foreign sources, regardless of their nationality.

Income tax is calculated on the basis of the various income streams of the tax household comprising the taxpayer, their spouse and any child or dependant. The tax rate is determined by applying a progressive scale with bands ranging from 0% to 45%, depending on the household's family quotient.

The calculation methods are supplemented by a number of provisions that allow tax to be tailored to the taxpayer's individual circumstances. In addition to deductions, there are numerous tax reductions and credits: tax reduction for employing a home-working employee, tax credit for childcare costs, etc.

An income tax simulator can be found here: https://simulateur-ir-ifi.impots.gouv.fr/calcul_impot/2024/

There are also specific arrangements for certain categories of income that make it possible to modulate taxation. The main schemes are described below.

Tax incentives for individuals

There is a very favourable system of partial income tax exemption for impatriate employees.

> [The impatriates regime](#)

In addition, the taxation applicable to savings also benefits from a specific regime, in the form of a single flat-rate levy of 30 % (taxes and social contributions).

> [30% flat-rate levy](#)

Finally, the allocation of free shares by a company is taxed more flexibly and less heavily for beneficiaries.

> [Allocation of free shares](#)

The impatriates regime

The impatriates scheme makes it possible to partially exempt from tax the income of foreign employees and managers coming to take up their duties in France. In particular, the following are concerned:

- the additional remuneration directly linked to the exercise of a professional activity in France (impatriation bonus);
- the part of the remuneration relating to the activity carried out abroad in the interest of the employer;
- 50 % of foreign source income from movable capital assets;
- 50 % of certain intellectual or industrial property products from foreign sources;
- 50% of gains on the sale of foreign securities and company rights.

The impatriates scheme also makes it possible to deduct from taxable income certain contributions paid to the supplementary pension and supplementary pension schemes to which the impatriate was affiliated before their arrival in France.

It also improves the conditions under which they are liable for property wealth tax (IFI).

For more information on this scheme, its benefits, how long it applies, the conditions for benefiting from it and how to apply it, please consult the page dedicated to this scheme on our website: [Home > International Individual > I am coming or returning to France > Taxation for those arriving in or returning to France > The impatriates regime](#)

Single flat-rate levy of 30%

The 2018 Budget Act reformed the tax treatment for investment income by creating a single flat-rate levy.

Tax breaks as from 2018 :

For French residents : the 30% flat-rate levy (12.8% for income tax and 17.2% for social contributions) applies in particular to dividends, interest and capital gains on the sale of securities.

The 40% allowance on dividends and similar income does not apply. However, taxpayers may opt for taxation under the progressive income tax scale. In this case, the 40% allowance may apply.

For non-residents : the withholding tax rate applicable to distributed proceeds and capital gains from the sale of holdings above 25 % is reduced to 12.8%.

Allocation of free shares

Listed or unlisted joint stock companies may allocate free shares to all or part of their staff.

Conditions

The decision to allocate shares must be taken by the Extraordinary General Meeting (EGM) which authorises the Board of Directors or the Management Board to allocate free shares. It sets the length of the vesting period, which may not be less than one year.

The EGM also sets the minimum holding period for the shares before they can be sold. The EGM is not obliged to stipulate a minimum holding period; however, the combined vesting and holding periods may not be less than two years.

Following these periods, the shares may be sold freely.

Beneficiaries

Shares may be allocated to employees or senior managers under the terms set by the rules governing the company's allocation plan. Allocation may be conditional upon presence in the company, seniority, individual performance, the company's earnings, etc.

Tax benefits

For the issuer: The employer's contribution is 30% on free shares (subject to certain conditions; exemptions for SMEs apply). It is due the month after vesting. Since December 31, 2017 the rate is lowered to 20%.

The expenses incurred by the company for the allocation of free shares and capital losses on buying back its shares may be deducted from taxable income.

For employees and corporate officers: The recipient of bonus shares is taxed both on the gains from vesting and the capital gains on disposals. The tax is owed for the year of sale.

- Gains from vesting are calculated taking the share price on the vesting date. Such gain constitutes taxable income for the year in which the shares are sold.
- Capital gains on disposals are the difference between the sale price and the share price on the vesting date.

The tax treatment of the acquisition gain depends on the date on which the shares are allocated. There are 5 different cases, detailed here:

impots.gouv.fr/particulier/questions/mon-entreprise-ma-attribue-des-actions-gratuites-comment-sera-impose-le-gain [French only]

For free shares allocated pursuant to an EGM authorisation granted on or after 01/01/2018, the portion of the acquisition gain not exceeding €300,000 is taxable on the progressive scale with the application of a one-off allowance of 50% without any holding period condition or, of the fixed allowance of €500,000 if the shares are sold by a retiring executive and for the remainder, the allowance of 50%.

The portion of the gain in excess of €300,000 remains taxable as salary and wages (without application of any allowance for the length of the holding period).

The gain is also subject to social security contributions:

- at the rate of 17.2% for acquisition gains not exceeding €300,000 ;
- at the rate of 9.7% for the remainder of the acquisition gain in excess of €300,000.

If the procedure and vesting periods are not complied with, the acquisition gains constitute additional salary and are taxable as salaries and wages as soon as they are definitively allocated.

The capital gain is taxed at 12.8%, unless the taxpayer opts to have all his income and capital gains taxed on the progressive scale.

In both cases, the capital gain is eligible for the fixed allowance of €500,000 provided for retiring directors of SMEs, if the shares have been held for at least one year.

If the taxpayer opts to be taxed on the basis of the progressive tax scale, and if the shares were acquired before 2018, the capital gain may be eligible for the allowance for length of ownership (ordinary or increased allowance). The allowance for length of ownership cannot be combined with the fixed allowance.

The capital gain (before application of any allowances) is also subject to social security contributions at the rate of 17.2%.

Social levies of 15.5% on income from assets also apply, with the general social security contribution (CSG) being partially deductible. Any capital losses on the disposal of securities are deducted from the amount derived from the allocation of the bonus shares.

If the procedure and blocking period are not complied with, the gains from vesting will represent additional compensation that is taxable in the wages and salaries category as from the vesting date.

For more information, please consult the following address:

<https://www.impots.gouv.fr/particulier/questions/mon-entreprise-ma-attribue-des-actions-gratuites-comment-sera-impose-le-gain> and the official documentation: BOI-RSA-ES-20-20-20.

Articles liés à la rubrique "I plan to invest in France"

Tax incentives

The French tax system is favourable to investment, innovation and business development.

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Set up a business in France

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TAXATION OF BUSINESSES

Find an overview of business taxation.

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