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France – New Economic Growth Bill Contains Some Measures Affecting Individuals

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A new bill, currently under review in France's parliament, contains measures concerning easing the taxation of French qualifying shares and liberalizing the rules of the so-called "inpatriate tax regime."

Why This Matters

There weren't many changes in the recent budget law for 2015¹ that impacted individuals. Indeed, last year's budget legislation² contained some multi-year measures that have raised the burden of tax for many taxpayers. This is one reason why the government introduced some provisions in this new bill to provide a modicum of relief, in particular by encouraging employee share ownership and fostering inbound assignments.

Background

The so-called "economic growth and activity" bill³, commonly known as the "Macron Bill" represents a *pot-pourri* of measures on extending Sunday work hours, Labor Courts reform, and the reform of legal professions, etc. The bill aims to stimulate economic activity and enhance job creation. Parliament began discussing the bill on January 26, 2015. It is expected to be enacted in April 2015, at the latest.

Among the numerous provisions, the draft bill contains some key measures regarding the favorable tax regime for qualifying free shares schemes and the favorable regime for inpatriates, which we discuss below.

Change in French Qualifying Free Shares

After years of rising taxation, several provisions aim at making the social insurance and tax regime applicable to French qualifying free shares⁴ (RSUs) more favorable:

- The 30-percent social insurance contribution due by the employer on the value of the shares will be decreased to 20 percent. It will be computed at the time of the acquisition of the shares by the employee instead of (as currently the case) at grant (for more information, see [Flash International Executive Alert 2012-160](#), 29 August 2012).
- The minimum acquisition and holding period of two years each will be reduced to one year each. The new total minimum acquisition and holding period will be one year + one year (for more information, see [Flash International Executive Alert 2005-013](#), 27 January, 2005).
- Capital gains upon acquisition of the shares will no longer be taxed as salary. They will be treated as capital gains derived from the disposal of shares taxed at progressive income tax rates and benefit from the deduction corresponding to the holding period of the shares.
- The 10-percent employee contribution due on the acquisition gain will be eliminated.

FIDAL Note

The new rules are expected to make French qualifying free shares more attractive. A review of employers' plans is advised.

It is expected that the final legislation will be enacted by April 2015.

Changes to the Inpatriate Tax Regime

The favorable French tax regime⁵, that applies to employees temporarily transferred to France, has typically provided a general exemption of tax for assignment-related compensation *until* the end of the fifth year following arrival, but only if the employees did not change position within their company.

A new provision extends the tax regime to employees who change positions in their company or are hired by another group company within the five-year period.

FIDAL Note

Employers thinking of transferring inpatriates within their company or group should discuss with their qualified tax professional whether it is worth waiting until the Macron bill is definitively adopted.

Footnotes:

1 For the 2015 budget legislation (in French), see *Projet de loi de finances pour 2015* at : <http://www.assemblee-nationale.fr/14/projets/pl2234.asp> .

2 For prior coverage, see [Flash International Executive Alert 2013-135](#), 3 October 2013.

3 See (in French) *Projet de loi pour la croissance et l'activité, n° 2447, déposé le 11 décembre 2014*, at: <http://www.assemblee-nationale.fr/14/projets/pl2447.asp> .

Also see: http://www.assemblee-nationale.fr/14/dossiers/croissance_activite.asp .

Also commonly known as *le projet de loi Macron*, named after Emmanuel Macron, the new Minister of the Economy.

4 For prior coverage of tax measures regarding French qualifying free shares, see [Flash International Executive Alert 2013-014](#), 13 January 2014.

5 For prior coverage of France's inpatriate (or "inpatriate") tax regime, see the following issues of *Flash International Executive Alert* : [2009-171](#) (10 September 2009) and 2008-153 (16 September 2008).

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