

GMS Flash Alert

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France - Update on Withholding System Expected in 2019

Various changes will be introduced to France's new withholding system (*prélèvement à la source de l'impôt sur le revenu*) to take into account the recommendations made by the General Inspectorate of Finance, notably:

- The rules and requirements for collectors will be simplified;
- A dry run for collectors will be proposed on a voluntary basis from September 2018, until the reform enters into force;
- In the event of erroneous downward adjustments of withholding, penalties will be eased, etc.

WHY THIS MATTERS

After many twists and turns, the time has come for employers to assess their systems and processes and prepare for the introduction of the new withholding system (even if technically the reform could still be postponed or abandoned). Policies and payroll processes will have to be adjusted and properly costed. Furthermore, these important changes will need to be clearly communicated to all stakeholders.

Further Details

The introduction of the withholding of personal income tax on a "pay-as-you-earn" basis, under the Finance Law for 2017, had been deferred by one year by a decree issued on 22 September 2017.¹

Article 9 of the recently-published Amended Draft Finance Law for 2017² confirms that the key aspects of the withholding system are not modified and will be implemented as from 1 January 2019; therefore, income tax for 2019 will be paid via withholding from that date.

The year 2018 marks the transition year between the two systems: the personal income tax that relates to current income earned in 2018 and coming within the scope of the withholding system will be “erased” by the application of a tax credit (*crédit d'impôt modernisation du recouvrement* (CIMR)).³

FIDAL NOTE

From a global mobility standpoint, employers should now more carefully assess how the introduction of withholding and any transitional rules will impact their operations from the policy and payroll perspectives.

If employers have any concerns about what they need to do, they should consult as soon as possible with their qualified tax professional.

FOOTNOTES:

1 See [Loi n° 2016-1917 du 29 décembre 2016 de finances pour 2017](#) ; for prior coverage, please see GMS [Flash Alert 2017-150](#) (12 October 2017).

2 See the [Projet de Loi de Finances Rectificative pour 2017](#) (in French).

3 For additional information, see the dedicated [webpage](#) for the *Ministère de l'Économie, des Finances, de l'Action et des Comptes Publics* (in French).

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Good-bye *The Expatriate Administrator*, Hello *Mobility Matters*!

We invite you to read "**Are Companies with U.K. Operations Up-to-Date with the U.K.'s Expenses and Benefits Rules?**" by Hashina Nagar, KPMG LLP (U.S.), published this week in the new [Mobility Matters](#), the KPMG GMS practice's brand new online journal containing high-quality, insightful, finger-on-the-pulse articles covering trends and developments affecting global mobility. *To read the article, click [here](#).*

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