GMS Flash Alert

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France - Key Measures in New Finance Law, Social Security Finance Law

France's Finance Law for 2024[1] was published in the country's Official Journal (*Journal Officiel*) of 30 December 2023, whereas the Social Security Financing Law for 2024[2] was published in the Official Journal of 27 December 2023, after the French Constitutional Court validated most of its provisions.

In this *GMS Flash Alert*, we present some of the measures in both laws that may have an impact for employers and employees, including employees on international assignment where subject to French law.

WHY THIS MATTERS

Both laws introduce changes that employers will need to consider in their budget projections as well as in making any necessary payroll adjustments and updating of hypothetical taxes for tax-equalised assignees.

Finance Law

Tax Brackets

The Finance Law adjusts personal income tax brackets to the inflation rate (calculated as the average increase in consumer prices excluding tobacco for 2023 compared to 2022, i.e., 4.80%). The thresholds and limits associated with them are raised as well and are shown below.

Amount (EUR)		Rate (%)
Up to	11,294	0
11,294 – 28,797		11
28,797 – 82,341		30
82,341 – 177,106		41
Over	177,106	45

Source: KPMG Avocats

Employees' Home to Workplace Transportation Costs

Eligible home-workplace transportation costs are exempt from social security contributions, CSG/CRDS, and income tax up to a certain amount. This amount was increased temporarily for 2022 and 2023. It thus went from €500 to €700, including a maximum of €400 for fuel costs (instead of €200).

Exit Tax

Certain reporting rules relating to the exit tax system have been modified.

A taxpayer who is subject to the exit tax upon leaving France must declare events leading to the end of the suspension of the payment of the tax (whether the suspension was granted automatically or upon request of the taxpayer) or to a reduction or refund of the tax by way of the follow-up form (2074-ETS), filed the year following the occurrence of the event with the annual income declaration.

The Law now provides that the absence of filing of this declaration, where required, will result in a request for the payment of the suspended tax payment for all transfers of residence abroad from 1 January 2019.

When an event occurred before 1 January 2024, the declaration must be filed (if it has not already been filed) before the deadline for filing the 2023 income tax returns (likely to be between May and June 2024).

New Offense of Aggravated Tax Fraud

This new offense can result in the loss of income tax reductions or credits for up to three years. The penalty does not apply to tax credits based on double taxation treaties.

Social Security Financing Law

The key measures affecting individuals and their employers are summarised below.

Foreign Companies' Registration for Social Security Purposes

As of 1 March 2024, foreign companies without an establishment in France will no longer be able to delegate their reporting requirement to a representative residing in France. They will be required to use the single portal for business formalities to register, modify details, or when they cease operations.

KPMG INSIGHTS

What this means in practice is yet to be determined as today there is already a process in place for foreign companies managed by the social security collection body called URSSAF. There is no indication that this process will change in the near future.

Digital Platforms

From 2026, to prevent fraud, digital-platform operators will have to report the turnover generated by the self-employed micro-entrepreneurs they employ. Additionally, by 2027, these platforms will collect and pay over to the authorities any applicable social security contributions for their self-employed workers without impacting their status.

New Offence of Facilitating Social Security Fraud

The law creates a specific offence in respect of those who facilitate social security fraud, thus making it illegal to assist a third party in fraudulently avoiding the declaration or payment of social security contributions.

Social Security Ceiling

Finally, employers should note that the annual social security ceiling amounts for 2024[3] are €3,864 per month or €46,368 for a full year. These figures apply to social security contributions due for periods of employment starting 1 January 2024.

KPMG INSIGHTS

While inflation-related adjustments to personal income tax thresholds should help keep the tax burden stable for individuals, there are some new reporting requirements in respect of the exit tax, as well as new penalties for fraud. Foreign employers will no longer be able to delegate to another party (including employees) the responsibility to deal with their own obligations to register and pay contributions. Of course such employers can seek professional assistance to deal with their obligations but the responsibility is theirs.

For new assignees inbound to France, pre-departure and/or on-arrival conversations with those who will be subject to French tax law should include mention of applicable tax rates, thresholds and brackets, exemptions, credits, allowances, and reporting and other administrative responsibilities and the impact on the assignee.

Employers and employees concerned about the effect of the above-noted changes and how to budget for and otherwise plan the employee’s assignment, should contact their qualified tax professional or a member of the Global Mobility Services team with KPMG in France (see the Contacts section).

FOOTNOTES:

1 Loi n° 2023-1322 du 29 décembre 2023 de finances pour 2024 at:
https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000048727345 .

2 Loi n° 2023-1250 du 26 décembre 2023 de financement de la sécurité sociale pour 2024 at:
https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000048668665 .

3 Arrêté du 19 décembre 2023 portant fixation du plafond de la sécurité sociale pour 2024 at:
https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000048708693 .

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Contact us

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