



International mobility: Tax simplifications brought in by the draft of Finance Bill for 2023

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The draft of Finance Bill for 2023 as adopted in its first reading in the National Assembly introduces few new developments in terms of personal taxation. The more noteworthy changes include however, a simplification of tax formalities for some foreign employers, and reforms to the French tax regime in view of the Paris 2024 Olympic Games.

Application of tax instalments for foreign employers of French employees

The current withholding tax system in France (PAS) imposes heavy tax reporting obligations on foreign employers whose employees have performed at least part of their salaried activity in France.

A reduction in the burden of tax formalities to be completed by foreign employers has been proposed. This will entail **substituting the existing system of monthly declarations and the PAYE mechanism for the payment of income tax by instalments for income received from 1 January 2023.**

Foreign employers would be able to benefit from this measure when their employees are:

- Resident in France and only work there for less than 25% of their total working time; or,
- Resident in France and are covered by a compulsory French social security scheme according to Article L 380-3-1 1 of the Social Security Code and pay their own social security contributions (the case of cross-border workers residing in France and working in Switzerland who have opted for affiliation to the compulsory social security scheme in France).

The French tax administration would be able to deduct an amount of income tax directly from the taxpayer's bank account, that amount being determined on the basis of the employee's last income.

The foreign employer however, must:

- Be established in a Member State of the European Union (EU) or in a country that has concluded an administrative assistance agreement with France in the fight against tax fraud and tax evasion as well

as a mutual assistance agreement for the recovery of claims relating to taxes, even if this is limited only to the recovery of income tax due on salaries and wages;

- Not be established in a non-cooperative state or territory within the meaning of Article 238-0 A of the French tax Code;
- Submit an annual statement to the administration declaring the amount of net remuneration taxable in France determined according to French tax rules, and within a timeline yet to be specified.

The failure to do this would be punishable by **a fine equal to 5% of the amounts that should have been declared in the case of omissions or inaccuracies, and 10% in the case of a failure to file the declaration by the prescribed deadline.** This fine cannot be less than €500 or more than €50,000 per declaration.

Adjustments to the tax regime for major sporting events

Elimination of double taxation for the Paris 2024 Olympic Games

For the Paris 2024 Olympic and Paralympic Games, an income tax adjustment will be granted to **persons physically participating in the Games who reside in a State that has not concluded a bilateral tax treaty with France, and in so doing, will remove the risk of double taxation. This will equally be applied to persons exercising an activity which is directly linked to the organization of the 2024 Olympic Games,** though these activities have not yet been defined by the text.



This article would also be applied to the same category of income received by these same persons for activities performed between 2023 and 2025.

The tax adjustment will be provided to the taxpayer when the claim is made, and the amount will be equal to the tax actually paid abroad on income falling under the above-mentioned conditions, and up to the limit of the amount of the corresponding French income tax due relating to this income and this income alone.

Permanent favorable tax treatment for organizers of international sports events

The favorable tax regime of Article 1655 *septies* of the French tax Code applicable to international bodies in charge of organizing international sports competitions is to be made permanent and would be open to all decisions where France is awarded the hosting of international sports events **as from 1 January 2022**.

In order to actually make this regime permanent, the bill would also allow:

- **An extension of its scope of application to sub-subsidiaries** where the bodies in charge of organizing international sports competitions hold more than half of the capital through a chain of holdings. The same conditions would be applied as to those to direct subsidiaries of the same bodies

already covered by this regime i.e. that they carry out operations which are directly related to the organization of the sports event;

- **A rationalization of the exemption from withholding tax**, which would only be applied to income received from services, royalties and distributions which are provided to the event organizers and to the exclusion of third-party companies such as the commercial partners of these organizers.

The control of foreign capitalization contracts by the French tax authorities to be extended

This amendment, retained by the government in the draft of Finance Bill for 2023, extends the powers of the tax authorities under Article L. 23 C of the French tax procedure handbook relating to the control of contracts and ranging from foreign life insurance policies to foreign bond and capitalization contracts typically associated with the international careers of expatriates.

As this text is still currently being discussed in Parliament, the contents are likely to evolve. It should not therefore be taken as the final version of the Finance Law for 2023.

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