



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

3 January 2022

The Finance Bill for 2023 adopted earlier in December a simplification of tax formalities for some foreign employers but limited this measure to employees working within the EU only without being covered by a French social security scheme

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 introduced. 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 for tax purposes, **working in at least 2 different member States of the European Union (EU), and not subject to a compulsory French social security scheme,** OR

- 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 an EU Member State 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.

Compare to the first draft of Finance Bill the measure has been significantly limited; as employer we invite you to review your tax obligations in France for your employees working in France.

Our team is available for review your tax reporting obligations in France as from 1st January 2023.

Our team



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