France

Restrictions on changing role eased for French impatriate tax regime

Executive summary
The “Macron law” has been passed by the French Parliament. Among other changes, this amends the so-called French impatriate tax regime to make it more generous, allowing those benefitting from the regime to continue to do so in the event that they change their position, or their employer, within the same French corporate group.

Current regime
The current system was initially designed for foreign employees temporarily assigned to France by a non-French company. Since 1 January 2008 it has been extended to individuals recruited directly by a French employer from abroad for a limited period.

Eligible individuals cannot change job position or employer failing which they lose the benefit of the tax deductions. This even extended to a prohibition on changing employers within the same group.

The regime allows relief in respect of qualifying elements of remuneration which directly relates to the expatriate assignment and non-French workdays, or a flat relief of 30% of their compensation for locally recruited impatriates. However, there are restrictions to ensure that taxes paid by impatriates are similar to those of locally employed individuals. The provisions apply up to 31 December following the fifth anniversary of their arrival in France.

Amended regime
The new law allows eligible employees and executives to change job functions or employer within the same French group (as defined by French corporate law).

The tax reliefs will still expire on 31 December following the fifth anniversary of their arrival in France – the change of role does not extend the timeframe for such relief.

Next steps
The revised regime applies for job changes from 8 August 2015. Employers should review their current eligible population to see if there are any individuals who could benefit from the new tax provisions and ensure they are aware that these can be maintained should they change role.
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ED None

Emmanuel Morisson-Couderc
Tel: +33 1 55 61 13 69
Email: emmanuel.morisson-couderc@ey-avocats.com

Xavier Deaunay
Tel: +33 1 55 61 17 77
Email: xavier.deaunay@ey-avocats.com

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