

Impatriate tax regime

France intends to facilitate the creation of jobs by its companies, but also to attract employees who previously worked outside France. The impatriate tax regime thus allows people coming to work in France to benefit from tax and social advantages for several years, under conditions.

I. Objective and implementation

The impatriation tax regime is a set of regulatory provisions facilitating the establishment in France of employees residing abroad. It offers the possibility of temporarily exempting from income tax certain items of remuneration of impatriate employees, as well as part of their income from financial assets received abroad.

It can apply to employees:

- a) working in a company established in several countries: in this case, a person agreeing to come to France in the case of mobility within this international group is likely to benefit from it;
- b) who were directly recruited abroad by a company established in France as part of external hiring.

II. Eligibility conditions

An employee, to be qualified as an impatriate, must have been domiciled outside France for tax purposes during the five years preceding that of taking up their position in a company established in France. In addition, the benefit of the regime applies to the years during which the impatriate has his/her home or place of his/her main residence in France and carries out a professional activity there as his/her main activity.

The scheme can apply for a maximum of nine years, i.e. until December 31st of the eighth calendar year following the employee taking up a job in the French company. However, taking into account professional constraints, it is accepted that the regime applies even if the installation of the home in France takes place at the latest before the end of the calendar year following that of taking up the position. Finally, in the case of an agreement provided by the

French tax administration, this regime can also apply to people who do not meet these conditions.

III. Characteristics

The impatriate tax regime offers several cumulative advantages.

- It first allows the individuals concerned to reduce their taxable income in France by exempting the following two elements from income tax.

1. The impatriation bonus

This bonus may represent a percentage of the basic remuneration, itself including a variable element, or a percentage of the variable part of the remuneration alone.

Impatriate employees can opt for a flat-rate assessment of this bonus: the bonus can for example be set at 30% of the regular remuneration, 30% of the basic remuneration including a variable part or even 30% of the variable part only of remuneration. The bonus can however change over time according to criteria specified in the employment contract, thus leaving the possibility of the bonus being progressive or decreasing.

2. Part of their remuneration linked to functions carried out outside France

If stays abroad (including those of less than 24 hours) are carried out in the direct and exclusive interest of the employer, the part of the remuneration relating to this activity abroad is exempted from income tax. To determine the part of the remuneration relating to the activity carried out abroad, the number of days of activity abroad can be compared to the total number of days of activity in France.

The portion of the remuneration corresponding to the activity carried out abroad is exempted up to 20% of the taxable remuneration net of the impatriation bonus.

In order to be able to combine these two exemptions, eligible people can choose each year, depending on their personal situation, the cap that is most favorable to them:

- either an overall cap: in this case, the exemption from the portion of the remuneration corresponding to an activity carried out abroad and from the impatriation bonus cannot exceed 50% of the total remuneration;
- either a cap on the sole exemption of remuneration corresponding to an activity carried out abroad: in this case, the exemption of this part cannot exceed 20% of the taxable remuneration of the person concerned net of the employment bonus impatriation.

- In addition, the impatriate tax regime makes it possible to exempt real estate assets located abroad from the real estate wealth tax (IFI) for eligible employees: impatriates are therefore taxable only on real estate assets located in France. This regime applies for a maximum of six years, until December 31st of the fifth year following that during which the tax domicile was established in France. After these six years, the impatriate is taxable at the IFI under the same conditions as for other residents.

- Furthermore, the tax regime for impatriate employees provides for the possibility of non-affiliation with the compulsory French retirement schemes in terms of basic old age insurance (CNAV) and supplementary schemes (Agirc-Arrco) for a period of 3 years, renewable once. This exemption from the payment of contributions relating to these schemes can be requested on the condition of allocating at least 20,000 euros per year (including employer share if applicable) to another French or foreign retirement scheme.

- Finally, the regime for impatriate employees provides for an exemption from financial income, capital gains from foreign sources and intellectual property products. This exemption amounts to:

- 50% on income from financial assets of foreign sources such as interest and dividends;
- 50% on gains from the sale of securities from foreign sources;
- 50% on intellectual and industrial property rights from foreign sources (royalties, rights acquired by inventors, etc.).

This exemption is applicable to income received and net transfer gains made by the person in the tax household who benefits from the impatriate regime.

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More information:

https://www.impots.gouv.fr/international_en/individual

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