

# GMS Flash Alert

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## France - As First Guidelines Are Issued on Withholding Regime, Employers Get Ready

On 31 January 2018, the French tax administration published the first elements of what will be its official doctrine regarding the new withholding system of tax collection ("Pay As You Earn").<sup>1</sup> What has been made publicly available appears quite sketchy, but it is expected that details will be fleshed out over the coming months. For instance, the guidelines do not cover important matters such as the scope of Pay As You Earn or calculating Pay As You Earn; however, the guidelines do contain some information as to the employer's obligations.

Furthermore, the guidelines do not cover the transition year in 2018 (the so-called "année blanche")<sup>2</sup>.

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### WHY THIS MATTERS

In light of these recently-issued guidelines, employers need to be assessing, along with their qualified tax professionals:

- what actions are required and when,
  - what decisions need to be made (for instance, what can be done if they have a tax equalisation policy), and
  - what and how to communicate the changes to assignees together with the wider implications for assignees.
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### Context

As we have reported<sup>3</sup>, a momentous change will take place in France on 1 January 2019: the current system of income tax collection for French resident taxpayers will be replaced by a Pay As You Earn system.

Today, generally, income tax is paid one year in arrears, after the filing of a tax return. Tomorrow – in other words, from 1 January 2019 – employers, including foreign employers, with staff working in France will need to withhold tax from the remuneration they pay.

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## FIDAL NOTE

The uncertainty and still-unanswered questions should not lull employers into a false sense that the implementation of the new withholding system will happen in some distant future (although they could be forgiven for doing so, given the starts and stops that have occurred along the path of this reform). On the contrary, employers need to understand, sooner rather than later, the impact this will have on their operations, global payroll processes, and policies.

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## FOOTNOTES:

- 1 To see the notification of the guidance (in French) in the online *Bulletin Officiel des Finances Publiques-Impôts*, [click here](#).
- 2 To avoid having to oblige taxpayers to pay tax twice in 2019 (i.e., on prior year income for 2018 and current year for 2019), the government has decided that a special tax credit will apply on non-exceptional income, meaning that, for most taxpayers, 2018 will be a “tax-free” year.
- 3 For our earlier report, see GMS [Flash Alert 2017-172](#) (22 November 2017).

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