

WITHHOLDING TAX

FAQ

May 15, 2018
N°1



WHAT WILL MY DEDUCTION RATE BE?

This year, the income you report will determine the tax rate that will be applied to your taxes next year.

If you report your taxes online, you will know your withholding tax rate for 2019 at the end of your tax return.

Other taxpayers will be informed of their rate by the end of summer 2018.

The tax authorities calculate the household rate but you can opt for an individualized rate (for couples) or for a neutral rate. Before making your choice, it is best to know the differences between each of them.

Tax household rate

This rate takes into account all the income received by the tax household. Business expenses, credits and tax reductions are not taken into account. If you do not opt for another rate, this rate will apply to all the income concerned (salaries, pensions, etc.). This rate is appropriate for couples who have equivalent income levels.

Individualized rate

If there are disparities within the couple, the individualized rate allows you to adapt the tax withholding to the income perceived by each member of the couple. This individualized rate is a possibility for couples subject to a joint taxation (married or PACSed).

If you do not have an official relationship (marriage or PACS) with your partner, each partner files his own tax declaration and tax is withheld at the individual rate. The tax burden of the household will be identical, but the distribution within the couple will be proportional to the income of each member.

Neutral rate

If you do not want your employer to know your deduction rate and any income you may receive elsewhere, you can opt for a neutral rate.

In this case, the tax rate that the tax authorities will communicate to your employer will be based solely on your salary.

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Some examples of applicable rates:

Net Monthly Salary	Neutral rate
€ 1,500	2.5%
€ 3,000	12%
€ 5,000	18%
€ 10,000	24%

The neutral rate will apply automatically to those who have not previously declared income, as well as to people who start a professional activity.



This option is not advantageous for married or pacsed couples and/or people with dependent children because it does not take into account the family situation and the number of tax units. Be vigilant with your cash flow because if your neutral rate of deduction is lower than your personal rate the tax authorities will require a monthly direct debit to cover the difference. In the less likely case of a neutral rate leading to a higher deduction, the taxpayer will be refunded the overpayment by the tax authorities only at the time of the tax liquidation the following year.



If there is a marked change in your income or expenses you can ask to change your tax rate.



WHAT SHOULD I DO IN CASE OF CHANGE IN MY SITUATION?

Marriage, PACS, birth, divorce, break of PACS, death ... you will have to declare any change in your family situation **within sixty days of the event**. This must be done online on the website www.impots.gouv.fr, under "Gérer mon prélèvement".

The tax authority will then calculate a new rate and send it to your employer.

For more information on tax withholding, <https://www.economie.gouv.fr/prelevement-a-la-source>

To refer to our Newsletter on Withholding Tax, click [here](#)