

HR PRACTICAL INFORMATION

WITHHOLDING TAX, COMING SOON !

After several months of discussions, hesitations and implementation, the withholding tax will become effective from January 2019. Here is a summary of what will change and what to remember about the withholding tax.

WHAT IS CHANGING?

- Collection of income tax by the employer
- Income tax is levied at the same time as income is collected
- Tax is compulsorily paid every month
- The tax rate applies to the net taxable remuneration of the month
- The amount calculated and deducted appears on your pay slip. If you are not taxable, the amount of the withholding tax is 0

WHAT IS NOT CHANGING?

- Calculation of income tax
- The declarative mode for income
- The logic of the tax home¹
- The annual declaration giving rise to the tax notice
- The annual regularization (the tax administration reimburses an overpayment or you make an additional payment if there is still a balance to be paid)
- The ability to charge reductions and tax credits
- Your contact for any change of situation and for any question is the tax administration

WHO FOR?

Employees, unemployed, pensioners, property owners ... all tax residents in France.

¹ The tax household refers to all persons registered on the same annual income tax return. The income of members of the tax household is therefore mentioned on the same form. The tax is calculated from the number of members of the tax household, according to the family quotient technique. For example, a tax household may consist of a husband, wife and their children, or a single person in the case of a single person without children.

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WHAT ARE THE EXCEPTIONS?

Home-based employees employed by individuals. For them, the tax withholding at source is postponed until 2020.

If you are not a tax resident of France, we kindly ask you to fill out the form by clicking [here](#) and return it to us. **Without this information, HR cannot be held responsible for a deduction made by mistake on your salary.**

WHAT ARE THE REVENUES CONCERNED?

- Salaries
- Sickness or maternity benefits
- Alimony (via a deduction taken directly from your bank account)
- Retirement pensions
- Unemployment benefits

The withholding tax will take the form of monthly or quarterly installments taken from the taxpayer's bank account for:

- Non-salaried income
- Land revenue

WHO WILL COLLECT TAX?

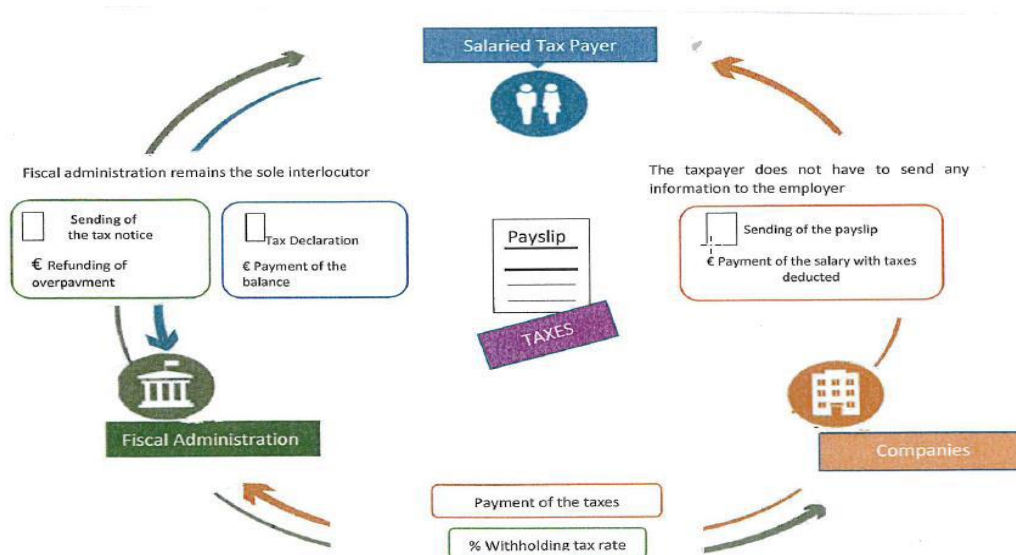
Tax collectors are paying institutions (those who pay the income):

- The employer for wages;
- The health insurance fund for sickness or maternity benefits;
- The pension fund for retirement pensions;
- Unemployment administration for unemployment benefits.

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WHO DOES WHAT?



Source ADP

WHAT DEDUCTION RATE?

The rate of withholding tax (PAS) applied in 2019 is determined according to your 2017 income. It appears on your 2018 tax notice and was communicated in September 2018 to the collecting organizations, stated above.

To calculate it, take your 2018 tax (on 2017 income) corresponding only to income subject to withholding tax (ratio).

The rate obtained corresponds to the personalized rate and applies to all household income subject to withholding tax (single person or married / PACS couple).

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Married or PACS couples wishing to differentiate their tax rate, especially in the case of a significant difference in income, could opt (until 15 September 2018) for the individualized rate. Instead of a common rate, both spouses have a personal rate proportional to their income.

The total sum deducted with the personalized rate or the individualized rate is the same, only the distribution of the payment between the spouses varies.

Finally, last choice possible: the neutral rate. People who do not want their employer to know their other income could opt (until September 15, 2018) for the neutral rate that corresponds to the rate for a single person without children).

Taux d'imposition par tranche	
Revenu net global imposable	Taux d'imposition à appliquer
Jusqu'à 9 807 €	0 %
De 9 807 € à 27 086 €	14 %
De 27 086 € à 72 617 €	30 %
De 72 617 € à 153 783 €	41 %
Plus de 153 783 €	45 %

Source www.service-public.fr

If the neutral rate is higher than the actual rate (personalized or individualized), it will be necessary to advance and wait for the refund of the overpayment the following year. If the neutral rate is lower than the real rate, the tax authorities will request an additional payment.

Each year, the rate will be updated in September following the tax return. In practice, the rate from January to August 2019 will be based on 2017 revenues and the September 2019 to August 2020 rate on 2018 revenues, and so on.

In the event of a change of situation or a significant change in income, you may declare this change to the tax department via your *Espace Particulier* on www.impots.gouv.fr and request the modulation of your rate.

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WILL 2018 BE A YEAR WITHOUT TAXES?

As withholding tax will come into effect in 2019, the year 2018 will be the year of transition between the two systems of tax collection. Therefore, there will be no double taxation in 2019 on your "usual" 2018 earnings. In contrast, the 2018 exceptional income will be taxed normally in 2019. Exceptional income is income that does not recur annually, for example termination benefits at the end of an employment contract (for the taxable part only).

- In 2018, you paid your taxes on your 2017 income
- 2019, you will pay your taxes on your 2019 earnings
- In 2020, you will pay your taxes on your 2020 income

January to September 2019 rate: based on 2017 income (2018 tax)

October to December 2019 rate: based on 2018 income (2019 tax).

IN CASE OF TAX CREDIT?

All tax benefits are maintained with the withholding tax. However, withholding or down payments do not take this into account. They are calculated on the tax of the previous year before reductions or tax credits. Thus, the total amount withheld between January and September will exceed the actual tax amount if you are eligible for tax benefits: the benefits will then be credited in September after the tax return has been processed.

In order to limit the cash advance by taxpayers who incur recurring expenses entitling them to reductions or tax credits, an advance of 60% of the tax credit calculated in 2018 will be paid in January 2019.

This measure relates to tax credits for:

- Home Employment
- Childcare under 6 years
- Accommodation costs in retirement homes
- Rental investment
- Donations (excluding political parties)
- Union dues

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AND CONFIDENTIALITY?

The level of confidentiality will depend on the rate you have chosen, the neutral rate being the one that guarantees the greatest discretion regarding your personal situation in withholding tax operations.

The employer, as a collector, is thus subject to an obligation of professional secrecy as defined in articles 226-13 and 226-14 of the Penal Code. In the case of use of information collected, held or transmitted for purposes other than those relating to withholding tax, the employer incurs a penalty of 1 year imprisonment and a fine of € 15,000.

The tax administration remains the sole contact for any questions about the calculation of the rate or to dispute the rate.



At the end of December, when you receive your pay slip, you will also receive a document that will present a simulation of your withholding tax.

To view all our Source Deduction FAQs, click [here](#)

Useful addresses

<https://www.economie.gouv.fr/prelevement>

<https://www.impots.gouv.fr/portail/>

<https://www.cesu.urssaf.fr/info/accueil.html> (employee at home)