

Wood Guidance

Employee Share Plan

Tax Guide – France



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This information is for guidance only and may differ according to your personal circumstances. Other than for the 'Income tax and social security for mobile employees' section, it assumes that for tax purposes you are a domiciliary, national and resident of France and have been/will be at all material times – i.e. from the date on which you purchase your first shares in the Plan until the end of the Plan period 24 months later – this is known as the Holding Period.

The 'Income tax and social security for mobile employees' section outlines the tax treatment for your shares if you have spent time working outside France – for these purposes, it is assumed that you are tax resident in the respective countries where you are working at the relevant times.

This is not tax advice tailored to your personal situation. If you require confirmation of your personal tax position, you should contact a professional tax advisor.

This information is understood to be correct as at 6 November 2018. Any future changes to legislation or tax rates may affect this information.

Income tax and social security

Will I have to pay income tax or social tax in respect of my Shares?

The table below sets out the tax point and the taxable amount for the shares received under the Plan:

Income tax and Social Tax		
	Point at which tax will be paid	Taxable amount
Purchased Shares	No income tax or social tax will apply.	N/A
Matching Shares	Income tax and social security will be payable when your Matching Shares are delivered to your personal account following the end of the Holding Period. This is known as the Delivery Date.	The amount subject to income tax will be the market value of the shares on the Delivery Date. Social tax will also be payable on the same amount which is subject to income tax.
Dividend Shares	You will be taxed upon receipt of the cash dividend used to acquire Dividend Shares. Social surtaxes will also be payable on this amount	The amount subject to income tax is the cash dividend received and used to acquire the Dividend Shares.

How do I pay the income tax and social tax in respect of my Shares?

Your employer will not withhold the income tax and social tax payable on the Matching Shares. Your employer will **not** withhold any income tax due on the dividend income used to acquire the Dividend Shares. You are responsible for any tax due on the matching shares and dividend income. Please note this is subject to change with new legislation due to take effect in January 2019 whereby your employer will be responsible for withholding income tax relating to share plans.

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Income tax and social security for mobile employees

Will I have to pay income tax or social security in respect of my Shares if I have only spent a portion of the Holding Period working in France?

If you are tax resident in France at the delivery date of the Matching Shares, your matching shares will be taxable in France on the entire gain. However, you may benefit from exemption with progression or from a foreign tax credit in France (FTC) for the portion of the gain which corresponds to duties performed outside of France, provided an international tax treaty has been signed between France and the other country in which the individual has performed his duties.

Where you are a non-French tax resident at the delivery date of the Matching Shares, the Matching Shares will be taxable in France on the portion of the gain relating to duties performed in France. Your employer is liable to withhold the income tax due (if any) on the French source portion of the gain.

Based on the OECD position for awards and on a tax guideline issued by the French tax authorities, the award gains should be allocated on a prorata basis on an acquisition to delivery basis (based on the number of days of the employee assignment in France (worked days and non-worked days) during the holding period).

How do I pay the income tax and social security due in respect of my Shares?

Your employer will not withhold social security payable on the Matching Shares.

Your employer will **not** withhold any income tax due on the Matching Shares or dividend income used to acquire the Dividend Shares. You are responsible for reporting any tax due.

Please note this is subject to change with new legislation due to take effect in January 2019 whereby your employer will be responsible for withholding income tax relating to share plans.

Sale of shares

Will I incur a further tax liability and social tax when I sell my Shares?

Yes, you will be required to pay income tax and social security (CSG/CRDS) on any gains arising when you sell your shares.

From 1 January 2018, investment income, including dividends, is subject to a flat tax rate of 30% (made up of 12.8% income tax and 17.2% CSG and CRDS).

The full amount of the dividend would also be subject to the exceptional tax surcharge for high earners, of 3% or 4%.

The participant can elect to be taxed at progressive income tax rates (plus 17.2% CSG and CRDS and the exceptional tax surcharge) instead of the flat rate tax.

Reporting

Will I have any reporting requirements?

Yes, you have an obligation to report all taxable income received during the year (including any taxable amount from a share plan, dividends received and any taxable capital gain) to the French tax authorities.

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There is no specific filing in relation to equity related incentives.

Report name

You must file an annual French income tax return, Form 2042 (if applicable, you should also file Form 2047 for foreign income and Form 2074 for capital gains) generally by mid-May of the following year. If withholding has not been applied to dividends received, you are required, within 15 days of receipt, to report the dividends on form 2778-DIV-SD and to pay the withholding tax. You must report foreign shares and bank accounts on Form 3916. If applicable, you must also file a resident wealth return.

In most cases the returns must be filed online (except if the taxpayer can prove he/she does not have access to the internet). The tax return and other tax forms can be downloaded from this website: www.impots.gouv.fr.

Tax period: 1 January to 31 December.

Reporting deadline: the income tax return filing date is mid-May but the actual date changes each year. If applicable, the wealth tax return filing and payment date is 15 June. Time extensions are available for online filing. From 1 January 2019, all income returns will have to be filed electronically for taxpayers with internet access. The threshold for mandatory e-filing will be reduced over a 3 year period starting with taxpayers whose 2015 annual reference income exceeds EUR40,000.

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Appendix 1 – relevant tax rate summary

This appendix sets out the relevant tax rates in France, for the tax year ending 31 December 2018.

Income tax		
	Maximum effective tax rate	Notes
Income tax	45% (plus up to 19.5% surcharges)	<p>Income tax rates are progressive up to 45%.</p> <p>A tax surcharge of 3% is imposed on income over EUR250,000 for a single person or EUR500,000 for a married couple, and of 4% for income over EUR500,000 for a single person and EUR1million for a married couple.</p> <p>In addition, social surcharges (<i>Contribution Sociale Généralisée (CSG)</i> and <i>Contribution au Remboursement de la Dette Sociale (CRDS)</i>) amounting up to 15.5%, are levied on gross income.</p>

Social Security		
	Employee	Notes
Social Security	23%	<p>The average social security rate is approximately 22%-23% (the actual amount will depend on your personal circumstances).</p> <p>Some contributions are uncapped (e.g. sickness contribution and basic state pension). There are caps on some specific contributions up to an annual income of EUR 317,856 with income over this threshold subject to an uncapped rate of 10.10%</p>

Dividends and capital gains tax		
	Maximum effective tax rate	Notes
Dividends	45% (plus up to 19.5% surcharges)	
Capital Gains	45% (plus up to 19.5% surcharges)	