



France: Delayed 2025 finance law brings changes, notably for largest corporate and individual taxpayers

The French Finance Act (FFA) for 2025 was finally adopted on 6 February 2025 by the French Parliament and will become formally enacted after publication in the official gazette.

The most significant measures affecting companies include:

- the introduction of an exceptional surtax on corporate income tax applicable to the largest companies with significant profits,
- a new adjustment of the phasing out the contribution on companies' added value (cotisation sur la valeur ajoutée des entreprises – CVAE),
- a tax on share buy-backs,
- the introduction of a beneficial ownership condition in the French tax Code for withholding tax on dividends, and
- a 0.1% increase in the financial transaction tax rate (from 0.3 to 0.4%).

Regarding individual taxpayers, a minimum tax on high-income taxpayers for 2025 and a new tax regime applicable to gains from management packages are introduced.

The FFA also includes more technical measures, such as an update of French domestic GloBE rules (to align the French provisions with the latest OECD guidance), the implementation of the DAC 8 Directive on crypto assets, the extension of the merger preferential corporate income tax regime to partial demergers as well as amendments to the tax treatment of Small/Medium-sized company options.

Note that the adoption of the FFA (which, in principle, must happen before 31 December) was delayed after Prime Minister Michel Barnier and his Government resigned following the adoption of a vote of no confidence on 4 December 2024.

Corporate taxation

Contribution on companies' added value (CVAE): abolition deferred to 2030

The CVAE is a part of the territorial economic contribution (CET) due by companies engaged in an activity taxable under the business property tax (CFE) and whose sales revenues are over or equal to EUR 500,000. This tax is key for the public finances of French territories.

The Finance Law for 2023, enacted in December 2022, initially provided for a two-phase repeal of the CVAE (in two halves over 2023 and 2024). However, the Finance Law for 2024 spread the abolition of the remaining half of the CVAE linearly over four years, until 2027.

The abolition of the contribution is postponed once again: the CVAE rates will remain at their 2024 levels from 2025 to 2027 and be reduced to 0.19% in 2028 and 0.09% in 2029, before reaching 0% in 2030.

For FY 2025, as an effect of the delayed enactment of the FFA, the CVAE rates will have to mirror the rates decided by the 2024 FFA, leading to a decrease of the maximum rate to 0.19%. However, to compensate this unwanted reduction, the French Parliament adopted a supplementary contribution that will apply for FY ending the day after the enactment of the 2025 FFA. This supplementary contribution must be paid in a single instalment equal to 100% of the contribution, no later than 15 September 2025.



Sales revenues threshold	FY 2025	FY 2026 FY 2027	FY 2028	FY 2029
Sales revenues below EUR 500k	0%	0%	0%	0%
Sales revenues comprised between EUR 500k and EUR 3m	$0,063 \% \times (\text{sales revenues} - \text{EUR } 500\text{k}) / \text{EUR } 2,5\text{m}$	$0,094 \% \times (\text{sales revenues} - \text{EUR } 500\text{k}) / \text{EUR } 2,5\text{m}$	$0,063 \% \times (\text{sales revenues} - \text{EUR } 500\text{k}) / \text{EUR } 2,5\text{m}$	$0,031 \% \times (\text{sales revenues} - \text{EUR } 500\text{k}) / \text{EUR } 2,5\text{m}$
Sales revenues comprised between EUR 3m and EUR 10m	$0,063 \% + 0,113 \% \times (\text{sales revenues} - \text{EUR } 3\text{m}) / \text{EUR } 7\text{m}$	$0,094 \% + 0,169 \% \times (\text{sales revenues} - \text{EUR } 3\text{m}) / \text{EUR } 7\text{m}$	$0,063 \% + 0,113 \% \times (\text{sales revenues} - \text{EUR } 3\text{m}) / \text{EUR } 7\text{m}$	$0,031 \% + 0,056 \% \times (\text{sales revenues} - \text{EUR } 3\text{m}) / \text{EUR } 7\text{m}$
Sales revenues comprised between EUR 10m and EUR 50m	$0,175 \% + 0,013 \% \times (\text{sales revenues} - \text{EUR } 10\text{m}) / \text{EUR } 40\text{m}$	$0,263 \% + 0,019 \% \times (\text{sales revenues} - \text{EUR } 10\text{m}) / \text{EUR } 40\text{m}$	$0,175 \% + 0,013 \% \times (\text{sales revenues} - \text{EUR } 10\text{m}) / \text{EUR } 40\text{m}$	$0,087 \% + 0,006 \% \times (\text{sales revenues} - \text{EUR } 10\text{m}) / \text{EUR } 40\text{m}$
Sales revenues over EUR 50m	0,19 %	0,28 %	0,19 %	0,09 %

2026, 2027, 2028 and 2029 CVAE instalments should be updated accordingly.

Simultaneously, the rate of the additional tax on CVAE is increased to offset the drop in CVAE rates (13.84% in 2025, 9.23% in 2026 and 2027, 13.84 % in 2028, 27.68% in 2029). In addition, for CET due in respect of the years 2025 to 2030, the capping rate (the amount of CET is capped at 3% of the company's added value) is set at 1.438% in 2025, 1.531% in 2026 and 2027, 1.438 % in 2028, 1.344% in 2029 before reaching 1.25% in 2030.

Introduction of a temporary corporate income surtax on large companies

Large companies with sales revenues equal to or over EUR 1 billion in France will be subject to an exceptional contribution for the first FY ending on or after 31 December 2025. The sales revenues level is assessed based on the fiscal year in which the contribution is due or the previous fiscal year.

Note that the scope of the contribution was modified during the legislative process as the adoption of the FFA was delayed and the bill was not enacted before 31 December 2024 (see TaxNewsFlash – october [2024](#)).

The measure is expected to affect more than 350 companies in France.



The exceptional contribution is assessed on the average of (i) the corporate income tax due for the fiscal year in which the contribution is due and (ii) the one of the previous fiscal year. The corporate income tax liability to be taken into account includes corporate income tax at normal and reduced rates, before deducting any tax reductions, credits or receivables.

Its rate will vary based on the company's sales during 2025 FY and/or the FY before:

Applicable tax rate by FY	Companies with a sales revenues between EUR 1bn and EUR 3bn the FY in which the contribution is due <u>and</u> for the previous FY	Companies with a sales revenues over EUR 3 billion for the FY in which the contribution is due <u>or</u> for the previous FY
FY 2025	20.6% (ETR 30.97 %)	41.2% (ETR 36.125 %)

The surtax is not deductible for CIT computation.

It must be paid in a single installment equal to 98% of the estimated contribution, along with the last CIT installment of the fiscal year. The balance should be paid within the same deadlines as the final corporate tax (i.e. 15 May 2026 for a company with a FY ending on 31 December 2025). Within a tax consolidated group, the contribution will be paid by the parent company.

Special contribution levied on major shipping companies

Large shipping companies are subject to an exceptional contribution for the first FY ending on or after 31 December 2025, if their sales revenues are equal to or over EUR 1 billion during this period.

Unlike the above corporate income surtax on large companies, it will be computed on the average operating profits of the company made during the FY in which the contribution is due and during the previous FY.

The contribution rate is set at 12%.

Similar to the surtax on large companies, the contribution must be paid within the same deadlines as French corporate tax.

Introduction of a French tax on share buy-backs

A new tax is introduced on capital reductions resulting from share buy-backs (exceptions are provided e.g. for employee share plans, under conditions). It only applies to companies that generated a sales revenues exceeding EUR 1 billion (as it results from consolidated or combined accounts, if applicable), in the last completed fiscal year.

The tax rate is set at 8%.

For operations that occurred between 1 March 2024 and 28 February 2025, the tax is computed on **all** capital reductions resulting from share buy-backs during this period. Additionally, the aggregated amount of capital increases carried out during this period reduces the computation basis.



For operations occurring on or after 1 March 2025, the tax is based on the amount of the capital reduction plus a portion of capital premiums (i.e., issuance or merger premiums).

Amendments of the merger preferential corporate income tax regime

France implemented into domestic law the provisions of the EU Mobility Directive (2019/2121) through Ordinance 2023-393 of 24 May 2023. It introduces partial demergers into corporate law for demerger treaties filed with the competent commercial court as from 1 July 2023.

A partial demerger involves a partial transfer of assets where the shareholders of the contributing company directly receive the securities issued by the transferee company in exchange for the assets contributed.

The 2025 FFA amends the definition of partial contributions of assets in the relevant provisions the French Tax Code, so that the preferential regime (corporate income tax, income distribution) also become available to partial demergers. This measure applies to treaties filed with the competent commercial court as from 1 July 2023.

International tax

Introduction of a beneficial ownership condition in the French tax Code for withholding tax on dividends

Dividends paid by a French company to non-resident companies are subject to a domestic withholding tax, the rate of which is reduced or eliminated depending on the relevant tax treaty provisions.

The new beneficial ownership condition will allow the application of such a withholding tax, in principle, when the beneficial owner of the dividends is located abroad and the recipient is a French resident. This aims at fighting dividend tripping schemes.

Update of the French GloBE rules (Minimum taxation – Pillar 2)

On 21 December 2023, the FFA for 2024 implemented the EU Directive on Minimum taxation (GloBE rules) into domestic law ([Directive \(EU\) 2022/2523 of 14 December 2022](#)). It introduced a domestic minimum top-up tax (DMTT), the income inclusion rule (IIR), as well as the undertaxed profit rule (UTPR). The 2024 FFA also transposed parts of the February and July 2023 OECD administrative guidance.

The 2025 FFA now implements the OECD guidance from December 2023 into French domestic law and:

- adds and amends several definitions (non-constituent entity, transferable tax credit, insurance investment entity),
- aligns the CbCR safe harbor with the OECD guidance (qualified consolidated financial statements, anti-arbitrage rule, qualified CbCR, correction for routine profits and simplified ETR tests),
- updates the substance-based exclusion rule,
- specifies the allocation of the domestic top-up tax among French constituent entities of the same group,
- specifies the IIR exemption in a jurisdiction where the DMTT is considered “qualified”,
- introduces currency conversion rules,



- clarifies deferred tax assets and liabilities for the transition period,
- introduces a joint and several liability for the top-up tax due between the constituent entities subject to the domestic top-up tax and the one they elected to pay the latter tax.

Note that the June 2024 OECD guidance is not covered by the FFA for 2025, and is therefore not included to date in French domestic law.

Transposition of DAC 8 (exchange of information on crypto assets)

The 2025 FFA provides for the implementation of Directive 2023/2226 of 17 October 2023 on the exchange of information in the field of taxation regarding crypto assets (DAC 8), which will apply from 1 January 2026. New reporting requirements will then apply to crypto asset service providers.

Service providers and operators are required to collect and report information identifying transactions involving crypto assets, the accounts in which they are held and the account holders.

The service provider must inform any individual using crypto assets that their data, which is transmitted to the French tax authorities, may be shared with the tax authorities of another EU Member State.

Taxation of individuals

Introduction of a temporary 20% minimum tax on high income taxpayers

A temporary and exceptional contribution on is introduced for 2025. It applies to French residents with an income exceeding EUR 250,000 (EUR 500,000 for married couples and other joint filers) whose effective income tax rate is below 20% of their adjusted tax income.

The contribution is equal to the difference between the taxpayer's effective income tax and 20% of the adjusted tax income.

Introduction of a specific tax regime for management packages gains

The capital gains realized on shares subscribed or acquired by employees or executives, or allocated to them in consideration of their functions in the issuing company are taxable as capital gains on securities (subject to the 30% flat tax), within a certain limit. This limit is set at three times the financial performance of the company during the holding period of the security, minus the price paid for the subscription. Above this limit, the gain is taxed as wages. The acquisition gains (i.e., the difference between the value of the security and the amount the employee must pay to acquire it) are still considered as salary income, taxed in the category of wages and salaries.

This regime applies to disposals, transfers, conversions, or rentals carried out from the day after the promulgation of the 2025 finance law.

Amendment of the tax treatment of the Small Medium-sized company options

The Small/Medium-sized company options (*'bons de souscription de parts de créateur d'entreprise'* - *BSPCE*) regime allows certain companies, which are at least 25% owned by individuals, to offer their employees and certain managers the right to subscribe for shares at a predetermined price.



Following a recent ruling by the French Administrative Supreme Court, the BSPCE tax regime is amended to distinguish the gain generated when the taxpayer exercises the option to receive the shares (considered as wage income) and the gain generated when the taxpayer sells the shares (taxed as capital gain).

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