



## TAX ALERT

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### Draft Finances Act for 2018

On the 27th of September 2017, the French Government has filed the draft Finance Act for FY 2018; the main tax issues addressed in this draft are the following :

#### CSG ("generalized social contribution")

- Its rate would be increased on the 1st of January 2018, from 8.2% to 9.9% for passive income and from 7.5% to 9.2% for salaries and other active income

#### Taxations of Assets

- The Wealth Tax ("ISF") would become a Tax on Real Estate Wealth ("IFI")
  - Same threshold at 1.3 M€
  - Bracket rates are unchanged (five brackets, from 0.5% to 1.5%)
  - 30% discount on the main home
  - Tax basis: actual fair market value of real estate or of real estate company shares
  - Investment after Dec. 31, 2017 in small and middle size companies (SMEs): no more tax credit
- "Flat tax" applicable to :
  - Security income (dividend, interest) and capital gains (except for capital gains on real estate company shares)
  - 30% (including individual income tax: 12.8% and CSG: 17.2%)
- Discounts: no more 40% discount on dividends and no more holding period discount for capital gains except in the following cases :
  - Dividend: the 40% discount remains applicable in case of election to ordinary taxation rates
  - Capital gains: the 85% special holding discount would remain applicable to qualifying SME shares when applicable

#### Corporation income tax

- Progressive reduction of the corporation income tax rate from 33.33% to 25% in FY 2022
- 3% tax on distributed dividends will not be applicable after Dec. 31st, 2017
- Reduction to 6% of the "competitiveness tax credit" ("CICE") before being muted in social security reduction in FY 2019
- Cancellation of the "financial transaction tax"

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Harlay Avocats may help you in the tax management of your company and in particular with these new contemplated tax provisions; for any further information or request, please contact us: Régis Bernard ([rbernard@harlaylaw.com](mailto:rbernard@harlaylaw.com)) and Sacha Bocksbaum ([sboksenbaum@harlaylaw.com](mailto:sboksenbaum@harlaylaw.com)).

