

# Finance Law for 2023 – Direct and Indirect Tax Measures

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As previously reported (see [France, News 2 January 2023](#)), on 30 December 2022, France published the Finance Law for 2023, which then entered into force on 1 January 2023.

Details of the key measures of the law are summarized below.

## Individual income tax

- The income tax brackets applicable to income earned in 2022 (assessed in 2023) are adjusted by 5.4% to reflect the increase in consumer prices excluding tobacco in 2022.
- The maximum amount of childcare expenses giving rise to a 50% individual income tax credit is increased from EUR 2,300 to EUR 3,500 for expenses incurred on or after 1 January 2022.
- The PAYE mechanism on salaries paid to French residents by foreign employers is replaced by a system of advance payments directly withheld by the administration from taxpayers' bank accounts. This new rule mainly concerns employees domiciled in France who are not subject to a mandatory French social security scheme.
- The increased rate (25%) of the Madelin reduction (Article 199 terdecies-0 A of the General Tax Code) is extended until 31 December 2023.
- Individuals who are temporarily present in France for the sole purpose of participating in the 2024 Paris Olympic or Paralympic Games or in activities directly linked to their organization may request a double tax relief even in the absence of a tax treaty between France and their state of residence. This measure applies to income received in the years 2023 to 2025.

# Corporate income tax

- The special scheme for "Young Innovative Enterprises" (*Jeune entreprise innovante* (JEI)), which provides for specific exemptions from income tax, local taxes and employers' social contributions, is extended by 3 years until 31 December 2025.
- The maximum amount of profits subject to the reduced corporate income tax rate of 15%, applicable to small and medium-sized enterprises, is increased from EUR 38,120 to EUR 42,500.
- A new temporary solidarity contribution of 33% applies to surplus profits of companies operating in the oil, gas, coal and refinery sectors in accordance with the provisions of [Council Regulation \(EU\) 2022/1854 of 6 October 2022](#) (see [European Union-1, News 30 September 2022](#)).  
Additionally, the Finance Law implements the cap on market revenues for electricity producers prescribed by the same Regulation, which varies based on the technology used to produce electricity. The market revenues exceeding the price cap are subject to a 90% contribution.
- The contribution on companies' added value (*Cotisation sur la valeur ajoutée des entreprises* – CVAE) due for 2023 is reduced by half and will be abolished in 2024.
- The scope of the special tax regime applicable to major sport events (article 1655 septies of the General Tax Code) is adjusted in light of the 2024 Paris Olympic Games.

## VAT

- The application of the reduced 5.5% VAT rate to goods aimed at limiting the spread of COVID-19 is extended for 1 year until 31 December 2023.
- The VAT rate applicable to foodstuffs for animals raised for food for human consumption, and to products of agricultural origin, fishing, pisciculture or poultry farming normally intended for use in agricultural production is reduced from 10% to 5.5%.
- For e-invoicing purposes, a new alternative procedure (the electronic seal procedure) becomes available.
- Concerning the VAT group scheme (available as from 2023, see [France-4, News 5 January 2021](#)), the deadline for the annual declaration listing the members of the VAT group is moved to 10 January of every year.
- The Finance Law for 2023 transposed into domestic law the [Amending Directive to the VAT Directive \(2020/284\)](#), which establishes the obligation for payment service providers to keep records of cross-border payments and recipients of these payments as from 1 January 2024.