

# ARTICLE

## BEYOND THE OLYMPIC GAMES, FRANCE ATTRACTS LARGE NUMBERS OF FOREIGN ATHLETES THROUGH A FAVOURABLE IMPATRIATE TAX REGIME

Tax Law | 05/03/24 |

At a time when the eyes of athletes all over the world are riveted on the Olympic Games, it is worth remembering that French tax legislation provides a very favourable regime for attracting top-level sports professionals, in particular to major French football clubs.

This preferential treatment provides real financial leverage when negotiating contracts for international talent.

The scheme allows football players from abroad who join a French club to benefit from the impatriate tax scheme set out in Article 155 B of the French General Tax Code, provided certain conditions are met:

- being hired to work for a company established in France;
- not having been tax resident in France during the five calendar years prior to taking up the position (as defined by article 4 B of the French General Tax Code or international tax treaties);
- being tax resident in France from the date on which you take up your position in France (BOI-RSA-GEO-40-10-10 no. 30 et seq.).

This preferential regime applies until 31 December of the eighth year following the date on which the employee is hired in France (until 31 December of the fifth year if the employee was hired before 6 July 2016), which, in the career of an athlete, is long enough to be attractive.

Under this scheme, impatriate sports professionals are entitled to various income tax exemptions:

- i. 50% exemption for income from certain assets (e.g. dividends and interest paid by a person established outside France, foreign intellectual or industrial property income, capital gains on the sale of shares held abroad).
- ii. Exemption on earned income in respect of the impatriate bonus.

This impatriate bonus may be taken into account for the actual amount stated in the athlete's contract or, at the taxpayer's option, for a lump sum equal to 30% of the athlete's total net remuneration.

To qualify for the scheme, the beneficiary's taxable income in France must not be less than that paid for similar duties (the "reference salary"). Otherwise, the difference is added back to taxable pay.

More particularly concerning football players, on 16 March 2021 the Paris Administrative Court of Appeal ruled that a footballer's pay should be compared with that of other players in the same position. Thus, a player occupying a defender's position and a player occupying a midfielder's position cannot be considered as performing similar functions for the calculation of the reference salary (CAA Paris 16-3-2021 no. 19PA00956).

- iii. Exemption on the portion of pay corresponding to work performed abroad, provided that the time spent abroad is directly and exclusively for the benefit of the employer

This exemption may apply in particular to impatriate athletes playing matches abroad in international competitions in which their clubs are participating.

These last two exemptions are capped, at the choice of the athlete concerned:

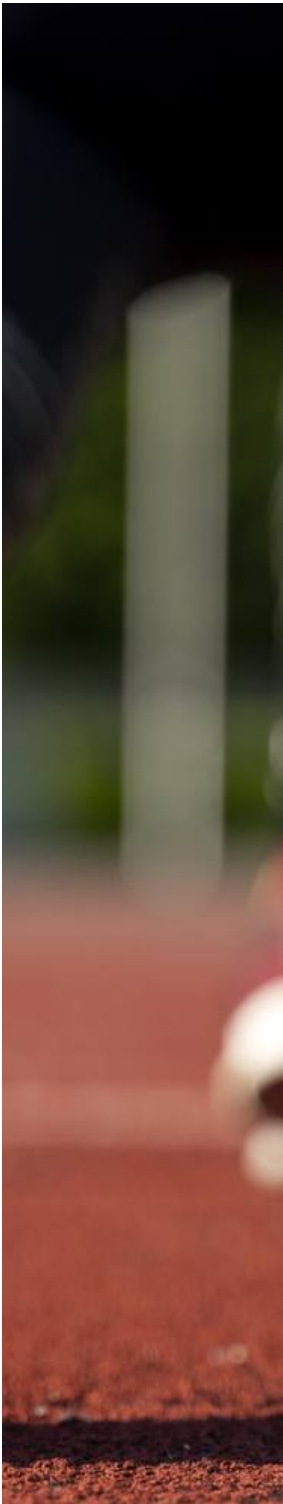
- Either at 50% of their total pay (overall cap on exemptions),
- or only the part of the pay corresponding to work performed abroad is capped at 20% of taxable remuneration.


So, in order to check which option is the most favourable, the athlete concerned must make precise calculations each year.

In a recent decision dated 4 October 2023 (no. 466714), the Council of State ruled that the flat-rate exemption of 30% applies to the entire taxable pay of a foreign athlete, including the termination bonus in the event of early termination of a football player's employment contract.

It should be noted that this system is subject to fairly complex reporting formalities, both at the level of the employing company and at the level of the employee athlete, which must be perfectly understood to avoid any challenges to the system by the tax authorities.

Finally, when it comes to property wealth tax, athletes can also benefit from reduced taxation on their French assets alone, provided that they have not been resident in France for tax purposes for the 5 calendar years preceding the year in which they





settled here.

**Olympic and Paralympic bonuses: exceptional income subject to advantageous tax deferral arrangements**

€80,000 for a gold medal, €40,000 for a silver medal and €20,000 for a bronze medal: these are the sums that award-winning French team athletes will receive during the 2024 Olympic Games (decree dated 30 January 2024).

The bonus paid to an athlete who is not resident in France for tax purposes is reduced by 15%.

These bonuses are subject to income tax as salary and wages. However, in view of how exceptional they are in nature and amount, the legislator has introduced special tax arrangements.

When filing the tax return for the year in which the bonuses were received, article 163-0 A ter of the French General Tax Code provides for the possibility of opting to spread the bonuses equally over the year in which they were received and the following three years, i.e. a total of 4 years.

This arrangement means that Olympic medallists will not see their income tax skyrocket as a result of receiving their exceptional bonus.

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