

Publications

New French Tax Withholding Law on Equity Compensation Carries a Global Reach (and Criminal Penalties)

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A recent change in French tax law regarding withholding on equity based compensation relating to service in France has created a possible compliance issue for employers and financial institutions in the US (and other countries) which may sponsor and/or administer equity-based compensation plans in which French taxpayers participate.

The issue arises under the Amending Finance Bill for 2010, which created a withholding tax on profits made by nonresident French taxpayers on stock option gains, stock compensation and certain stock warrants. The new law raises many questions of interpretation, but for US companies and financial institutions, the immediate issue is whether they have responsibility for withholding and paying over the tax. Because failure to timely withhold and pay the tax carries not only a fine but potential criminal penalties, the question is an important one. Please see the attached memo for further information.

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