Withholding tax and Non-Residents: The year of transition

The withholding tax is not an adjustment of the taxable basis for income tax or for its calculation but change the methods of recovery in order to align the year of collection with the taxation year.

To avoid a double charging in 2019, year of transition, an exceptional tax credit (so-called "credit *d'impôt de modernization du recouvrement – CIMR* ") will be determine to offset the income tax due for the incomes earned in 2018. This tax credit, calculated by the French tax administration, will be related to non-exceptional income earned in 2018 and within the scope of the withholding tax which will be effective in January 1st, 2019.

Non-Residents will benefit from this tax credit if they received income of this nature in 2018, as for example rental income.

However, the rules of taxation concerning the incomes earned by Non-Residents which are currently subject to withholding tax, under the article 182 A and following of the French Tax Code (*Code Général des Impôts*), will remain unchanged (i.e. wages and pensions).

Income already subject to withholding tax for Non-Residents are outside of the scope of the new Withholding tax and could not benefit from the CIMR. The tax due will not be reimbursed.

Indeed, since the recovery of income tax already subject to the withholding tax for Non-Residents is already align with the year of collection, it does not require the implementation of a specific transition device.