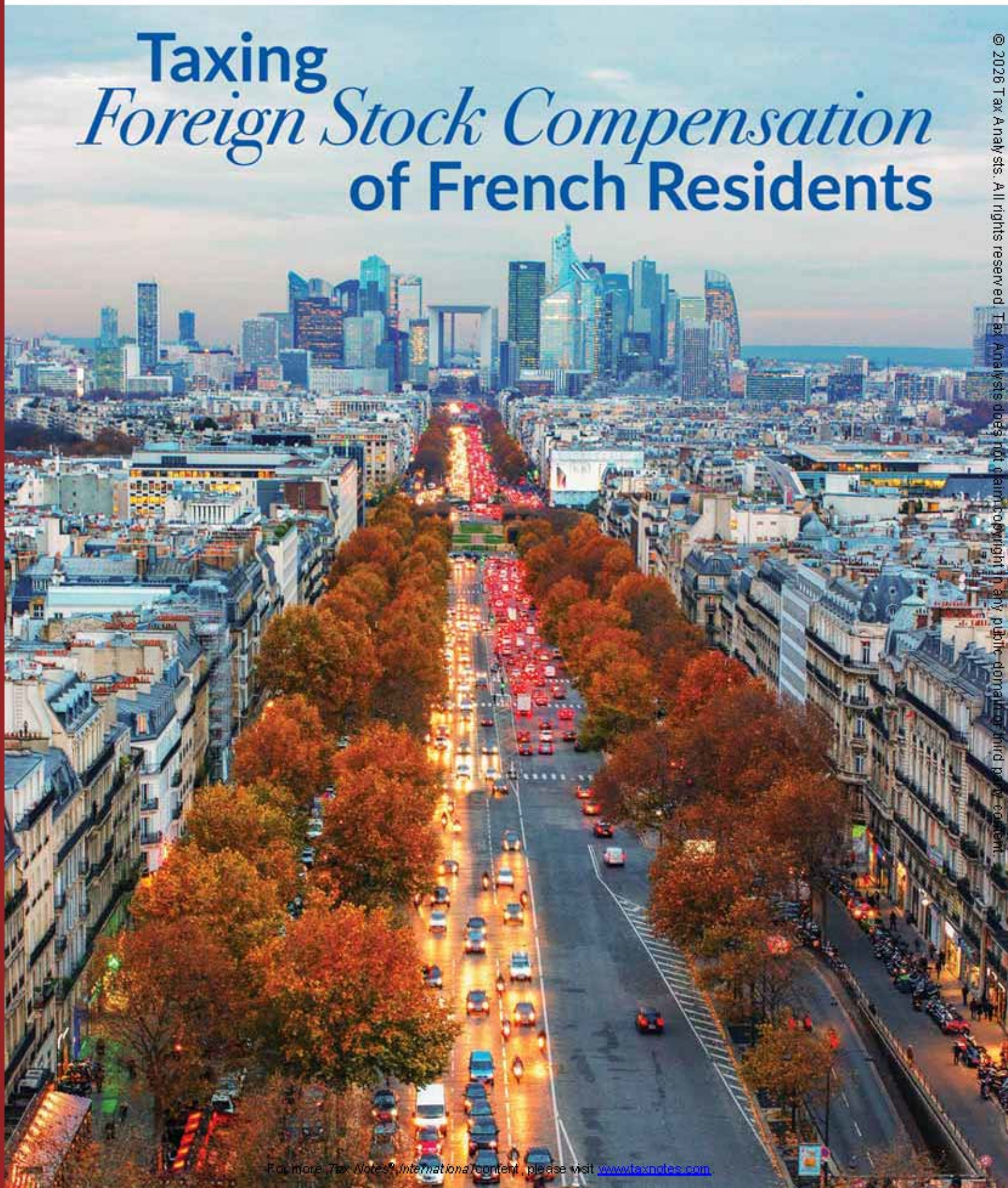
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Taxing *Foreign Stock Compensation* of French Residents



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How France Taxes Foreign Stock Compensation of French Residents

by Marc Uzan

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How France Taxes Foreign Stock Compensation of French Residents

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In this article, Uzan explains how France taxes restricted stock units and employee stock purchase plans granted by foreign groups to employees who are French tax residents.

Restricted stock units (RSUs) and employee stock purchase plans (ESPPs) granted by U.S. and other foreign groups now account for a large part of the compensation of many executives, engineers, and other employees working in France. These plans are drafted under the law of the issuer's home country, most often the United States. Once the employee is a French tax resident, or has worked in France during the vesting period, French tax law applies its own characterization, its own taxable events, and its own allocation rules. Most of the difficulties that arise in practice stem from the gap between a plan designed abroad and the way French law reads it.

This article explains how France taxes these awards. It begins with RSUs, whose treatment depends on whether the plan qualifies under the French free-share regime. It then turns to ESPPs. I examine how gain is allocated when an employee moves into or out of France during the vesting period. I then review reporting obligations, and close by offering observations from my practice.

The article deals only with French tax law as it stands in October 2026.[1] The tax consequences in the issuer's country, or in any other country in which the employee has lived or worked, raise separate questions and are outside the scope of the article.

RSUs

A Free-Share Award Under French Law

French law has no specific concept of an RSU. An RSU — a promise to deliver shares, usually free of charge, at the end of a vesting period — is analyzed as an award of free shares (*attribution gratuite d'actions*). The central question is whether the award meets the conditions laid down by the French Commercial Code for free shares.[2] If it does, the award is qualified and benefits from the specific regime of article 80 quaterdecies of the General Tax Code;[3] if it does not, the benefit is simply additional salary.

An award made by a foreign company can qualify. French tax authorities accept that shares granted by a foreign company that is the parent or a subsidiary of the employing company, linked to it by a direct or indirect holding of at least 10 percent of the capital or voting rights, benefit from the French regime when they are granted under the same conditions as those of the

[1] Rates and thresholds are those applicable to income realized in 2025 and 2026. Several rules depend on the date on which the plan was authorized, as explained below.

[2] Code de Commerce [C. com.] [Commercial Code] arts. L. 225-197-1 to L. 225-197-5, L. 22-10-59, L. 22-10-60 (Fr.).

[3] Code Général des Impôts [C.G.I.] [General Tax Code] art. 80 quaterdecies (Fr.).

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Commercial Code.[4] In practice, U.S. groups achieve this through a French subplan that modifies the provisions of the global plan that do not comply with French law.[5] The adjustments typically concern:

- the vesting period, which may not be shorter than one year, and the combined vesting and holding periods, which may not be shorter than two years;[6]
- dividend equivalents during the vesting period, which are incompatible with the French regime because, until delivery, the employee holds only a claim;[7]
- accelerated vesting, which may be provided only in the cases allowed by French law, such as death or disability;[8] and
- the individual and overall limits on awards and, where applicable, the restrictions on sales during certain periods.[9]

The regime that applies to a qualified award depends on the date on which the plan was authorized. For a foreign plan, that date is the date of the authorization given by the competent body of the foreign company, not the date on which the French subplan was adopted.[10] The guidance also expects the authorization to be of reasonably limited duration: It accepts up to 76 months, and a longer duration for issuers subject to equivalent protections, such as companies listed on the New York Stock Exchange or the Nasdaq Stock Market that comply with the Securities Exchange Act of 1934.[11] This article focuses on plans authorized on or after January 1, 2018. Because a foreign plan may remain in use for many years after its approval, awards vesting today can still fall under earlier regimes, which is one reason why each grant needs to be analyzed separately.[12]

Misclassification in either direction is costly, because the two regimes differ both in the taxable event and in the rates.

Nonqualified RSUs: Salary at Vesting

When the award does not meet French requirements, the benefit is employment income (*traitements et salaires*), taxable in the vesting year.[13] Salary treatment also applies to shares from a qualified plan that are sold during the holding period required by the plan, even when that period is longer than the statutory minimum.[14]

The taxable amount is the value of the shares at vesting. For shares quoted in a foreign currency, that value is converted into euros at the exchange rate on the vesting date.[15] It is subject to the progressive income tax scale, whose top rate is 45 percent;[16] the exceptional contribution on high incomes of 3 or 4 percent;[17] and, where applicable, the differential contribution on high incomes, which ensures an average tax rate of at least 20 percent for households whose reference income exceeds €250,000 (€500,000 for couples).[18]

As employment income, the benefit also bears social security contributions. The Contribution Sociale Généralisée (CSG) and Contribution pour le Remboursement de la Dette Sociale (CRDS) are levied on it as earned income, under the

[4] *Bulletin Officiel des Finances Publiques-Impôts* (BOFiP), BOI-RSA-ES-20-20-10-20, para. 380 (May 21, 2026) (Fr.). The guidance treats the New York Stock Exchange and the Nasdaq Stock Market as regulated markets for this purpose. *Id.* at para. 400.

[5] *Id.* at para. 420. The subplan need not restate the Commercial Code provisions in full, but the modifications must be stated expressly. *Id.*

[6] C. com. art. L. 225-197-1; BOI-RSA-ES-20-20-10-20, paras. 54, 100. For plans authorized before Aug. 8, 2015, the minimum vesting and holding periods were, as a rule, two years each. BOI-RSA-ES-20-20-10-20, paras. 52, 95.

[7] BOI-RSA-ES-20-20-10-20, para. 450.

[8] *Id.* at para. 70; C. com. arts. L. 225-197-1(I), L. 225-197-3.

[9] BOI-RSA-ES-20-20-10-20, paras. 440-450.

[10] *Id.* at para. 460.

[11] *Id.* at para. 470.

[12] Earlier plans follow different regimes. For authorizations between Dec. 31, 2016, and Dec. 31, 2017, the portion of the gain up to €300,000 benefits from the holding period allowances applicable to capital gains on securities, and the excess is taxed as salary; for authorizations between Aug. 8, 2015, and Dec. 30, 2016, the whole gain benefits from those allowances; and for awards made from Sept. 28, 2012, under authorizations given before Aug. 8, 2015, the whole gain is taxed as salary. BOFiP, BOI-RSA-ES-20-20-20, paras. 40, 43-45 (May 21, 2026) (Fr.).

[13] BOI-RSA-ES-20-20-20, para. 10.

[14] *Id.*

[15] *Id.* at paras. 120-130 (first quoted price on the vesting date, converted at that day's exchange rate).

[16] C.G.I. art. 197; Loi 2026-103 du 19 février 2026 de finances pour 2026 [Law 2026-103 of Feb. 19, 2026, Finance Law for 2026] (Fr.). For 2025 income, the 45 percent rate applies above €181,917 per household share (*part*). BOFiP, BOI-IR-LIQ-20-10, para. 40 (Apr. 7, 2026) (Fr.).

[17] C.G.I. art. 223 sexies (3 percent of reference income between €250,000 and €500,000 for a single person and 4 percent above, with thresholds doubled for couples filing jointly).

[18] C.G.I. art. 224, created by Loi 2025-127 du 14 février 2025 de finances pour 2025 [Law 2025-127 of Feb. 14, 2025, Finance Law for 2025], art. 10 (Fr.), and extended by Law 2026-103 until France's deficit falls below 3 percent of GDP. *See* BOFiP, BOI-IR-CDHR (June 30, 2026) (Fr.).

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rules applicable to salaries, and the benefit falls within the scope of the withholding tax at source (*prélèvement à la source*).[19] Although the shares are delivered by the foreign parent, the French employing entity is generally expected to report the benefit through French payroll so that contributions and withholding are applied.[20] When it is not, the employee's return and the employer's filings have to be reconciled after the fact, which can prove delicate.

Qualified RSUs: Taxation Deferred Until the Sale

The Acquisition Gain

For a qualified award, the value of the shares at vesting — the acquisition gain (*gain d'acquisition*) — is not taxed at vesting. It is taxed in the year in which the shares are sold or otherwise transferred, including by gift, conversion into bearer form, or lease.[21] Because the employee chooses the year of taxation by choosing the year of sale, this deferral is one of the main advantages of a qualified plan.

For plans authorized on or after January 1, 2018, the acquisition gain is divided into two portions[22]:

- Up to €300,000 a year, the gain is taxed at the progressive scale after a 50 percent allowance, with no minimum holding period, and bears the social levies on investment income at 18.6 percent.[23]
- Above €300,000, the gain is taxed as salary, without any allowance, and bears the CSG and CRDS on earned income (9.7 percent) and a specific employee contribution of 10 percent.[24]

The €300,000 limit is annual. It applies to the total acquisition gains realized in the same year from all the plans subject to that limit, and any unused portion cannot be carried forward.[25] The timing of sales therefore matters, as the example "The Timing of Sales" shows, below.

If the shares are sold below their value at vesting, the capital loss is deducted from the corresponding acquisition gain, up to the amount of that gain, before the allowance is applied, and the €300,000 limit is assessed on the reduced gain.[26] Losses on other securities cannot be set against the acquisition gain.

On the employer's side, a specific employer contribution is due on qualified free shares at vesting. Its rate was raised from 20 percent to 30 percent; according to the social security collection agency, whose position does not bind the courts, the new rate applies to shares vesting on or after March 1, 2025, even when they were granted earlier.[27] When the shares are granted by a foreign parent company, the contribution is due from the French employing entity[28] — a cost that groups weigh when deciding whether to maintain a French-qualified subplan.

The Capital Gain

Any increase in value after vesting is a capital gain on securities, equal to the sale price less the value at vesting.[29] Gains realized since January 1, 2025, are taxed at the flat rate (*prélèvement forfaitaire unique*) of 31.4 percent — 12.8 percent income tax and 18.6 percent social levies — unless the taxpayer elects to apply the progressive scale to all investment income and gains of the year.[30]

[19] BOFiP, BOI-IR-PAS-10-20, para. 20 (May 15, 2018) (Fr.) (gains that do not qualify for the specific regimes are subject to withholding at source, whereas qualified gains are not).

[20] *See* Code de la sécurité sociale [C.S.S.] [Social Security Code] arts. L. 242-1, L. 242-1-4 (Fr.) (remuneration subject to contributions includes sums and benefits allocated to an employee by a person other than the employer in consideration of an activity carried out in that person's interest). For qualified awards made by a foreign company, the French employer must also notify the social security collection agency of the awards and report vesting data in its monthly social filings. BOFiP, BOI-RSA-ES-20-20-30, paras. 15, 30 (June 13, 2016) (Fr.).

[21] C.G.I. art. 80 quaterdecies; BOI-RSA-ES-20-20-20, para. 150.

[22] C.G.I. art. 200 A(3), as amended by Loi 2017-1837 du 30 décembre 2017 de finances pour 2018 [Law 2017-1837 of Dec. 30, 2017, Finance Law for 2018], art. 28; BOI-RSA-ES-20-20-20, paras. 45, 50.

[23] Loi 2025-1403 du 30 décembre 2025 de financement de la sécurité sociale pour 2026 [Law 2025-1403 of Dec. 30, 2025, on Social Security Financing for 2026], art. 12(I)-(II) (Fr.), raised the CSG on income from assets, including acquisition gains and capital gains on securities, from 9.2 percent to 10.6 percent from the taxation of 2025 income, subject to exceptions, bringing total social levies on that income from 17.2 percent to 18.6 percent. *See* C.S.S. arts. L. 136-6(I)(e), L. 136-8.

[24] C.S.S. art. L. 137-14; BOI-RSA-ES-20-20-20, para. 50.

[25] BOI-RSA-ES-20-20-20, paras. 44-45.

[26] C.G.I. art. 80 quaterdecies(V); BOI-RSA-ES-20-20-20, para. 190.

[27] C.S.S. art. L. 137-13, as amended by Loi 2025-199 du 28 février 2025 de financement de la sécurité sociale pour 2025 [Law 2025-199 of Feb. 28, 2025, on Social Security Financing for 2025], art. 19 (Fr.); Alain Herrmann, Benoît Provost, and Thibault Jabouley, "Attribution Gratuite d'Actions, Contribution Patronale," CMS (Apr. 16, 2026).

[28] C.S.S. art. L. 137-13(I).

[29] C.G.I. art. 150-0 A; BOFiP, BOI-RPPM-PVBMI-20-10-20-20, para. 370 (Apr. 10, 2025) (Fr.).

[30] C.G.I. art. 200 A(1)-(2); Law 2025-1403, art. 12.

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For shares quoted in U.S. dollars, the vesting value is converted at the exchange rate on the vesting date, and the sale price is in practice converted at the rate on the date of sale, so that currency movements become part of the capital gain or loss.[31] The cost basis shown on U.S. brokerage statements is therefore not, as such, the French tax basis.

When the employee holds several lots of the same shares, two separate questions arise. For the capital gain, the weighted average acquisition price generally applies to fungible securities.[32] For the acquisition gain, the grant to which the sold shares belong determines both the applicable regime and the amount of the gain. The guidance on stock options, which relies on the identification of shares held in separate accounts or subaccounts and, failing that, on a proportional rule, offers a reference that the free-share guidance does not expressly provide.[33] Records of each vesting — date, number of shares, and value — are therefore important in practice.

Example: The Timing of Sales

Consider an engineer resident in France who holds qualified RSUs granted by a U.S.-listed group under a plan authorized in 2021. The shares vested in 2026 with a value of €900,000, and the employee's other income is already taxed in the 45 percent bracket.

If all the shares are sold in 2027 at their vesting value, only €300,000 of the acquisition gain benefits from the favorable treatment. On a simplified basis — disregarding the exceptional and differential contributions on high incomes and the partial deductibility of the CSG — the tax and levies on the acquisition gain amount to approximately €511,500. (See Table 1.)

Table 1. Sale of All Shares in a Single Year (Approximate Amounts)

Portion of the Acquisition Gain	Income Tax	Social Levies and Contributions	Total
First €300,000 (50 percent allowance)	€67,500	€55,800 (18.6%)	€123,300
Remaining €600,000 (taxed as salary)	€270,000	€118,200 (9.7% + 10%)	€388,200
Total	**€337,500**	**€174,000**	**€511,500**

If the shares are instead sold in three equal tranches in 2027, 2028, and 2029, assuming a stable share price, each year's acquisition gain remains within the €300,000 limit. The tax and levies fall to approximately €369,900 (three times €123,300), a difference of about €141,600. In reality, the share price will not remain stable: Spreading sales means accepting market risk on a concentrated position, and the choice rests on a trade-off between the tax saving and that risk.

ESPPs

Not a Qualified Option Plan

A typical ESPP lets employees accumulate payroll deductions during an offering period and use them, at the end of that period, to buy shares at a discount — often 15 percent of the lower of the share price at the beginning and at the end of the period. Although these plans are frequently structured as options under the law of the issuer's home country, they do not benefit from the French stock option regime. French tax authorities accept that options granted by foreign companies may benefit from that regime only if they are genuine options, with an exercise price fixed definitively when the option is offered, and they exclude mere share purchase plans.[34] A purchase price set at the end of the offering period by reference to a lookback does not meet that requirement.

The Discount: Salary in the Year of Purchase

The benefit is therefore additional salary, taxable under the ordinary rules in the year in

[31] BOI-RSA-ES-20-20-20, para. 130; BOI-RPPM-PVBMI-20-10-20-20, para. 170 (acquisition price converted at the exchange rate on the date of the transaction).

[32] C.G.I. art. 150-0 D(3); BOFiP, BOI-RPPM-PVBMI-20-10-20-40, paras. 10-40 (Dec. 20, 2019) (Fr.) (the actual price may be used for securities that are individually identifiable, and the average may be computed by intermediary).

[33] BOFiP, BOI-RSA-ES-20-10-20-20, paras. 90-120 (June 13, 2016) (Fr.).

[34] BOFiP, BOI-RSA-ES-20-10-10, para. 340 (Aug. 12, 2014) (Fr.).

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which the shares are purchased.[35] The taxable amount is the difference between the value of the shares on the purchase date and the price paid. Because of the lookback, it may be far higher than the nominal discount. If the share price rises from $40 at the start of the offering period to $100 on the purchase date, the purchase price is $34 (85 percent of $40), and the taxable benefit is $66 per share — two-thirds of the share's value rather than 15 percent.

The benefit also bears social security contributions as salary. France's Cour de Cassation has held that a discount granted to employees of a subsidiary on the purchase of shares of the parent company is a benefit linked to their employment and subject to contributions, rejecting the argument that the subsidiary acted as a mere intermediary.[36] In practice, the French employer generally reports the benefit through payroll for the month of purchase.

The Sale

On sale, the capital gain is the difference between the sale price and the value of the shares on the purchase date. No provision addresses ESPP shares specifically. However, the rule applicable to option shares, under which the acquisition price is increased by the benefit taxed as salary, reflects the logic of the system: Using the price paid instead would tax the discount twice.[37] The currency and lot identification questions discussed for RSUs arise in the same way.

Plans Offered Through a French Savings Plan

Some groups offer their share purchase plan to French employees through a French company or group savings plan (*plan d'épargne d'entreprise* or *de groupe*), usually through an employee investment fund. The regime is then entirely different. The discount, capped at 30 percent (40 percent if the lock-up period is at least 10 years), is exempt from income tax and excluded from the base of social security contributions. The shares are locked up for at least five years, subject to early-release cases; the gains are exempt from income tax but bear the social levies on investment income.[38] The first question in any ESPP matter is therefore which legal structure is actually used for French employees. (See Table 2.)

Moving During the Vesting Period

The Reference Period

For a nonresident, French law taxes only the portion of the gain that rewards activity carried out in France; for a resident, tax treaties may relieve the portion that rewards activity carried out abroad. In both cases, the allocation rests on a reference period. For free shares, the period runs from the grant to the date on which the employee becomes definitively entitled to the shares, which may precede the formal end of the vesting period.[39] For stock options, it runs from the grant to the date on which the beneficiary definitively acquires the right to exercise.[40] The guidance expressly relies on the OECD commentary on article 15 of the model convention.[41]

The Conseil d'État has adopted the same approach for stock options, allocating the gain in proportion to the days worked in each state between the grant and the end of the period after which the options could be exercised.[42] It has also held that when a plan allows the beneficiary to leave the company after a given period without losing the options, the reference period ends at that date.[43] The wording of the plan — retirement eligibility, good-leaver, or acceleration clauses — may therefore change the reference period and, with it, the French share of the gain.

[35] BOFiP, BOI-RSA-ES-20-10-20-50, paras. 1, 20 (July 23, 2025) (Fr.); BOFiP, BOI-RSA-ES-20-10-20-60, para. 410 (Aug. 12, 2014) (Fr.) (nonqualified gains are taxable in the year in which they are realized); BOFiP, BOI-IR-DOMIC-10-20-20-30, para. 530 (Aug. 12, 2025) (Fr.) (taxable event: acquisition of the securities).

[36] Cour de Cassation [Cass.] [supreme court for judicial matters] 2e civ., Jan. 28, 2010, 08-21.783 (Fr.).

[37] *See* BOI-RPPM-PVBMI-20-10-20-20, para. 160.

[38] Code du Travail [C. trav.] [Labor Code] arts. L. 3332-19, L. 3332-22, L. 3332-25, R. 3324-22 (Fr.); BOFiP, BOI-RSA-ES-10-30-10, paras. 100, 180, 220 (July 28, 2020) (Fr.).

[39] BOI-RSA-ES-20-20-20, paras. 70-80 (applying the stock option guidance to free shares).

[40] BOI-RSA-ES-20-10-20-60, para. 50.

[41] *Id.* at paras. 40, 100 (citing the commentary on article 15 of the OECD model tax convention on income and on capital, paras. 12.7-12.13).

[42] Conseil d'État [CE] [highest administrative court], Mar. 17, 2010, 315831 (Fr.).

[43] CE, Oct. 18, 2017, 408763 (Fr.).

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Table 2. French Treatment for a French-Resident Employee (Main Rules)

	Nonqualified RSUs	Qualified RSUs (Plans Authorized Since 2018)	ESPP Outside a French Savings Plan
Taxable event	Vesting	Sale of the shares	Purchase
Taxable amount	Value at vesting	Value at vesting (acquisition gain)	Value on the purchase date less the price paid
Income tax	Salary, progressive scale	Up to €300,000 a year: progressive scale after a 50% allowance; above €300,000: salary	Salary, progressive scale
Social charges	Social security contributions and CSG/CRDS on earned income	Up to €300,000: social levies of 18.6%; above €300,000: CSG/CRDS of 9.7% and employee contribution of 10%	Social security contributions and CSG/CRDS on earned income
Later sale	Gain above the vesting value: 31.4% flat tax or progressive scale	Gain above the vesting value: 31.4% flat tax or progressive scale	Gain above the purchase-date value: 31.4% flat tax or progressive scale

The administrative guidance applies a calendar-day count (365 days a year) from the date of the employee's assignment to each state, including days not worked, while allowing employees who work simultaneously in several states to demonstrate the days actually worked.[44] Telework from another country and frequent business travel make the count a matter of judgment, which is best supported by documentation.

Arriving in France During Vesting

Residence is assessed on the date of the taxable event: vesting for nonqualified RSUs, purchase for ESPP shares, and sale for qualified RSUs.[45] An employee who has become a French resident by that date is taxable in France as a resident. If a tax treaty applies, and unless it provides otherwise, the administration considers that the gain is taxable in France only in proportion to the activity carried out in France during the reference period, any double taxation being relieved under the treaty.[46] Depending on the treaty, and after analysis of its terms, the relief may take the form of a tax credit equal to the French tax attributable to the foreign portion — as under the treaties with the United States and the United Kingdom, subject to their conditions — which in substance amounts to an exemption with progression.[47] The foreign portion is then reported in France and taken into account to determine the rate applicable to the household's other income, but it does not, in substance, bear the French taxes covered by the treaty; whether the social levies are among them depends on the treaty. An event that occurs in the year of arrival but before the employee becomes a resident falls under the nonresident rules described below.[48]

Social security follows its own rules. Within the EU, the European Economic Area, and Switzerland, regulation 883/2004 subjects a worker to the legislation of a single state at any given time; elsewhere, a bilateral social security agreement may apply where one exists.[49] These rules do not mirror the income tax allocation, and

[44] BOI-RSA-ES-20-10-20-60, para. 220; *see also id.* paras. 230-250 (examples). Other guidance refers to working days, while referring back to the stock option guidance for the method. BOI-IR-DOMIC-10-20-20-30, paras. 190, 200.

[45] BOI-RSA-ES-20-20-20, para. 90; BOI-IR-DOMIC-10-20-20-30, paras. 220-240.

[46] BOI-RSA-ES-20-10-20-60, paras. 350, 380, 420.

[47] *See* BOFiP, BOI-INT-DG-20-20-100, paras. 43-60 (Feb. 19, 2020) (Fr.); Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, France-U.S., art. 24, Aug. 31, 1994 (as amended); Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital Gains, France-U.K., art. 24, June 19, 2008. Under the France-U.K. treaty, the relief is conditional on the income being subject to U.K. tax, a condition the Conseil d'État has read as requiring that the income be included in the U.K. tax base, not that tax actually be paid. CE, avis, Feb. 12, 2020, 435907 (Fr.).

[48] BOI-IR-DOMIC-10-20-20-30, para. 240.

[49] Regulation (EC) No 883/2004 of the European Parliament and of the Council of 29 April 2004 on the Coordination of Social Security Systems, 2004 O.J. (L 166) 1.

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the treatment of equity income can differ from one state to another, which may result in double contributions or gaps. The interaction with the French inbound expatriate regime of article 155 B of the General Tax Code raises separate questions that are beyond the scope of this article.

Timing mismatches also deserve attention. For a qualified plan, France taxes the acquisition gain when the shares are sold, possibly several years after vesting, whereas the income may have been taxed elsewhere at an earlier date. The elimination of double taxation must then be handled across different years, and evidence of the foreign tax and of the allocation used becomes important.

Leaving France During Vesting

An employee who is no longer domiciled in France when the taxable event occurs remains taxable in France, subject to the applicable treaty, on the portion of the gain that relates to the activity carried out in France during the reference period. That portion is subject to the withholding tax of article 182 A ter of the General Tax Code.[50] Its timing depends on the regime:

- For a nonqualified plan, the withholding is due when the shares are acquired, that is, at vesting.[51]
- For a qualified plan, it is due when the shares are sold, even if the sale takes place years after the employee has left France. The French-source portion is computed on the same reference period, whatever the dates of departure and sale.[52]

For awards made since September 28, 2012, the withholding applies the scale used for salaries paid to nonresidents (0, 12, and 20 percent) to the French-source portion of the gain, after the 10 percent deduction for professional expenses where it applies and, for qualified plans, after the allowances of article 200 A(3). It is final for the portion within the lower brackets; the portion withheld at 20 percent is credited against the income tax computed under the rules applicable to nonresidents, which may require the filing of a French return.[53] The withholding is due from the person who pays the sale proceeds or who records the benefit.[54] Yet the information needed to compute it — the French portion of the reference period — is held by the employer rather than by the broker, which in practice calls for coordination between them.

Two further points concern departures. First, the exit tax of article 167 bis of the General Tax Code, which applies, under conditions of prior residence, to unrealized gains on substantial holdings, does not reach the acquisition gain itself: For exit tax purposes, the acquisition price of free shares is their value at vesting, while the acquisition gain remains subject to the withholding tax upon sale.[55] Only the increase in value after vesting may fall within the exit tax. Second, for stock options, the administration considers that a capital loss realized by a nonresident on the sale can be used only in the state of residence and does not reduce the French-source gain. The Paris Administrative Court of Appeal recently reached the same result in a case in which the applicable treaty denied France the right to tax the gain on the sale. The free-share guidance does not address the point, and whether the same solution applies to qualified free shares, for which article 80 quaterdecies(V) provides for the deduction of the loss, is open to discussion.[56]

Finally, a departure that is not properly documented carries its own risk: French tax authorities may continue to treat the employee as

[50] C.G.I. arts. 164 B(I)(d), 182 A ter; BOI-IR-DOMIC-10-20-20-30, paras. 150-200.

[51] BOI-IR-DOMIC-10-20-20-30, para. 560. The guidance covers securities acquired under preferential conditions, a definition that appears broad enough to include ESPP purchases. *Id.* at para. 130.

[52] BOI-IR-DOMIC-10-20-20-30, paras. 200, 310; BOI-RSA-ES-20-20-20, paras. 70-80.

[53] C.G.I. arts. 182 A(III), 197 A; BOI-IR-DOMIC-10-20-20-30, paras. 375, 390, 540 (the 10 percent deduction applies in full to nonqualified awards; for qualified awards, it applies under authorizations given before Aug. 8, 2015, does not apply to plans authorized between Aug. 8, 2015, and Dec. 30, 2016, and, for plans authorized since Dec. 31, 2016, applies only to the fraction of the gain exceeding €300,000); BOFiP, BOI-IR-DOMIC-10-20-20-40, paras. 260-310 (Aug. 12, 2025) (Fr.). For 2026, the annual brackets are 0 percent up to €17,275, 12 percent up to €50,112, and 20 percent above. BOFiP, BOI-BAREME-000043 (Apr. 2, 2026) (Fr.).

[54] C.G.I. art. 182 A ter(IV).

[55] C.G.I. art. 167 bis (residence in France for at least six of the last 10 years and holdings worth more than €800,000 or representing at least 50 percent of a company's profits); BOFiP, BOI-RPPM-PVBMI-50-10-20, para. 50 (Oct. 31, 2012) (Fr.); BOI-IR-DOMIC-10-20-20-30, para. 310.

[56] BOI-RSA-ES-20-10-20-60, para. 390; Cour Administrative d'Appel [CAA] [administrative court of appeal] Paris, May 20, 2026, 24PA03598 (Fr.); *cf.* BOI-RSA-ES-20-20-20, para. 190.

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a French resident. The Swiss matter mentioned below shows how large the amounts at stake can be.

Reporting and Compliance

The income described above is reported on the French annual income tax return (forms 2042 and 2042-C) and, where relevant, on the form for capital gains on securities (Form 2074). Nonqualified income that has gone through French payroll normally appears in the prefilled salary amounts; gains on shares held with a foreign broker do not.

The brokerage accounts in which plan shares are held are generally accounts opened abroad. French residents are required to report each of them every year on Form 3916, even if the account holds only shares of the employer and no sale has taken place.[57] Failure to do so triggers a penalty of €1,500 per account and per year, increased to €10,000 if the account is held in a state that has not concluded a banking information sharing agreement with France.[58] The assessment period for income connected with an unreported account is extended from three to 10 years if the total balance of the taxpayer's foreign accounts exceeded €50,000 at any time during the year,[59] and an 80 percent penalty may apply to the additional tax on sums held in these accounts that had not been included in the taxable base.[60]

Observations From Practice

Many of my clients are French residents holding awards from large technology groups, mostly U.S. and U.K., and some from EU countries. The stakes are almost always high. The following observations reflect my experience to date; they are not statistics, and each situation calls for its own analysis.

Payroll. The most frequent payroll error I see is the complete omission of nonqualified plans: Nothing is run through French payroll at vesting. Correcting the position afterward, without creating a new tax problem, is a significant part of the work in these matters.

Employees. On the employee side, the most frequent error is applying the qualified regime to a plan that is not qualified. For qualified plans, several regimes can coexist depending on the authorization date, so each grant needs to be analyzed separately.

Mobility. International mobility during vesting is frequent, and relieving from French tax the portions of the gain that are not taxable in France changes the tax considerably. The split follows the part of the reference period spent working in France, with often complex judgment calls when telework or travel in several countries is involved.

The Tax Office. When the administration asks questions, it mainly requests the bank documents relating to sales, and sometimes the plans themselves. These subjects are unfamiliar to many tax offices, especially in mobility cases, so explanation is often needed, and returns drafted as clearly as possible limit the number of questions. International exchanges of information have also changed the landscape: In my experience, the administration now receives information from many countries and makes full use of it. In one matter, a client who had moved to Switzerland without informing the French tax authorities faced an attempted reassessment of very large amounts on Swiss stock options and RSUs. With a well-documented file, nothing was ultimately reassessed on the equity awards; the only adjustment was a small correction of French rental income.

ESPPs. Each plan has its own features, and the details of the plan rules matter.

Timing. Whether to sell or keep the shares involves weighing the tax impact of a sale against the market risk of holding a concentrated position. Some employees prefer to limit that risk by selling early; the decision is personal and benefits from being made after an analysis of its tax consequences.

[57] C.G.I. art. 1649 A; BOFiP, BOI-CF-CPF-30-20, paras. 120, 190 (May 26, 2021) (Fr.).

[58] C.G.I. art. 1736(IV)(2); BOFiP, BOI-CF-INF-20-10-50, paras. 10-50 (May 26, 2021) (Fr.).

[59] Livre Des Procédures Fiscales [L.P.F.] [Tax Procedure Code] art. L. 169 (Fr.); BOFiP, BOI-CF-PGR-10-50, paras. 100, 210, 215 (June 18, 2019) (Fr.).

[60] C.G.I. art. 1729-0 A; BOI-CF-INF-20-10-50, paras. 90-130.

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Lost Benefits. Some clients consult me after a reassessment that has cost them a benefit. Restoring the position is possible in some cases but not in all, which is why the analysis is more effective before vesting or before a sale than after the fact.

Conclusion

For a French resident holding RSUs or ESPP shares of a foreign group, four questions largely determine the outcome: whether the plan is qualified under French law, which regime applies given the plan's authorization date, where the employee worked during the reference period, and whether the related foreign accounts have been reported. In the situations described above, each answer can change the tax by several hundred thousand euros. Because most of the levers — the structure of the plan, the documentation of the reference period, the timing of sales — can be used only before the taxable event, the analysis is best carried out before vesting or before a sale, and always on the basis of each employee's specific situation. ■

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