

Finance Bill for 2025: Main corporate tax measures

February 2025

The French Finance Bill 2025-127 dated February 14, 2025 (« FB25») has been published in the French Official Journal (JORF), following validation by the Constitutional Council. The corporate tax component of this law is fully in line with the aborted project of last October.

Exceptional CIT contribution for large companies (Article 48)

An innovation inherited from the aborted project of Michel Barnier's government, the Finance Bill for 2025 introduces an exceptional and temporary CIT contribution on the profits of large companies.

This new contribution will apply only in respect of **the first fiscal year ending on or after December 31, 2025**, to companies subject to CIT with a total revenue in France **of at least €1 billion** during the fiscal year in respect of which the contribution is due or the previous fiscal year.

The tax base will be equal to the average corporate income tax (« CIT») for the year in which it is due and for the previous year, computed 2025, all taxable income, before offsetting tax reductions, tax credits and tax receivables of all natures (including carry-back).

The rate of this exceptional contribution would vary depending on the revenue realized by the taxpayer :

- **For taxpayers with revenue between €1 billion and €3 billion**, the rate is set at **20.6%** (i.e., an effective CIT rate of **30.975%**, including the 3.3% surcharge).
- and **41.2%** rate for taxpayers with revenue of **3 billion euros or more** (i.e., an

effective CIT rate of **36.125%**, including the 3.3% surcharge).

A smoothing mechanism is provided for taxpayers exceeding the revenue thresholds for the exceptional contribution by less than 100 million euros.

The contribution will not be deductible.

98% of the estimated amount of the contribution will be paid **in advance**, on the date for payment of the **last CIT installment** for the fiscal year or tax period (December 15, 2025, at the earliest). The balance will be paid no later than the date for payment of the balance (e.g. May 15, 2026, for years ending December 31, 2025).

Postponement of the repeal of the "CVAE" the Contribution on Added Value and confirmation of the rate applied in 2024 (Article 62)

As planned, the repeal of the CVAE has been postponed until 2030, and the gradual reduction in rates is in line with the previous government's plan.

In the absence of a vote on FB25 before December 31, 2024, an additional contribution has been introduced to compensate for the reduction in the 2025 CVAE rate voted in 2024. The aim is to bring the effective maximum CVAE 2025 rate to 0.28% as provided for in the Barnier's project.

As a result, the maximum CVAE rate for 2025 remains 0.19% (for companies with revenue > €50m), to which will be added **an additional CVAE contribution of 47.4%** to be paid at the time of the 2nd installment payment on September 15, 2025 (i.e. installment on June 15, 2025, based on a 0.19% rate).

The balance of the CVAE and the additional contribution computed on the final value added 2025 will be settled in May 2026.

For CVAE 2026 and 2027, the maximum rate of 0.28% is maintained. This rate is reduced to 0.19% in 2028 and 0.09% in 2029. Therefore, in principle, the CVAE will be completely abolished in 2030.

Taxes on share buybacks for large companies (Article 95)

France is also introducing a tax on share buybacks. It will take the form of **two taxes** with different timeframes.

For capital reductions through the cancellation of shares carried out between **March 1^{er} 2024 and February 28 2025**, the FB25 introduces a **temporary global tax** calculated on all transactions carried out since March 2024.

For capital reductions through the cancellation of shares carried out **after March 1^{er} 2025**, a **new tax** will apply to each successive transaction.

The companies covered by the text will be those headquartered in France, with individual or consolidated revenue excluding tax **in excess of €1 billion** in the last fiscal year.

The rate of these two taxes is set at **8%**.

Taxes on share buybacks will not be deductible from CIT, and must be declared as an appendix to the VAT return (CA3).

Pillar 2" global minimum tax (Article 53)

The FB25 supplements the "Pillar 2" system of worldwide minimum taxation of groups by **transposing the administrative instructions published by the OECD** to specify or clarify the application of these new rules.

These provisions concern in particular the methods for determining the deduction based on substance, the rules for applying and apportioning the domestic minimum top-up tax, the methods for applying the transitional safe harbor provisions (Safe Harbours Tests), and the notion of qualified income and covered taxes.

A **joint and several liability rule** has also been introduced: in the event of an option to delegate payment under article 1679 decies of the French Tax Code ("FTC"), the entity designated to file the statement of assessment and pay the additional tax on behalf of entities located in France will be jointly and severally liable for payment of the duties, penalties and ancillary costs relating to this tax.

Reinforcement of dividend anti-arbitrage mechanism and recognition of the notion of beneficial owner (Article 96)

As a reminder, the anti-arbitrage mechanism, in force until now, subjected to a withholding tax any payment made in the context of a temporary transfer or a similar transaction, for a period of less than 45 days, by a tax resident of France to a non-resident (art. 119 bis A of the FTC).

The FB25 extends the scope of this mechanism to any "transfer of value" and abolishes the 45-day time limit.

The aim of this enlargement is to make all share lending and temporary transfer transactions, as well as financial instruments enabling a resident to transfer the economic value of a dividend to a non-resident beneficiary, subject to withholding tax in France.

Furthermore, in response to the French Administrative Supreme Court's ruling of 8/12/2023, the FB25 **dedicates the notion of "beneficial owner"** in article 119 bis, 2 of the FTC, allowing the application of a withholding tax, as a matter of principle, when the beneficial owner of the dividends is located abroad, and the apparent beneficiary is resident in France.

Lastly, the FB25 provides that from January 1^{er} 2026, the domestic withholding tax (25%) should be applied to French-source dividends and similar income paid to a beneficiary resident in a country that has signed a tax treaty not providing for or exempting such income from withholding tax. Subsequently, the beneficiary could obtain reimbursement of the withholding tax, subject to demonstrating compliance with the conditions laid down by the said treaty. However, as this latest text is not immediately applicable, we will await clarification from the tax authorities to ascertain its exact scope, and in particular to confirm that it should not be read as applying to all dividends distributed to foreign shareholders when these are exempt from withholding tax under a tax treaty.

Changes resulting from the ordinance of May 24, 2023 reforming the mergers regime (Article 65)

The law also draws the consequences of

Ordinance no. 2023-393 of May 24, 2023 reforming the rules governing mergers, spin-offs and partial transfers of assets was intended to make it easier to carry out such transactions within the European Union.

In particular, it introduces a new case of merger or spin-off without exchange of shares and a new definition of partial demerger.

The FB25 makes the technical adjustments that will enable these new transactions to benefit from the CIT tax free regime (Article 210-0 A of the FTC).

Mergers and spin-off registered with the commercial court as from July 1^{er} 2023 are eligible for the new regime (retroactive application).

Financial transaction tax (Article 26c)

The rate of the tax on financial transactions set out in article 235 ter ZD of the FTC is **raised from 0.3% to 0.4%** as from transactions carried out on the 1st day of the 2nd month following the promulgation of the FB25.

Transposition of the DAC8 directive (Article 54)

It also **transposes European Directive no. 2023/2226 (EU)** on the automatic and compulsory exchange of information in the field of taxation with regard to **digital assets** (Directive DAC8).

Like previous DAC directives, this text aims to establish **an exchange of information on crypto assets** by introducing reporting obligations for crypto asset service providers.

These service providers will be obliged to collect and report information identifying transactions relating to these digital assets, the accounts used and their holders.

Failure to comply with this obligation will be subject to a **penalty of €15 per undeclared, late-declared or inaccurate transaction**, up to a limit of €2m per service provider per year.

This reporting obligation will apply to transactions carried out from **January 1st 2026**.

Exceptional threshold on losses carried forward (Article 97)

Companies, whose **tax losses for the 3 consecutive fiscal years ending in 2023, 2024 and 2025 exceed 2.5 billion euros**, will see the amount of **their tax losses carryforward capped at 2.5 billion euros** for the **1st fiscal year ending on or after December 31, 2025**.

For companies belonging to a tax consolidated group, the 2.5 billion threshold will be assessed individually.

Reduction of the research and development tax credit base (Articles 55 and 58)

The FB25 provides for certain changes to the R&D tax credit (CIR) base:

- Lower **operating expenses** by reducing the flat rate applied to **eligible personnel costs from 43% to 40%**.
- Excluded from the CIR base: **costs of**

acquiring and maintaining patents and plant breeders' rights, **costs of defending patents** and plant breeders' rights, **amortization of patents** and plant breeders' rights, and **technology watch expenses**.

- **Elimination of benefits linked to the hiring of young doctors** (200% of personnel costs)

The exclusions or reductions will apply to **expenses incurred on or after the day after the enactment of the Finance Bill 2025**.

Finally, in response to the French Administrative Supreme Court's decision of 12/07/2023, the FB25 clarifies the notion of **"public subsidies"**, which can be deducted from the basis for computing the R&D tax credit. Article 244 quater B of the FTC will now include the definition of these subsidies, which are qualified as *"aid paid by legal entities governed by public law or by legal entities governed by private law entrusted with a public service mission"*.

Extension of innovation tax credit and collection tax credit

FB25 extends the application of such tax credits until December 31, 2027.

In line with the original plan, the **Innovation tax credit rate has been decreased from 30% to 20%**.

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