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Luxembourg employers – French cross-border workers: less tax constraints in the future?

Currently, Luxembourg employers **have to deduct at source the income tax due by the French resident employee for the days worked in France** when the latter exceeds the tax tolerance threshold of 29 days (i.e.: in particular in case of teleworking in France). In practice, employers must determine on a monthly basis the amount of French-source salary that is taxable in France, submit it to the tax deduction and transfer it to the French administration.

In order to encourage the use of telework and to simplify the administrative procedures, the French Finance Bill for the year 2023[1], introduced on 26th September 2022, **intends to modify the method of collecting income tax** on income paid by a foreign employer, and therefore Luxembourg employer, in respect of a salaried activity carried out in France, by setting up **the system of advance payment if the French resident employee is affiliated to the Luxembourg social security system, i.e. if he/she works less than 25% of his/her working time in France**.

In practice, the tax authorities will deduct from the French taxpayer's bank account an amount determined according to his/her last known income. The Luxembourg employer will have **to transmit annually to the French tax authorities the amount of the remuneration taxable in France**, determined according to the French tax rules.

If the new text of the French General Tax Code were to be approved by 31st December 2022, this could change the approach of Luxembourg employers regarding telework for French cross-border workers.

[1] Finance bill for 2023. The finance law for 2023 should be voted before 31st December 2022.

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