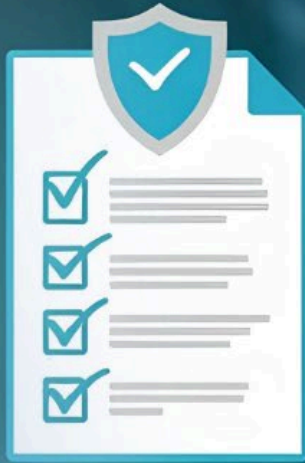




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Insight

The main measures of the Finance Bill 2025

March 2025

INSIGHT...

Key measures of the Finance Bill for 2025

The Finance Bill for 2025, published on February 14, 2025, introduces a wide range of tax measures designed to improve the public accounts by €50 billion and reduce the public deficit down to 5.4% of GDP by 2025. Unless otherwise specified, the measures listed below take effect from February 16, 2025. The main provisions applicable to individuals and companies are summarized below

Tax measures for individuals

Revaluation of the personal income tax scale

The brackets in the scale will be increased by 1.8% to compensate for inflation.

Fraction of taxable income (1 share)	Rate %
Up to €11,497	0%
From €11,498 to €29,315	11%
From €29,316 to €83,823	30%
From €83,824 to €180,294	41%
Over €180,294	45%

Increase in basic pensions

Basic retirement pensions will be increased by 2.2% on January 1st 2025, to maintain the purchasing power of pensioners.

Extension of the interest-free loan (PTZ)

The interest-free loan scheme has been extended to all new homes nation wide until 31 December 2027, making home ownership more accessible to first-time buyers.

Changes to the Home Savings Plan (PEL)

The annual interest rate on new PELs opened from January 1st 2025 will be 1.75% compared to 2.25% previously.

Tip exemption

Tips paid by customers will be exempt from social security contributions and income tax for the year 2025.

Increase in transfer tax

Departments now have the option of increasing the tax on real estate purchases by 0.5%, bringing the maximum departmental rate to 5%. This measure, applicable from April 1st 2025, is intended to increase the resources of local authorities. However, first-time buyers of their principal residence may benefit from specific exemptions.

Exemption from transfer tax for family donations intended for housing

Between January 1st 2025 and 31 December 2026, gifts of money made to a child, grandchild, great-grandchild or, in the absence of descendants, a nephew or niece, are exempt from transfer tax. This exemption is limited to €100,000 per donor and per beneficiary, with a total limit of €300,000 per beneficiary.

To qualify, the sums received must be used within 6 months for the purchase or construction of a new home (or to be completed in the future) or for work eligible for MaPrimeRénov' on the beneficiary's principal residence.

The exemption will be cancelled if the property is not used as a principal residence or rented for use as a principal residence for at least 5 years.

Strengthening of the ecological penalty on polluting vehicles

The 'CO2 penalty' will be progressively increased, starting at 103 g/km of CO2 in 2027, with a maximum tax up to €90,000. In addition, a 'mass penalty' will be applied to vehicles over 1,500 kg, to encourage the purchase of lighter and less polluting vehicles.

Differential tax on high incomes (CDHR)

Taxpayers whose reference taxable income (RTI) exceeds €250,000 (€500,000 for a couple) will be subject to a minimum tax of 20% of the adjusted RTI for their income received in 2025.

Tax measures for companies

Postponement of the abolition of the company value added contribution (CVAE)

The gradual abolition of the (CVAE), originally planned for 2027, has been postponed to 2030.

turnover (exc. VAT)	CVAE 2025 rates	2026 and 2027 rates	2028 rates	2029 rates
< €k500	0%	0%	0%	0%
€k500 To €m3	0.063% x (CA - €k500) / €m2.5	0.094% x (CA - €k500) / €m2.5 M	0.063% x (CA - €k500) / €m2.5	0.031% x (CA - €k500) / €m2,5
€m3 to €m10	0,063% + 0,113% x (CA - €m3) / €m7	0,094% + 0,169% x (CA - €m3) / €m7	0,063% + 0,113% x (CA - €m3) / €m7	0,031% + 0,056% x (CA - €m3) / €m7
€m10 to €m50	0,175% + 0,013% x (CA - €m10) / €m40	0,263% + 0,019% x (CA - €m 40)	0,175% + 0,013% x (CA - €m10) / €m40	0,087% + 0,006% x (CA - €m10) / €m40
> €m50	0,19%	0,28%	0,19%	0,09%

VAT rate on energy renovation work

From March 1st 2025, VAT on the installation of fossil fuel boilers will increase to the standard rate of 20%. However, the maintenance and repair of this appliances will continue to benefit from a reduced rate, as will their installation if a quotation has been signed and a deposit paid before this date.

Extension of the allowance for SME managers retiring

SME managers who sell their shares and retire within 2 years before or after the sale can benefit from a €500,000 allowance on the capital gain realised.

To qualify, they must have held a management position for at least 5 years, hold at least 25% of the capital and cease all activity in the company within 2 years of the sale.

Originally scheduled to expire on 31 December 2024, this tax benefit has been extended to 31 December 2031.

Change in the taxation of non-professional furnished rentals (LMNP)

The capital gains realised on the resale of an LMNP will include the depreciation previously deducted, thus increasing the taxable base. However, certain dwellings, such as those in certain serviced residences, are affected by this abolition (See example in Appendix 1: Example of capital gains calculation)

Extension and adjustment of the innovation tax credit (ITC)

The ITC has been extended until 2027, with the rate reduced from 30% to 20% for expenditure incurred after January 1st 2025, to support SMEs in their innovation efforts.

Exceptional contribution on the profits of large enterprises

Companies with a turnover of more than €1 billion are subject to a temporary surtax on their profits at a rate of 20.6% for companies with a turnover of between €1 and €3 billion and 41.2% for companies with a turnover of more than €3 billion.

Tax on shares repurchased to be cancelled

A new tax of 8% will be levied on companies with a turnover of more than €1 billion that buy back their own shares to cancel them, a practice that increases the value of the remaining shares.

Increase in solidarity tax on airline tickets

From March 1st 2025, this tax will increase from €2,63 to €7,30 particularly for economy class flights to France or Europe.

Increase in the financial transaction tax (FTT)

The FTT rate will increase from 0.3% to 0.4% on 1 April 2025, with the aim of raising an additional €600 millions in tax revenues per year.

Appendix 1: Example of capital gains computations of LMNP

Assumptions

Acquisition price of the property:	€400,000
Depreciations:	€200,000
Holding period:	10 years
Sale price:	€600,000

Computation

Add back of depreciations:

Adjusted acquisition price: €400,000 - €200,000 (depreciations) = €200,000

Gross capital gain = €600,000 - €200,000 = €400,000

Allowance for holding period:

- **Personal income tax allowance (6% from the 6th year of detention, i.e. 30% in this case):**

- Personal income tax allowance = €400,000 (capital gain) x 30% = €120,000

- Capital gain taxable for income tax = €400,000 (acquisition price) - €120,000 (tax allowance) = €280,000

- **Social security contributions allowance (1.65% from the 6th year of detention, i.e. 8.25% in this case):**

- Allowance for social security contributions = €400,000 (capital gain) x 8.25% = €33,000

- Taxable capital gain for social security contributions = €400,000 (acquisition price) - €33,000 (tax allowance) = €367,000

NB: Capital gains are fully exempted from personal income tax after 22 years of detention / 30 years for social security contributions.

Computation of personal income tax and social security contributions:

- Income tax (rate of 19%): €280,000 x 19% = €53,200
- Social security contributions (rate of 17.2%): €367,000 x 17.2% = €63,124

Total taxes after the reform:

Total = €53,200 (income tax) + €63,124 (social security contributions) = €116,324

Capital gains are fully exempted from personal income tax after 22 years of detention / 30 years for social security contributions.

A surtax of 2 to 6% also applies to property capital gains exceeding €50,000.



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