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# Income Tax - Termination, Termination, Retirement

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## i Income tax: 2022 income tax return for 2021

This page is updated for the 2021 tax return.

However, forms, online services and information documents are not yet available for the 2022 campaign and will be posted as soon as they become available.

Amounts collected at the end of an employment contract are subject to income tax regardless of their origin (resignation, dismissal, retirement, etc.). However, some may be exempted.

### Termination Allowances

Amounts collected at the end of a contract of employment may be taxed, regardless of the origin of:

- Termination of employment benefits (compensatory allowances for notice, paid leave, non-competition allowance, etc.)
- Termination or Mission Allowances (Termination Allowance) *precariousness premium* (<https://www.service-public.fr/particuliers/vosdroits/F803?lang=en>) paid at the end of a CSD, compensation for early termination of a CSD at the initiative of the employer, termination of acting mission allowance, etc.)
- Voluntary retirement or early retirement benefits

To complete your tax return or verify your pre-completed return, you can review the [explanatory note](https://www.service-public.fr/particuliers/vosdroits/R1281?lang=en) (<https://www.service-public.fr/particuliers/vosdroits/R1281?lang=en>) and [practical brochure on income tax](https://www.impots.gouv.fr/portail/www2/fichiers/documentation/brochure/ir_2021/accueil.htm) ([https://www.impots.gouv.fr/portail/www2/fichiers/documentation/brochure/ir\\_2021/accueil.htm](https://www.impots.gouv.fr/portail/www2/fichiers/documentation/brochure/ir_2021/accueil.htm)).

If a pre-filled amount is incorrect, you must correct it.

### Termination benefits

Exemption limit for termination benefit

Compensation for dismissal (excluding [job backup plan](https://www.service-public.fr/particuliers/vosdroits/F2811?lang=en) (<https://www.service-public.fr/particuliers/vosdroits/F2811?lang=en>)) is partially exempt from income tax.

The amount corresponding to the compensation fixed by law or collective agreement is exempt in full.

If you received a higher amount, the exemption is limited to one of the following:

- 2 times the amount of gross compensation you received in the year before your termination
- Half of the severance pay you received

Tax services will choose the solution that is most favourable to you.

**Warning :** the exemption is limited to a maximum of €246,816 for allowances received in 2021 ( €246,816 for allowances paid in 2022).

#### Example :

An employee shall receive redundancy pay from €120 000 of €70 000 is the compensation provided by the collective agreement. His gross remuneration for the calendar year preceding the termination is €40,000.

The termination indemnity shall be exempt up to the amount provided for in the collective agreement, either €70 000.

This amount is greater than 50% of the compensation received ( $€120\,000/2 = €60,000$ ) but less than double the annual gross remuneration, equal to €80 000 ( $€40,000 \times 2$ ).

The allowance is therefore exempt up to the sum of €80 000.

The €40,000 ( $€120,000 - €80\,000$ ) is taxable.

The conventional severance pay is exempt under the same conditions, if you are not entitled to a pension from the statutory scheme.

## Total Exempt

- Compensation received under a social plan (job protection plan called *PSE*)
- Compensation and damages awarded by the judge in case of unjustified or irregular dismissal (undue breach, procedure not respected)
- Special redundancy pay due in the event of a breakdown in the context of an accident at work or an occupational disease
- Allowance for dismissal on grounds of discrimination
- Allowances for Collective Agreement Break
- Compensation for breach of contract [mobility leave \(https://www.service-public.fr/particuliers/vosdroits/F16676?lang=en\)](https://www.service-public.fr/particuliers/vosdroits/F16676?lang=en)

## How to report?

To complete your tax return or verify your pre-completed return, you can review the [explanatory note \(https://www.service-public.fr/particuliers/vosdroits/R1281?lang=en\)](https://www.service-public.fr/particuliers/vosdroits/R1281?lang=en) and [practical brochure on income tax \(https://www.impots.gouv.fr/portail/www2/fichiers/documentation/brochure/ir\\_2021/accueil.htm\)](https://www.impots.gouv.fr/portail/www2/fichiers/documentation/brochure/ir_2021/accueil.htm)

If a pre-filled amount is incorrect, you must correct it.

For the taxable portion of the termination benefits, you can apply for the [quotient system \(https://www.service-public.fr/particuliers/vosdroits/F3178?lang=en\)](https://www.service-public.fr/particuliers/vosdroits/F3178?lang=en).

## Retirement and early retirement allowances

### Exemption limit for employer-initiated retirement

Compensation paid in case of retirement (excluding [job backup plan \(https://www.service-public.fr/particuliers/vosdroits/F2811?lang=en\)](https://www.service-public.fr/particuliers/vosdroits/F2811?lang=en)) is partially exempt from income tax.

The amount corresponding to the compensation fixed by law or collective agreement is exempt in full.

If you received a higher amount, the exemption is limited to one of the following:

- 2 times the amount of gross compensation you received in the year before your termination
- Half of the retirement benefit you received

Tax services will choose the solution that is most favourable to you.

**▲ Warning :** the exemption is limited to a maximum of €205,680 for retirement benefits received in 2021.

## Total Exempt

- Compensation received under a social plan ([job backup plan \(https://www.service-public.fr/particuliers/vosdroits/F2811?lang=en\)](https://www.service-public.fr/particuliers/vosdroits/F2811?lang=en), says PSE
- Early termination benefit received under the scheme [asbestos preretirement \(https://www.service-public.fr/particuliers/vosdroits/F2110?lang=en\)](https://www.service-public.fr/particuliers/vosdroits/F2110?lang=en)
- Compensation received under the [preretirement-termination \(https://www.service-public.fr/particuliers/vosdroits/F223?lang=en\)](https://www.service-public.fr/particuliers/vosdroits/F223?lang=en) of the National Employment Fund (FNE) at the time of departure of the company, under the same conditions as the redundancy payment

## How to report?

You must report the following amounts:

- All your voluntary retirement (or pre-retirement) benefits
- Taxable portion of your retirement benefits

To complete your tax return or verify your pre-completed return, you can review the [explanatory note \(https://www.service-public.fr/particuliers/vosdroits/R1281?lang=en\)](https://www.service-public.fr/particuliers/vosdroits/R1281?lang=en) and [practical brochure on income tax \(https://www.impots.gouv.fr/portail/www2/fichiers/documentation/brochure/ir\\_2021/accueil.htm\)](https://www.impots.gouv.fr/portail/www2/fichiers/documentation/brochure/ir_2021/accueil.htm).

If a pre-filled amount is incorrect, you must correct it.

For the taxable portion of retirement or pre-retirement benefits, you can apply for [quotient system \(https://www.service-public.fr/particuliers/vosdroits/F3178?lang=en\)](https://www.service-public.fr/particuliers/vosdroits/F3178?lang=en).

## Statute and miscellaneous references

- General tax code: Articles 79 to 81c [\(https://www.legifrance.gouv.fr/codes/id/LEGISCTA000006197199/\)](https://www.legifrance.gouv.fr/codes/id/LEGISCTA000006197199/)  
*Tax treatment of allowances paid in connection with the termination of the employment contract*
- Bofip-Taxes n°BOI-RSA-CHAMP-20-40-10 on the taxation of sums collected in the event of breach of the employment contract  [\(http://bofip.impots.gouv.fr/bofip/5638-PGP\)](http://bofip.impots.gouv.fr/bofip/5638-PGP)

## Online services and forms

- Taxes: access your Home  [\(https://www.service-public.fr/particuliers/vosdroits/R3120?lang=en\)](https://www.service-public.fr/particuliers/vosdroits/R3120?lang=en)  
Online service
- 2021 Online 2020 Income Statement  [\(https://www.service-public.fr/particuliers/vosdroits/R1280?lang=en\)](https://www.service-public.fr/particuliers/vosdroits/R1280?lang=en)  
Online service

- **Income tax return (paper)** (<https://www.service-public.fr/particuliers/vosdroits/R1281?lang=en>)  
Form
- **Calculator for 2021: 2020 income tax** (<https://www.service-public.fr/particuliers/vosdroits/R2740?lang=en>)  
Simulator

**For more information, please contact**

- **Tax treatment of amounts received in case of breach of contract of employment** [↗](https://bofip.impots.gouv.fr/bofip/4935-PGP.html/identifiant%3DBOI-RSA-CHAMP-20-40-10-30-20200611) (<https://bofip.impots.gouv.fr/bofip/4935-PGP.html/identifiant%3DBOI-RSA-CHAMP-20-40-10-30-20200611>)  
*Ministry of Finance*
  - **2021 Practice Brochure - 2020 Income Tax Return** [↗](https://www.impots.gouv.fr/portail/www2/fichiers/documentation/brochure/ir_2021/accueil.htm) ([https://www.impots.gouv.fr/portail/www2/fichiers/documentation/brochure/ir\\_2021/accueil.htm](https://www.impots.gouv.fr/portail/www2/fichiers/documentation/brochure/ir_2021/accueil.htm))  
*Ministry of Finance*
  - **Income tax: information leaflets** [↗](https://www.impots.gouv.fr/portail/node/11603) (<https://www.impots.gouv.fr/portail/node/11603>)  
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