Oracle Fusion Cloud Human Resources

How do I set up source tax calculations for France?

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Contents

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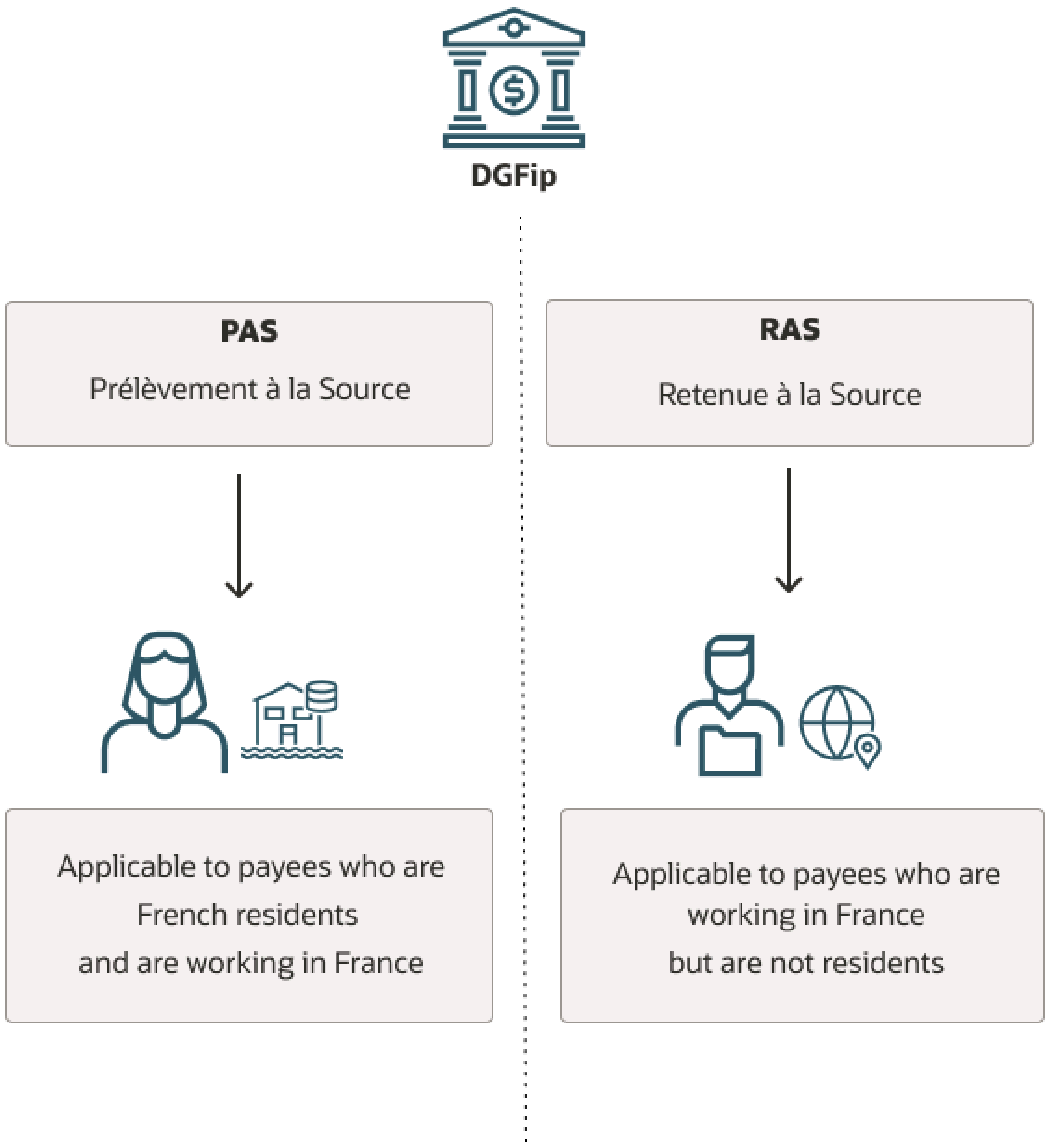
1 Source Tax Calculations

About this Playbook

Use this playbook to understand tax calculations for French payroll.

French legal employers have the obligation of calculating, retaining and declaring the source tax due by employees. The tax rate to apply can either come directly from tax authorities (DGFip) or in absence of such rate, it will be estimated during the payroll calculation (neutral rate) starting from the monthly income.

There are two kinds of tax deductions based on the residency status of the payees:


DGFip
PAS
Prélèvement à la Source
RAS
Retenue à la Source
Applicable to payees who are
French residents
and are working in France
Applicable to payees who are
working in France
but are not residents

Calculated tax amounts and the parameters and criteria that have been used to calculate them are then communicated with a monthly frequency to the tax authorities via the monthly DSN report.

In the course of the year following the one in which the tax was retained, the payee's due tax will be recalculated by tax authorities and the amount result of this reconciliation calculation will be settled directly between the payee and the tax authorities.

The tax year in France corresponds to the calendar year, from January 1 to December 31.

Features of Tax Calculation

This section will list the features related to tax calculation which are supported by the product:

- Upload of Tax Rates file (Fr: CRM nominatif) provided by tax authorities as a response to the monthly DSN declaration.
- Parsing of the Tax Rates file (Fr: CRM nominatif) in order to assign to each payee both the current month rate and the future month's rate if these are present.
- Visualization of the uploaded rates in the UI via a dedicated calculation card
- Determination of the rate to use in the current month calculation among the ones that have been uploaded for the payee.
- Calculation of a neutral rate to be used in case no communicated rate was made available in the last two months.
- Calculation of the tax deduction (Fr: Prélèvement à la Source) starting from the above determined rate.
- Calculation of rate and tax deduction for payees working in France and resident abroad (Fr: Retenue à la Source).
- Exemption from tax calculation for payees working in France and resident abroad not liable to taxes.
- Processing and storing of information related to tax calculation that needs to be reported in DSN report.

Set Up Employee Profiles

There are various employee profiles and specific ways by which they are identified in the system.

Applying a type of tax (resident or non-resident) or full or partial tax exemption depends on a set of characteristics or profiles of the employees.

Contract Types Profiles have special rules from a taxation point of view.

Apprentices

To hire an employee:

> **Note: My Client Groups** > **Quick Actions** > **Hire an Employee**

1. Select relevant sections to enter the information and continue.
2. Enter the additional information such as:
    - Person Details

- Legislative Information
- Employment Details

3. Enter the contract information as applicable:
   - **Contract Type**: Apprenticeship
   - **Contract Type**: Standard
   - **Contract Subtype**: Apprenticeship

Trainees

To create add a nonworker:

> **Note: My Client Groups** > **Quick Actions** > **Add a Nonworker**

1. Select relevant sections to enter the information and continue.
2. In the **When and Why** section select **Nonworker Type** as Trainee.
3. Enter the additional information such as:
   - Person Details
   - Legislative Information
   - Employment Details
4. Enter the **Contract Type** as Training Agreement.

Short Term Contracts

To hire an employee:

> **Note: My Client Groups** > **Quick Actions** > **Hire an Employee**

1. Select relevant sections to enter the information and continue.
2. Enter the additional information such as:
   - Person Details
   - Legislative Information
   - Employment Details
3. Enter the contract information as applicable:
   - **Contract Duration Type**: Apprenticeship
   - **Contract Duration Type**: Fixed-term
   - **Initial Duration units**: Number of years
   - **Initial Duration**: 2 months or 8 weeks or 60 days
   - **Initial Duration units**: Hours

Profiles to Identify Place of Residence and Tax Liability The type of tax to be applied and fact of being liable or not will be identified as the Statutory Deductions Calculation Card level.

Resident in France (Liable to PAS)

To hire an employee:

> **Note: My Client Groups > Quick Actions > Hire an Employee**

1. Select relevant sections to enter the information and continue.
2. Enter the additional information such as:
   - Person Details
   - Legislative Information
   - Employment Details
   - Contract Information
3. Enter the details in the Statutory Deductions Calculation Card.
4. Navigate to **Calculation Components Details > Employee Information**
5. Enter the details:
   - **Resident Abroad**: Null
   - **Resident Abroad Tax Status**: Null

Resident Abroad and Liable to RAS

To hire an employee:

> **Note: My Client Groups > Quick Actions > Hire an Employee**

1. Select relevant sections to enter the information and continue.
2. Enter the additional information such as:
   - Person Details
   - Legislative Information
   - Employment Details
   - Contract Information
3. Enter the details in the Statutory Deductions Calculation Card.
4. Navigate to **Calculation Components Details > Employee Information**
5. Enter the details:
   - **Resident Abroad**: Y
   - **Resident Abroad Tax Status**: RAS Liable Border Worker or RAS Liable Nonresident Worker

Resident Abroad and Tax Exempt

To hire an employee:

> **Note: My Client Groups > Quick Actions > Hire an Employee**

1. Select relevant sections to enter the information and continue.

2. Enter the additional information such as:
    - Person Details
    - Legislative Information
    - Employment Details
    - Contract Information
3. Enter the details in the Statutory Deductions Calculation Card.
4. Navigate to **Calculation Components Details** > **Employee Information**
5. Enter the details:
    - **Resident Abroad**: Y
    - **Resident Abroad Tax Status**: RAS Exempt Border Worker or RAS Exempt Nonresident Worker

Load Tax Rates File

A process is delivered to allow loading the file (CRM Nominatif) which is provided by the France Tax Authorities (DGFip) as a response to the monthly DSN.

This file will be provided by Reporting Establishment and contains at a high level:

- File Identifier Information (CRM ID)
- Employee Identifier Information
- Current month Tax Rate
- Optionally future tax rates

The process will load the content of the file to a Calculation Card at payee level.

Prepare the Tax Rates File

The CRM Nominatif file needs to be downloaded from the Net-Enterprise portal and will need to be placed in UCM. The UCM Content ID should be recorded for use in the Load Inbound PAS file flow (below)

Execute the File Load Process

To load the tax rates file:

> **Note: My Client Groups** > **Payroll** > **Submit a Flow**

1. Select the appropriate Legislation Data Group and flow as Load Inbound PAS File.
2. Select the file to be loaded by specifying the UCM Content ID.
3. The flow will submit the following tasks:
    - Upload Inbound Data: Takes the file from UCM and loads it into the Inbound tables.
    - Validate Inbound Data:
        - Goes through each record in the inbound table and matches against Fusion data (e.g., National Identifier)
        - Uploads the XML to pay_file_details to allow for anomalies report to be produced.

- Report Inbound Data: Generates report showing each record from the inbound table and any validation issues.
- Report Anomalies: Generates anomalies report, to list all anomalies provided from incoming file.
- Report Organization Summary: Generates a rolling 12-month summary of all loads done for the organization, listing the file identifiers and the number of records loaded.
- Generate and Process File: Generates HDL file based on the content of the inbound table.
- Transfer HDL: Passes the generated dat (zip) file to the HDL framework to load the file into Inbound tables.

Control Reports for Tax Rate File Inbound Process

The process of loading the Tax Rate File will generate three control reports:

1. Report Inbound Data (PAS Audit CSV Report.txt): Provides one line for each payroll relationship that gets updated.
2. Report Anomalies (PAS Anomalies CSV Report.txt): Lists out each anomaly as found in the incoming file.
3. Report Organization Summary (PAS Summary CSV Report.txt): Produces a 12-month rolling list of file loads done and number of records created.

View Calculated Cards

Upon hiring a France employee, the system will automatically create a calculation card meant to act as container for the tax rates present in the CRM Nominatif file.

To view the created calculated card the following steps are needed.

> **Note: My Client Groups > Payroll > Calculation Card**

1. Select the employee.
2. Select the **Calculation Card**: Withholding Tax and view the details.

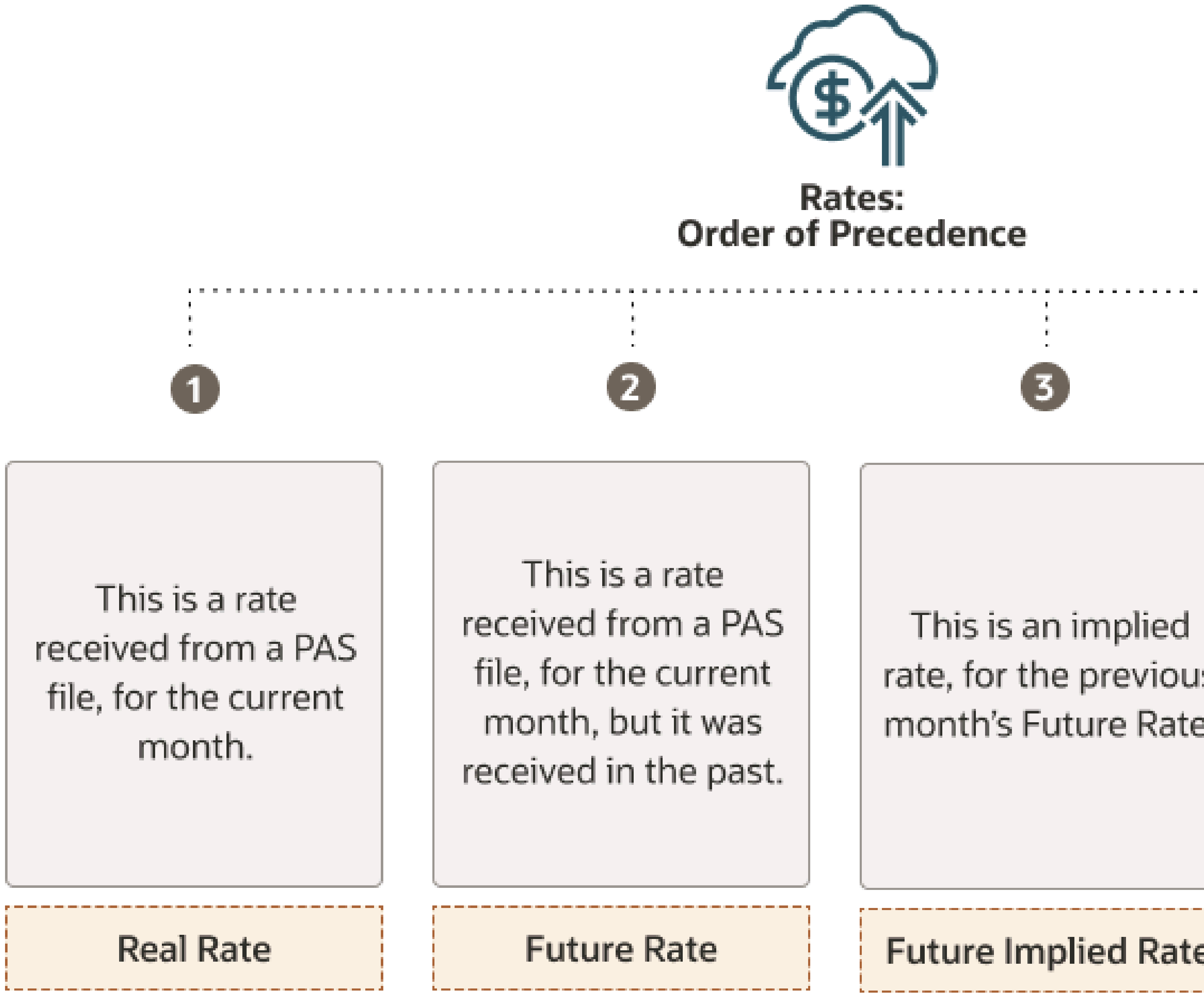
When the Load Inbound PAS File process completes, it will insert one or more instances of tax rates in the Withholding Tax Calculation Card.

> **Note:** The load process will not only enter rows for each one of the rates (for the current month being loaded from the file, which is called the Real Rate), but it will also load the same rate value into the following month (that is, future rates which are called implied rates).

The payroll process will prioritize the real rates and in their absence, will use the implied rates. In the absence of implied rates, the neutral rate will be calculated and used.

Further, the PAS file may also contain future rates. The Load Inbound PAS File process will also load these rates, as at the respective future date given in the file. Additionally, it will also load a future implied rate, for the month immediately following the future month, with the same future rate value, referred to as, future implied rate.

The hierarchy of the rates is as follows:



When the tax calculation runs, it takes the highest precedence of tax rate from the set available on the calculation date.

Tax Rates Calculation Card Structure

Data is contained within the calculation card according to a specific structure.

A component level row is generated, which will be unique per each single combination of the following values:

1. File name: The file name physically received and containing the source of the rate data.
2. Reporting Establishment: Tax Reporting Unit
3. Rate type:
    a. Real
    b. Future
    c. Future Implied
    d. Implied
4. CRM ID: A file identifier defined by DGFiP.

Each one of the above rows will contain the tax Rate as component detail information.

Tax Calculation Base Balances

Tax deductions are calculated starting from balances that contain the elements liable to taxation.

Together with balances used for tax deductions also some other balances need to be calculated to be used in the DSN reporting, specifically in rubrique 50.

Balance: Net Taxable Income

It is not used as base for calculation of tax deductions but is represented in the DSN in attribute S21.G00.50.002

Balance: Net Before PAS

It is not used as base for calculation of tax deductions but is represented in the DSN in attribute S21.G00.50.004

Balance: Amount Liable to PAS

It is used as base for calculation of PAS deduction and is represented in the DSN in attribute S21.G00.50.013

> **Note:** Rules are delivered by which elements that are created with specific element classifications automatically feed the above balances (for example any element created with classification Regular earnings will feed the three above balances).

To see the classification feeds associated to a specific balance navigate to:

> **Note: My Client Groups** > **Balance Definitions**

1. Select the balance you want to check.
2. Navigate to **Balance Feeds** > **Balance Feeds by Classification**.

> **Note:** Additional balance feeds either by classification or by element can be added at implementation level if needed.

Balance: Amount Liable to RAS

It is used as base for calculation of RAS deduction and is represented in the DSN in attribute S21.G00.81.004. It is calculated as balance 90% of the balance Amount liable to PAS.

Apprentices, Trainees, and Short-term Contracts

Apprentices, Trainees and Short-Term Contract Employees's Amount Liable to PAS balance values are reduced by an appropriate SMIC value, held in Value Definitions.

Apprentices and Trainees values are reduced by the 'SMIC - Yearly Blended Rate' value definition, and for Short Term Contracts are reduced by the PAS - Rebate for Short Term Contract Value definition. *Set Up Employee Profiles* describes how employees with these characteristics are identified in the system.

Calculation of Tax Rates

Specific value definitions are delivered as part of the France Payroll solution.

The value definitions provided are:

- Neutral Rates bands and values table to be used to calculate PAS if rate provided by the government is unavailable.
- RAS taxation bands and values table to be used to calculate tax for employees resident abroad.

Neutral Tax Rates

Neutral tax rates and bands are stored in Calculation Value Definitions:

Navigate to: **My Client Groups** > **Payroll** > **Calculation Value Definitions - PAS Rate for Metropolitan**

> **Note:** Only Metropolitan tax rates are provided.

RAS Tax Rates

RAS tax rates and bands are stored in Calculation Value Definitions:

Navigate to: **My Client Groups** > **Payroll** > **Calculation Value Definitions - RAS Rate for Nonresidents**

PAS Calculation

PAS calculation will derive the rate either from the employee's calculation card (for the government communicated rate) or in the absence of the same it will use the above defined neutral rate and will apply it to base balance: **Amount liable to PAS**.

Here is the priority order that the process uses to select the rate:

- Real Rate with matching Reporting Establishment
- Future Rate with matching Reporting Establishment
- Real Rate with non-matching Reporting Establishment

- Future Rate with non-matching Reporting Establishment
- Future Implied or Implied Rate with matching Reporting Establishment (Latest File date)
- Future Implied or Implied Rate with non-matching Reporting Establishment (Latest File date)
- No PAS data found, use Neutral Rate - Metropolitan

RAS Calculation

RAS calculation will derive the progressive rate scale from the above defined RAS rate table. The rate scale will be applied to base balance: **Amount iable to RAS**.

Tax Deduction Elements

The above calculation process will generate the PAS or RAS amounts to be deducted from the employee's net and will be reported in payslip and DSN.

These result elements from the PAS or RAS calculation feed the following balances:

Element	Balance Name	Feed
PAS Result	PAS Amount Court Order Basis	+
	Amount Exempt from PAS	–
	Amount Liable to PAS	+
RAS Result	RAS Amount Court Order Basis	+
	Amount Liable to RAS	–
	Amount Exempt from PAS	+
	Amount Liable to PAS	+

Supporting Information in Element Results

As part of the delivered process in addition to calculating the value of tax element a set of supporting information is attached to the result elements and balances to drive the reporting of the values of the same in the DSN report.

These outputs are available:

- Tax Reporting Unit ID: The Reporting establishment ID applicable to this employee's deduction
- Calculation Breakdown ID
- PAS Amount (or the RAS amount if a RAS deduction was taken. If it's a RAS calculation, PAS Amount will be zero.)
- Rate Type: From file or from neutral rate table - used in calculation and in rubrique 50
- Amount Liable to PAS (or RAS, if a RAS deduction was taken)
- Net Income Exempt from PAS

- RAS Exempt: If the deduction was for RAS, but the employee was exempt – RAS only
- Contribution Code
- RAS Type (RAS only)
- Employee Scheme (e.g., Apprentice or Trainee)
- Base Code: Typically 03
- Base Type: Typically 90
- Organization ID: The organization ID of the body receiving the payment, typically a DGFiP organization