

Compensation for business and professional expenses

Legislative and regulatory principle excluding these expenses:

Pursuant to articles L. 6527-4 of the French transportation code and R. 426-5 of the French code of civil aviation, the full amount of any compensation for business and professional expenses is excluded from the CRPN contribution basis:

- ⇒ *“Contributions are calculated on the basis of gross salary from which compensation for business and professional expenses has been deducted,”*
- ⇒ *“Gross salary is understood as being after deduction [...] of compensation for business and professional expenses.”*

Definition of excluded expenses:

The concept of expenses is defined by Board of Directors decision No. 2017-14. To this effect, it refers back to French Social Security rules, a reference that is familiar to employers and used by URSSAF inspectors.

This means that if an employer is unsure whether an item of compensation for expenses is liable to CRPN contributions, the answer is to be found in the French Social Security system's definition of professional and business expenses:

- ⇒ No, if the compensation is for business and professional expenses as defined by the French Social Security system,
- ⇒ Yes, if the compensation is neither for business nor professional expenses as defined by the French Social Security system.

For reference purposes:

- ➡ *Business expenses are sums of money, goods, or services that are awarded to the employee in compensation for any expenses s/he has incurred in connection with company operations, not to cover expenses related to the fulfillment of the employee's regular duties (Social Security Directorate circular of January 7, 2003);*
- ➡ *Professional expenses are defined as special expenses inherent to the position or responsibilities of the salaried worker (or worker who is treated as a salaried worker), which the latter incurs in order to fulfill their duties (see article 1 of the amended decree of December 20, 2002, and Social Security Directorate circulars of January 7, 2003 and August 19, 2005).*

Consequences of the exclusion of these expenses:

The exclusion of business and professional expenses from the CRPN contribution basis has two consequences:

- ⇒ The benchmark amounts for expenses under French Social Security system rules, under which any excess amounts are incorporated into the Social Security basis, are not applicable. The full amount of these expenses is excluded from the CRPN contribution basis;

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- ⇒ The specific flat-rate deduction (“DFS”) which can be opted for under French Social Security rules is not an option here. DFS basically consists of applying a discount to the Social Security basis once the full amount of any expenses has been added back in. However, the full amount of these expenses is permanently excluded from the CRPN contribution basis.