

# The new social regime for the mutual termination indemnity took effect on September 1, 2023

**Since September 1, 2023, a new social regime applies to the mutual termination indemnity.**

**The mutual termination indemnity is no longer subject to the 20% flat-rate contribution but to a single contribution of 30%.**

The social regime applicable to the mutual termination indemnity has been modified, effective as from September 1, 2023.

Previously, the mutual termination indemnity was subject to two different regimes depending on whether or not the relevant employee was entitled to a retirement pension:

- For employees not entitled to a retirement pension, the mutual termination indemnity was exempt from social security contributions for the non-taxable portion of this indemnity, up to a limit set at 2 times the annual Social Security ceiling, but it was subject to the so-called general social contribution (*Contribution Sociale Généralisée* or “CSG”) and social debt repayment contribution (*Remboursement de la Dette Sociale* or “CRDS”), as well as to the 20% flat-rate contribution (*forfait social*) paid exclusively by the employer.
- For employees entitled to a retirement pension, the mutual termination indemnity was fully subject to social security contributions, CSG and CRDS, but not to the 20% flat-rate contribution.

Effective from September 1, 2023, employers who sign a mutual termination agreement will be required to pay a so-called single contribution (*contribution unique*) of 30%, irrespective of whether or not the relevant employee is entitled to a retirement pension.

In addition, the employer’s contribution paid when an employee retires will be reduced from 50% to 30%. For employers, the cost of a mutual termination is now the same as the cost of retirement.

**Social regime applicable to the mutual termination indemnity prior to September 1, 2023**

**Social regime applicable to the mutual termination indemnity since September 1, 2023**

**Employees not entitled to a retirement pension**

**Social security contributions**

The non-taxable portion of the mutual termination indemnity is excluded from the social security contribution calculation basis, up to a limit set at 2 times the annual Social Security ceiling (87,984 euros in 2023).

The non-taxable portion of the mutual termination indemnity is excluded from the social security contribution calculation basis, up to a limit set at 2 times the annual Social Security ceiling (87,984 euros in 2023).

**CSG/CRDS**

The mutual termination indemnity is exempt from CSG and CRDS, up to the amount of the dismissal indemnity provided for by law or by the applicable collective bargaining agreement.

The mutual termination indemnity is exempt from CSG and CRDS, up to the amount of the dismissal indemnity provided for by law or by the applicable collective bargaining agreement.

**Flat-rate contribution**

The portion of the mutual termination indemnity which is exempt from social security contribution is subject to a flat-rate contribution of 20% to be paid exclusively by the employer.

The portion of the mutual termination indemnity which is exempt from social security contribution is subject to a single contribution of 30% to be paid exclusively by the employer.

**Employees entitled to a retirement pension**

**Social security contributions**

The mutual termination indemnity is fully subject to social security contributions.

The non-taxable portion of the mutual termination indemnity is excluded from the social security contribution calculation basis, up to a limit set at 2 times the annual Social Security ceiling (87,984 euros in 2023).

**CSG/CRDS**

The mutual termination indemnity is fully subject to CSG and CRDS.

The mutual termination indemnity is exempt from CSG and CRDS, up to the amount of the dismissal indemnity provided for by law or by the applicable collective bargaining agreement.



**Flat rate  
contribution**

The mutual termination indemnity is exempt from the flat-rate contribution.

The portion of the mutual termination indemnity which is exempt from social security contribution is subject to a single contribution of 30% to be paid exclusively by the employer.

**Soulier Avocats** is an independent full-service law firm that offers key players in the economic, industrial and financial world comprehensive legal services.

We advise and defend our French and foreign clients on any and all legal and tax issues that may arise in connection with their day-to-day operations, specific transactions and strategic decisions.

Our clients, whatever their size, nationality and business sector, benefit from customized services that are tailored to their specific needs.

For more information, please visit us at [www.soulier-avocats.com](http://www.soulier-avocats.com).

This material has been prepared for informational purposes only and is not intended to be, and should not be construed as, legal advice. The addressee is solely liable for any use of the information contained herein.