

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.

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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).

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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.

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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.

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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.

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