

MALKA GUILLOT

WHO PAID THE FRENCH 75% TAX ON MILLIONAIRES? EFFECTS ON TOP WAGE EARNERS AND THEIR EMPLOYERS

This paper exploits the introduction of a 75% tax on millionaire employees in France in 2013-2014 to better understand the incidence of top labour earners' taxation. This tax on employers was implemented for two years only, and was announced as such. I estimate cross-sectional difference-in-differences at the percentile level, relying on matched employer-employee data and the complete panel of household income tax returns. I document that employers bore 55% of the tax initially, but that the removal of the tax in 2015 had an asymmetrical effect, largely benefiting employees through an increase in net wage. Turning to heterogeneity results, the incidence seems to depend on occupations. While football players were not affected by the tax, CEOs bore half of the cost of the tax, but they also demonstrated some avoidance behaviours. These findings support the intuition that employees' bargaining power plays an important role in the impact of such a tax. Lastly, firms did not demonstrate a major change in their production behaviour at the introduction of the tax.