

DOING BUSINESS

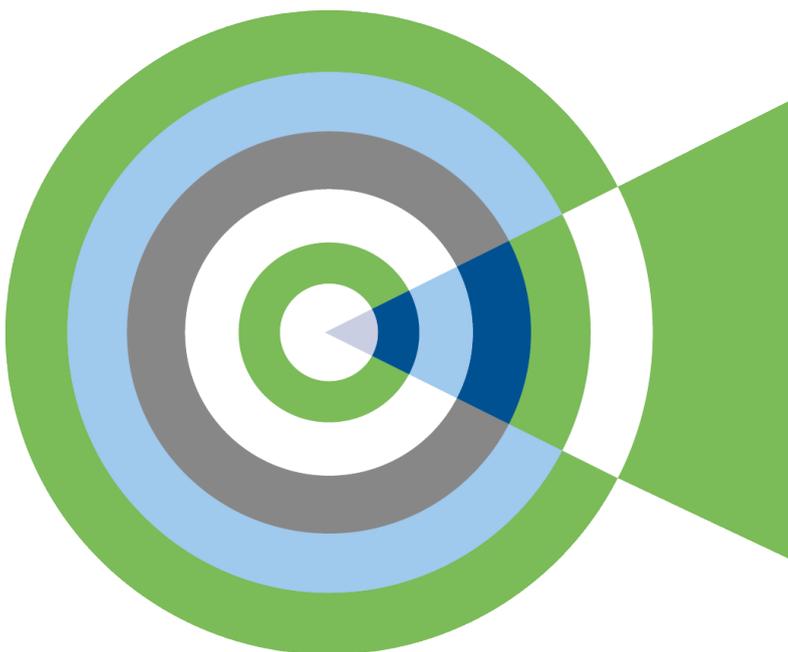
IN FRANCE



The network
for doing
business

CONTENTS

1 – INTRODUCTION	3
2 – BUSINESS ENVIRONMENT	5
3 – FOREIGN INVESTMENT	9
4 – SETTING UP A BUSINESS	11
5 – LABOUR	20
6 – TAXATION	28
7 – ACCOUNTING & REPORTING	44
8 – UHY REPRESENTATION IN FRANCE	47



1. INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centers in more than 100 countries throughout the world.

Independent Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in France have been provided by the office of UHY representatives:

PARIS

UHY GVA (International Liaison office) CS 81691
105, avenue Raymond Poincaré 75116 Paris Cedex 16
France

Phone +33 (0) 1 45 00 76 00
Website www.uhygva.com

LILLE

UHY GVA
28 place de la Gare 59000 Lille
France

Phone +33 1 45 00 76 00
Website www.uhygva.com

MARSEILLE

UHY GVA
Technopole de château Gombert - 3 rue Marc Donadille, 13013 Marseille
France

Phone +33 6 83 10 63 07
Website www.uhygva.com

MONTPELLIER

UHY GVA
68 allée des Mycènes 34000 Montpellier France

Phone +33 6 83 10 63 07
Website www.uhygva.com

SAINT-DENIS DE LA RÉUNION

UHY GVA
1 Allée des Zinias
97490 Saint Denis de La Réunion La Réunion
France
Phone +33 6 83 10 63 07
Website www.uhygva.com

TOULOUSE

UHY GVA
55 boulevard de l'Embouchure 31000 Toulouse
France
Phone +33 6 83 10 63 07
Website www.uhygva.com

LYON

UHY GVA
Immeuble Le Green
241 rue Garibaldi
69003 Lyon
France

You are welcome to contact Emmanuel Gayte (Emmanuel.gayte@uhygva.com) for any inquiries you may have.

A detailed firm profile for UHY's representation in France can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at May 2023.

We look forward to helping you do business in France.

2. BUSINESS ENVIRONMENT

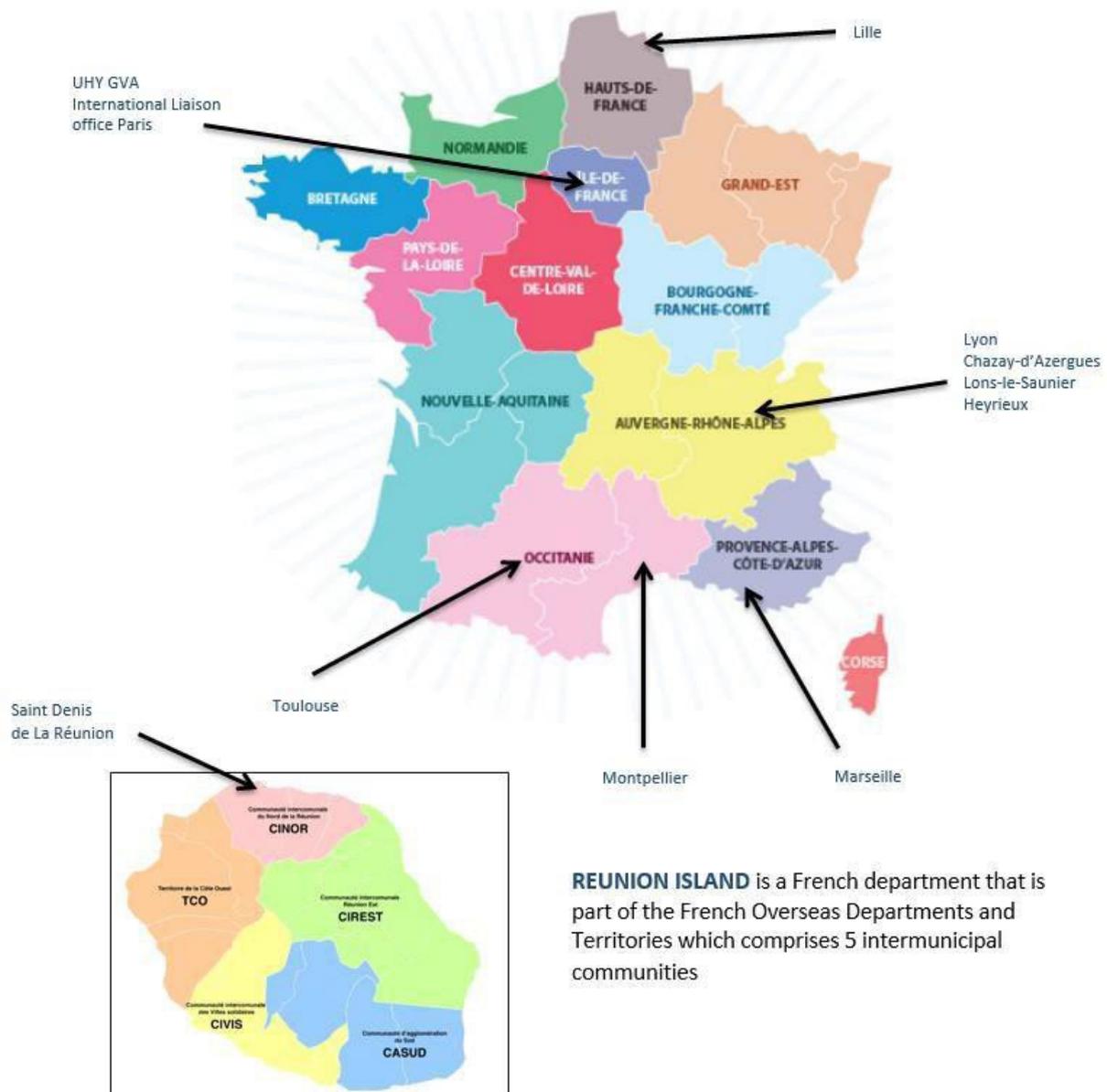
THE FRENCH CONSTITUTION AND GOVERNMENT

Under the 1958 constitution, France is a parliamentary republic.

The president is the head of the state and he monitors the functioning of the democratic institutions in accordance with the constitution. The prime minister is in charge of day-to-day policy.

The country is governed by a bicameral parliament. This comprises a House of Representatives (*Assemblée Nationale*) elected every five years by universal suffrage and a Senate (*Sénat*) of directly elected representatives from the regions and departments.

Metropolitan France comprises 13 regions with a total of 96 departments. The regions, departments or communities share revenues.



THE DOMESTIC MARKET

As of January 2023, France had 68,0 million inhabitants, making it the 21th most populated country in the world and second in the European Union after Germany.

Three-quarters of the population live in the cities.

Area (metropolitan)	543,000 square kilometers (including Corsica)
Population density	119 inhabitants per square kilometers in metropolitan
France Currency	Euro (EUR)
Language	French

THE ECONOMY

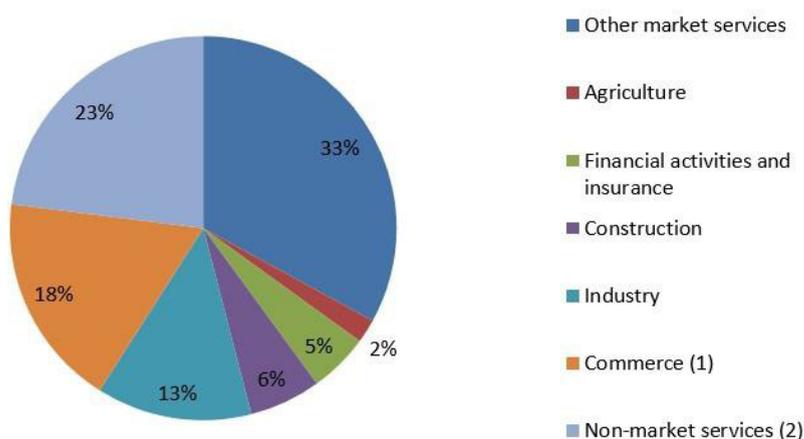
SECTORS

The service sector accounted for 81% of total employment compared with agriculture at 1.2%. Although the industrial sector has suffered from a major deficit in foreign trade due to increased competition from the Far East, there has been a slight increase in the share of the industrial sector.

The country's current objective, among others, is to enhance French competitiveness by focusing on newly developing countries.

DETAILED ECONOMIC SECTORS (% OF GDP)

Distribution of GDP by business line (%)



(1) Whole sale trade and retail trade, transport, accommodation and catering

(2) Public administration, education, healthcare and social action.

Source: INSEE 2016

France's total gross domestic product (GDP) in 2022 amounted to EUR 2,643 billion.

UNEMPLOYMENT

Unemployment has increased, reaching 7.4% of the active population in Q4 2022, which is below the European average (13.6%).

PRICES AND INTEREST RATES

Interest Rate in France increased to 3.5 % in March 2023.

The inflation rate eased to 5.6 % year-on-year.

FOREIGN DIRECT INVESTMENTS (FDI)

2022 was the most attractive year ever for France, by welcoming 1,725 foreign investment projects, which resulted in 58,810 jobs being created or maintained. While the number of job-creating investment projects identified grew by 7% compared with 2021, the rise in the number of jobs created or maintained was unprecedented, up 31% on 2021.

By contrast, the year 2022 saw a 23% increase in the number of R&D projects compared with 2021 and a 53% increase in jobs created in this type of project.

Projects and jobs by source country (source: data business France 2022)

French's economy has rebounded in 2021 with 1 607 investment decisions, creating or maintaining 45 008 jobs.

SOURCE COUNTRY	PROJECTS	JOBS
Germany	297	8,063
United States	247	10,118
United Kingdom	151	4,202
Belgium	116	3,106
Netherlands	103	1,595
Italy	96	1,830
Switzerland	81	2,2294

THE FRENCH ECONOMY WELCOMES FOREIGN INVESTMENT

According to data from the French National Institute for Statistics and Economics Studies (INSEE), foreign subsidiaries:

- Provide jobs for 13% of the workforce in France (2,2 millions)
- Generate 20% of all turnover in France
- Generate 28% of all French exports.

THE FINANCIAL SYSTEM

CENTRAL BANK

On 1 June 1998, a new institution – the European Central Bank (ECB) – was set up to implement the single monetary policy for the euro. Its headquarters is in Frankfurt. The ECB and the national central banks of all the EU member states together form the European System of Central Banks (ESCB).

The basic tasks of the ESCB are to define and implement the monetary policy of the euro area, conduct foreign exchange operations under the community's foreign exchange policy and hold and manage the official foreign reserves of the member states. It should be noted that, in the field of foreign exchange policy, there is a shared responsibility.

In addition to the single monetary policy, the ESCB is also responsible for ensuring the smooth operation of payment systems and for contributing to the effectiveness of the policies implemented by the competent authorities for prudential supervision of credit institutions and for financial system stability.

The Banque de France is an integral part of the ESCB as defined by the Maastricht Treaty. It participates in the performance of tasks and achievement of objectives assigned to

this system by the treaty.

COMMERCIAL BANKS

The country's commercial bank category now includes a wide range of institutions:

- Major deposit banks (*banques de depots*) with extensive domestic and international networks
- Former merchant banks (*banques d'affaires*) with fewer branches in France but strong links with industry, and a strong international orientation
- *Credit Agricole*, the largest institution providing banking services and other cooperative and mutual services
- Foreign banks, generally through local branches.

OTHER FINANCIAL INSTITUTIONS

A number of financial institutions in France offer a wide variety of financial services.

These include:

- Savings banks
- Leasing companies
- Venture capital firms
- Government-sponsored financial institutions, which provide credit facilities to exporting companies and to small-and medium-sized businesses for fixed assets financing.

SHORT-TERM FINANCE

Short-term finance is easy to obtain from specialised institutions such as banks:

- Discounting of bills (*escompte*) is the most commonly used method of finance in France
- Overdraft or loan facilities are sources which are used less frequently in France than in other countries.

Other methods of financing are available such as assignment of debts and factoring.

3. FOREIGN INVESTMENT

EXCHANGE CONTROLS

The acquisition and creation of a French business by a non-resident (an EU resident or otherwise) has been free of exchange control since 1996.

However, foreign investments in France by non-residents must be reported to the French Treasury under certain circumstances.

If a non-resident acquires 10% or more of the equity or voting rights in a resident company, or if foreign-held equity or voting rights in a company rise above the 10% threshold, a return must be filed by a non-resident (for statistical reasons) with the Banque de France if the amount of the transactions exceeds EUR 15 million.

An administrative return must be filed with the Ministry for the Economy and Finance (Treasury Directorate) for:

- 1) Investments that create new companies where the investment exceeds EUR 1.5 million
- 2) Transactions (with no minimum amount) that result in the acquisition of all or part of a line of business, or the acquisition of a direct or indirect equity interest in (or any other transaction with) a French company amounting to more than a third of its shares or voting rights (unless the investor already has a majority interest in the French company).
- 3) From January 1st, 2019, some key industries such as: aerospace, civil protection, cybersecurity, artificial intelligence, robotics, some data centers, some semiconductors.

MERGERS AND OTHER REORGANISATION SCHEMES (SPIN OFFS)

Reorganisations and acquisitions can be effected through mergers.

Even though it is a relatively complex and time-consuming procedure, a merger has the advantage of falling within well-defined tax rules and allowing a comprehensive transfer of assets and liabilities, generally with a retroactive effect going back to the beginning of a fiscal year.

This is applicable to straightforward mergers, with liquidation of the absorbed company, as well as to a partial contribution of assets where the contributing company remains in existence. This latter process is often utilized to transfer a division.

The tax code provides what it terms a 'favorable system' (option).

The contributed assets have to be registered in the beneficiary company in accordance with French accounting regulation (Accounting standard CRC 2004-04):

- For a merger between affiliated companies and for the favorable system to apply, contributed assets are registered at the net book value
 - In this case, the favorable system consists in the temporary exemption for the absorbed company of the net capital gains
 - in return, the beneficiary has to fulfil certain obligations to allow the future taxation of the capital gains (such as a specific declaration of exempted assets in the annual tax return and covenant of the merger agreement)
- For a merger between non-affiliated companies and for the favorable system to apply, contributed assets are registered at the real value.

The cumulative deficits of the absorbed company are now transferred with no limitation to the beneficiary company if the following conditions are met:

- Previous approval (automatic right) by the tax authorities
- An opting in to the favorable system
- An undertaking to keep the absorbed company going for three years.

If the favorable system does not apply, the absorption of one company by another would be considered for tax purposes as a winding-up of the target company resulting in the immediate taxation of all deferred income and unrealized capital gains.

Legal considerations for a merger may be complex, sophisticated and expensive. Investors have to consider how they will properly discharge their contractual obligations. Yet the most difficult part of a merger process is appraising the value of contributed assets, as well as the trading value of the absorbing company. For this purpose, one or several merger appraisers, who are third-party experts, are appointed. It is essential their findings should be considered before proceeding with any merger process.

In general, French appraisers are reluctant to certify any value for goodwill and other intangible assets. In addition to this difficult valuation process, mergers require a thorough review of accounting and legal issues, which usually takes an average of more than two months.

As a result of the wind-up, all assets and liabilities will pass to the sole shareholder, without a merger process. The main disadvantage of this option is that there is no retrospective effect and adverse tax consequences may result.

4. SETTING UP A BUSINESS

Foreign investors who intend to conduct commercial activities in France can choose from a wide range of legal entities and the choice will depend on the business priorities.

SOLE TRADER

There are four possible ways for an individual to enter into sole trading business:

- a. As a sole trader (*entreprise individuelle*)
- b. As a single-shareholder limited liability company (*entreprise unipersonnelle à responsabilité limitée – EURL*)
- c. As a single shareholder simplified company (*Société par actions simplifiée unipersonnelle – SASU*).

THE SOLE TRADER

A sole trader is an individual who carries out a business on a regular basis. The sole trader is wholly responsible for his/her business. Their personal possessions may be used as a guarantee in case of financial difficulty, only if they are required for the trader's professional activity. The separation of assets and liabilities is carried out automatically, without any administrative steps or information for creditors.

AUTO-ENTREPRENEUR (MICRO-ENTERPRISES)

The French government facilitates the foundation of small- sized businesses legal and fiscal provisions, including:

- Registration to the business court is not required
- Payment of income tax with deductions at source
- Payment of social contributions with deductions at source
- Exemption from business tax for two years after the registration.

This fiscal scheme is dedicated to 'micro-enterprises' which have a turnover of less than EUR 176,200 for the sale of goods, sales for consumption on the premises and the provision of accommodation (excluding furnished rentals other than furnished tourist accommodation or guest rooms); and less than EUR 72,600 for the provision of services falling within the category of industrial and commercial profits (BIC) or non-commercial profits (BNC).

These businesses benefit from the basic VAT exemption (do not charge VAT) if they do not exceed the following turnover figures:

- 85,800 (threshold limit) and €94,300 (increased threshold) turnover for sales of goods ;
- 34,400 (threshold limit) and €36,500 (higher threshold) turnover for the provision of services.

EURL

The EURL is a private limited company with only one partner.

The legal requirements are basically the same as for a private limited company (*société à responsabilité limitée – SARL*), described on the next page.

The liability of the single partner is limited to the amount of their investment.

COMMON FRENCH LIMITED COMPANIES

CORPORATION (*SOCIÉTÉ ANONYME – SA*)

The French legal form closest to a US corporation is the *société anonyme* (SA). The incorporation of a SA requires a minimum of 2 shareholders and a minimum capital of EUR 37,000 (7 shareholders and EUR 225,000 if the shares are to be quoted on the stock exchange).

At least 100% of the share capital must be subscribed at incorporation; only 50% must be paid at the set-up.

The liability of shareholders is limited to the amount of their investment. The shareholders meet at least once a year to approve the annual financial statements and to decide whether profits will be distributed or retained.

Directors or members of the supervisory board (*conseil de surveillance*) and statutory auditors (*commissaires aux comptes*), if required, are appointed and dismissed by shareholders in the general meeting. Statutory auditors are engaged for a period of six financial years when required. Simple majority rules apply at annual shareholders' meetings. If major decisions have to be made, such as a merger or change in the articles of association, an extraordinary shareholders' meeting must be held and a qualified majority rule will apply (two-thirds).

MANAGEMENT

Day-to-day management can be structured in two different ways. A SA may either have a board of directors, a chairman (*président du conseil d'administration*) and a chief executive (*directeur général*) or an executive board (*directoire*) working under the control of a supervisory board (*conseil de surveillance*).

BOARD OF DIRECTORS

The board of directors must be composed of a minimum of three and a maximum of 18 members (*administrateurs*). They are appointed for three years for the first period covered by the articles of incorporation. Their tenure can be extended up to a maximum of six years when they are appointed during the course of the business.

The board of directors appoints the president (who must be an individual), who is in charge of the management, the organisation and the presentation of the board activities to the shareholders' meeting.

The president and the chief executive have broad powers to act on behalf of the company. The chief executive can be elected by the board members, but may not be a board member of the company. The chief executive is responsible for the company's management and can be assisted by one or more deputy managers.

EXECUTIVE BOARD AND SUPERVISORY BOARD

The executive board (*directoire*) has a maximum of five members (seven in quoted companies) who are not necessarily shareholders. They are generally appointed for four years by the supervisory board (*conseil de surveillance*) which is composed of three to 18 members who are elected by shareholders at a general meeting.

The supervisory board has permanent control over the executive board and defines major business goals.

STATUTORY AUDITORS

No statutory auditor is required in a small-sized SA (with 2 out of 3 below criteria, a turnover of less than EUR 8million, a balance sheet of less than EUR 4 million and staff of fewer than 50) if not held by a company, or holding a company. In this case other thresholds are applicable.

SIMPLIFIED COMPANY (*SOCIÉTÉ PAR ACTIONS SIMPLIFIÉE – SAS*)

The SAS is a specific simplified joint-stock company set up by a minimum of one shareholder (individual or corporation). No legal minimum capital is required. An SAS may prove useful in setting up a joint venture because its articles may be more flexible than those that normally apply to traditional SAs.

The shareholder(s) is (are) free to choose in the articles of association the structure of management and its functions. Nevertheless, a president must be appointed to represent the company.

No statutory auditor is required in a small-sized SAS (with 2 out of 3 below criteria, a turnover of less than EUR 8million, a balance sheet of less than EUR 4 million and staff of fewer than 50) if not held by a company, or holding a company. In this case other thresholds are applicable.

PRIVATE LIMITED COMPANY (*SOCIÉTÉ À RESPONSABILITÉ LIMITÉE – SARL*)

A SARL may have no more than 100 shareholders. Shareholders are liable for their capital contribution. No legal minimum capital is required.

A SARL is run by one or more managers (*gérants*), who are individuals and may be appointed by the articles of incorporation or by a majority decision of shareholders. They may be chosen among the shareholders themselves or among third parties. The manager makes all management decisions on behalf of the company and he/she may be held personally liable under civil and criminal law.

The shareholders exercise their rights at shareholders' meetings to approve the conduct of the business and to take decisions exceeding the powers of the manager.

Shareholders' resolutions require a simple majority vote for approval unless they decide otherwise in the articles of association and raise the majority required.

No statutory auditor is required in a small-sized SARL (with 2 out of 3 below criteria, a turnover of less than EUR 8 million, a balance sheet of less than EUR 4 million and staff of fewer than 50) if not held by a company, or holding a company. In this case other thresholds are applicable.

PARTNERSHIPS

GENERAL PARTNERSHIP (*SOCIÉTÉ EN NOM COLLECTIF – SNC*)

A general partnership is a form of commercial company in which all of the associates are considered as merchants and jointly and severally liable for the partnership's liabilities.

Despite this significant drawback, SNC's are often used because of their flexibility ie there is no minimum share capital, no board of directors, a minimum of two partners, and the possibility of dividend rights existing independently of voting rights and capital contributions.

The SNC is not directly subject to income tax. Unless it opts for the corporate tax system. Profits are taxable as part of each member's income in proportion to his/her interest in the partnership.

LIMITED PARTNERSHIP (*SOCIÉTÉ EN COMMANDITE SIMPLE – SCS*)

The SCS structure, which is seldom used in France, includes:

- One or more general partners (called *commandités*) who manage the company and are responsible for debts incurred by the company. The general partners have the status of commercial trader.

With regard to the taxation of general partners, the share of profits received by general partners is subject to income tax (IR), in the category of Industrial and Commercial Profits (BIC).

- One or more limited partners (called *commanditaires*) whose liability is limited to their capital contribution. Limited liability partners are not allowed to participate in the management of the company. Their legal status is similar to a partner of a SARL. There is no legal minimum capital. The limited partners do not have the status of commercial traders.

With regard to the taxation of limited partners, the share of the profits received by the limited partners is subject to corporation tax (IS) in the name of the SCS. It is then paid to the limited partners in the form of dividends, which are taxed under the flat tax system (tax at 30%).

LIMITED PARTNERSHIP BY SHARES (*SOCIÉTÉ EN COMMANDITE PAR ACTIONS – SCA*)

This is similar to the previous type of partnership except that the shares are negotiable and the status of the limited liability partners (*commanditaires*) is similar to shareholders in an SA.

If the SCA is quoted, a minimum capital of EUR 37,000 or EUR 225,000 is also required.

The SCA is automatically subject to corporation tax (IS), but it can opt for income tax.

The manager of an SCA is affiliated to the same regime as the majority manager of a SARL and his remuneration is subject to the same social security and tax charges. The manager of a SCA is therefore a Non-Salaried Worker (TNS) affiliated to the Régime Social des Indépendants (RSI) for the payment and management of his social security contributions. His remuneration is subject to income tax on salaries.

OTHER FORMS OF BUSINESS ORGANISATION

INTER-COMPANY PARTNERSHIP (*GROUPEMENT D'INTÉRÊT ÉCONOMIQUE – GIE*)

A GIE is not a company but an association of companies wishing to develop certain activities together (eg research, marketing, joint sales and exports) whilst retaining their individuality and independence in other areas. A GIE has a legal personality and may be created with or without capital. Its objectives may be civil or commercial. A GIE is flexible and members are free to define its internal regulations. A GIE is transparent for tax purposes. Its members are liable for its debts. Each member is taxed on his or her share of the profits according to his or her tax regime. Depending on whether the member is an individual or a legal entity, he or she will be taxed either as an income tax payer or as a corporate tax payer.

JOINT VENTURE (*SOCIETE EN PARTICIPATION – SEP*)

A joint venture is not ordinarily disclosed to third parties. The partners make all management decisions.

Partners are individually liable to third parties and share in the operating results.

A SEP is required to register each active partner with the trade register. It can be a civil or a commercial entity.

The company is transparent for a tax purposes when the names and addresses of all partners have been communicated to the administration (income tax on behalf of the partners).

Otherwise, the share of the profits of the "unidentified" partners is subject to corporation tax in the name of the manager.

BRANCH OF A FOREIGN ENTERPRISE (*SUCCURSALE*)

Branches (*succursales*) are preferred by some foreign investors because of the less onerous legal requirements i.e. one manager to represent the Branch in France and the manager(s) of the company (these two persons can be the same), no minimum capital and no articles of incorporation.

Some investors also feel that the procedures involved in setting up a branch are easier. In practice however, it is neither easier nor quicker to form a branch than to set up a limited liability company.

Because it has no separate identity, the branch is subject to all laws applicable to the foreign company to which it is related. Risks are transferred to the foreign company.

Before opening a branch in France, a foreign commercial company must file with the commercial court two certified copies of its articles of incorporation, translated into French, and the files must be kept up to date. The branch must also be registered with the trade register.

Each year, the foreign company has to publish with the commercial court its own accounts translated into French and certified by the representative as a true copy.

LIAISON OFFICE (*BUREAU DE LIAISON*)

The liaison office is not a separate and distinct legal entity in respect to the foreign corporation of which it is a part. Its sole purpose is to collect information on the market and promote the corporation's business. It is not allowed to deal with commercial activities. Nevertheless, liaison offices must be registered with a French administration which is defined according to the presence or not of employees.

CIVIL COMPANY (*SOCIÉTÉ CIVILE*)

This kind of company is empowered to take on civil i.e. non-commercial operations. The members are liable indefinitely for the company's debts.

The shareholders of a civil partnership are subject to income tax each year on the profits made by the partnership, whether or not they are distributed, in proportion to their rights in the partnership. However, they may opt for corporate income tax.

EUROPEAN COMPANY (*SE*)

The European company is reserved for organisations or groups that already have establishments in several places within Europe for cross-border operations between multiple organisations.

The minimum share capital is EUR 120,000.

BUSINESS INCENTIVES

FINANCIAL INCENTIVES

Foreign companies starting a business in France are eligible for financial assistance under the same conditions as French companies. This assistance is offered as an incentive to encourage regional development and to avoid over-industrialisation in certain areas.

Therefore, it is essential for companies to choose the right location. Various incentives are offered to companies including:

- Regional grants and/or subsidies:
 - For starting a company
 - For job creation
- Loans, advances and reduced interest rates are offered by various regions.

TAX INCENTIVES – CORPORATE TAX EXEMPTION

For companies located in specified areas (*Zone à finalité régionale – ZAFR, Zone de Revitalisation Rurale – ZRR – Zone Franche Urbaine - ZFU*), new exemptions have been secured.

Companies locating their investment in the above areas may also benefit from further tax breaks such as:

- Reduced rates of transfer duties
- Exemption from local tax (CET)
- Tax credits
- Social contributions exemptions

New start-up firms (*jeunes entreprises innovantes – JEI*) registered for less than eleven years and which spend each year more than 15% of their expenses in research and development, and are more than 50% controlled by individuals or specific companies, are tax exempt.

This tax exemption consists of 100% of taxable profit for the first year and then 50% reduced levels of tax exemption for the following taxable year. This tax exemption is strictly applicable to medium-sized firms (ie less than 250 employees and with an income below EUR 50 million or total of balance sheet below EUR 43 million).

These start-up firms may also benefit from *crédit d'impôt recherche – CIR* and *crédit d'impôt pour dépenses de prospection commerciale* (see below).

Companies created to take over other firms which are nearly or effectively bankrupt are entitled to corporate tax exemption under certain conditions.

TAX CREDITS

There are several Tax Credit deductible from the Income Tax in France. The main Tax credit are:

Research and Development Tax Credit (*Crédit d'Impôt Recherche - CIR*) and Innovation Tax Credit (*crédit d'impôt innovation - CII*) apply for research and development (R&D) expenses.

Commercial and industrial companies which are involved in R&D programs can obtain the benefit of a tax credit option. The tax credit is based on employee salaries, some subcontracting entities costs and depreciation if dedicated to R&D. The Credit rate is 30% of yearly R&D expenses up to EUR 100 million (50% when the company is set up in Corsica or Overseas departments) and 5% for expenses above EUR 100 million.

The R&D credit is deducted from the Corporate Income Tax due by the company for

the year in which the research expenses took place. The unallocated excess credit can be used to pay the tax due for the following 3 years. At the end of this 3-year period, the credit balance is refundable.

For small/medium-sized enterprises (SMEs) with a turnover less than EUR 50 million with total assets less than EUR 43 million and with less than 250 employees, there is a new tax credit for innovation (CII). Expenses related to prototypes and pilot installations and conception of new products should not be higher than EUR 400,000. The tax credit rate is 20% of incurred expenses (40% when the company is set up in Corsica or Overseas departments).

It is probable that the tax authorities will wish to audit companies applying for these *tax credits.

For business sponsorships, the *Mécénat d'entreprise* may apply. Donations to non-governmental organisations (NGOs) are eligible for a tax credit, which represents 60% of the donation, with a ceiling of EUR 20000 or 0.5% of the annual turnover if this amount is higher than EUR 20000. The tax credit may be carried forward to the five following fiscal years.

Other possible tax credits include those for (not exhaustive):

- Cinema or audio visual expenses
- Training expenses for managers/ directors
- Some investments made and operated in Corsica
- Crafts
 - 'Family' expenses engaged in by companies on behalf of their employees.

ACCELERATED DEPRECIATION

To encourage investments in France, exceptional accelerated depreciation has been put into place. However, to avoid fiscal risk, a previous agreement must be made with the tax authorities. Exceptional accelerated depreciations for twelve months can be on the following:

- Software
- Expenses for the acquisition or creation of a web site
- Low energy equipment
- Environmental investments such as:
 - Non-polluting buildings
 - Soundproofing equipment
 - Non-polluting vehicles
 - Environmental protection
 - Energy-saving equipment and renewable energy production equipment
- Research equipment for research into specific diseases.

CONTRACTS

The most frequently used types of marketing agreements can be split into two categories, as outlined below.

COMMERCIAL AGENTS

A commercial agency is the most common means of distribution used in France.

A commercial agent can be either a 'statutory sales representative' (VRP), where he/she is considered as an employee for labour law purposes and must fulfil a certain number of conditions or a 'common law employee commercial agent', where he/she is not considered as a statutory sales representative but is an employee under French labour law.

A commercial agent can also be an 'independent commercial agent' where he/she must be registered with the competent commercial court and must hold a commercial licence. A commercial agent is an independent contractor for labour law purposes but he/she is not a merchant for commercial law purposes.

Unless dismissed for a professional fault, VRP and independent commercial agents are legally entitled to a severance indemnity in consideration for any increase which they are deemed to have created in the value of the goodwill in the business.

DISTRIBUTION ARRANGEMENTS

A distribution arrangement is a purchase and sale agreement whereby the distributor is compensated for their services by a gross margin on sales.

Three main types of distribution arrangements are considered by French commercial law:

a) Supply, purchasing, or selective distribution arrangements

- A supplier arrangement (*contrat de fournitures*) is a contract by which a supplier agrees with their distributor on the conditions for subsequent deliveries of goods
- A purchasing arrangement (*contrat d'approvisionnement*) is an agreement under which a distributor agrees with their supplier on the conditions for subsequent purchases of relevant products
- Under a selective distribution arrangement (*contrat de distribution selective*), a supplier who wishes to maintain the reputation of their products arranges to supply only those distributors selected and approved by its own entity as worthy to distribute the relevant products

Essentially, for such arrangements, parties have to determine whether an agreement is made on an exclusive or non-exclusive basis, for a specific or undetermined territory or for a limited or unlimited period of time.

b) Exclusive distribution contracts

- Under French law, an exclusive distribution arrangement (*contrat de concession*) is an arrangement under which a supplier agrees to deliver specified products only to a single distributor in a given geographic territory and the distributor agrees to purchase these products only from the said supplier and not to sell competing products

c) Franchising agreement

- Franchising is a method of close collaboration between the owner of a marketing process/products and the seller, where the process/product owner is known as the franchiser and the seller is known as the franchisee.

The contract generally includes:

- Distributorship of products by franchisees
- Licensing of the marketing, trade name and/or trademark,
- Marketing services and other relevant sales.

If a contract provides for the assignment of a trademark, this must be registered with the National Institute for Industrial Property (INPI).

Copyright, patents, trademarks and intellectual and industrial properties are fully protected in France. In this respect, France adheres to most relevant international treaties and provides for comprehensive protection through its domestic regulations and legislation.

Royalties are paid for the use of intangible assets recognised as the licensor's property, as follows:

- By contract for know-how,
- By legal registration for trademarks, patents and copyrights.

When a royalty agreement is signed with a foreign licensor, there is no need for any prior approval. However, a copy of the agreement must be registered with the INPI.

All these commercial agreements must also be cleared from an EU law standpoint.

5. LABOUR

EMPLOYER / EMPLOYEE RELATIONS LEGISLATION

Relations between employers and employees are governed by the French Labour Code, collective bargaining agreements (CBA), company regulations and individual employment contracts.

Employment contracts must be drawn up for each specific job category, according to employment legislation and collective agreements in force.

French law distinguishes between two categories of employment contract:

- a. Permanent contracts, concluded for an indefinite term (“CDI”);
- b. Fixed-term contracts, concluded for a specified period of time (“CDD”);
- i. Such contracts can be in particular implemented within following circumstances:
 1. To replace a permanent employee on leave or absent;
 2. For a temporary and occasional increase in business activity;
 3. For seasonal activities;
 4. As part of government job-creation schemes to fight against unemployment.

Furthermore, under certain (strict) conditions, some employers are also allowed to employ workers on permanent contracts but only for the time needed to complete a particular project. However, this special contract called “*CDI de chantier ou d’opération*” is only legally allowed if it is provided by an extended CBA, applicable to the company.

In this case, the conditions of this special contract must be defined by the extended CBA, specifying in particular that the end of the project constitutes a specific ground for the termination of the contract.

TRADE UNIONS

In France, the union (*syndicat*) is a local unit, not a national body.

A local unit is usually affiliated to a national federation of unions, which in turn is linked to one of five national confederations. Unions are mostly based on industry sectors rather than on particular crafts.

There may be several different unions in each place of work because each of the confederations has a different ideological outlook, though none is formally linked with any individual political party. Trade unions are quite powerful despite the fact that only a low percentage of the working population are union members.

MANAGEMENT REPRESENTATION

The Macron Reform of 2017 has profoundly changed the way that French employees are represented.

In practice, this Reform has provided for the merger of the three usual employee representation bodies, i.e. the staff delegates (*“Délégués du personnel”*), the Works Council (*“Comité d’entreprise”*) and the Health and Safety Committee (*“CHSCT”*) within one single body, the so-called Social and Economic Committee (*“SEC”*). The setting up of the SEC is mandatory for companies employing at least 11 employees over a consecutive 12-month period.

The rights and responsibilities of the SEC will differ depending on the size of the company.

For companies with 50 or more employees, the SEC will have the same powers currently held by staff delegates, the works council and the health and safety committee.

The role of the staff delegates is:

- to present individual and collective claims and to ensure compliance with the French employment law legislation;
- to present employee’s grievances to the employer and insure the correct application of the labor code and the provisions of the CBA.

The works council must be informed and consulted on almost all major company decisions, including:

- matters relating to the employer’s organization, management and general running of the business;
- decisions that are likely to affect the company, e.g. the volume or structure of the workforce, working hours and conditions and training;
- restructuring operations and collective redundancies;
- a change in the company’s economic or legal structure, especially in the case of mergers, transfers or undertakings or major changes in the production structure of the company, as well as of the takeover or sale of subsidiaries.

WORKING CONDITIONS

WAGES AND SALARIES

A minimum monthly salary (SMIC) must be paid to all employees.

The current minimum monthly gross salary is set up to EUR 1 678,95 EUR 1 709,28 (since January 2022/2023) for 35 working hours per week.

All employees who are employed under an ordinary employment contract (*either indefinite or fixed term*) are entitled to the legal minimum wage.

Besides, CBA also provide for minimum wages in their specific industry sectors (*depending on job categories*).

EMPLOYMENT OF FOREIGNERS

Foreign workers are entitled to the same protection under the law as French citizens, provided that they live in France.

Specific laws exist for members of the EU. Thus they are entitled to certain administrative privileges (e.g.: exemption from obtaining a residence or work permit).

Executives acting as legal representatives of a French company, who are not EU residents, must apply for specific accreditations.

WORKING HOURS

The legal working week is 35 hours for all businesses in France. However, the 35-hour working week can be arranged to take into account the organization needs of the employer, according notably to the following schemes:

- c. Variable working week (must reach an average of 35 hours)
- d. Working cycles
- e. Supplementary paid days off (RTT) to compensate hours worked beyond 35 hours.

Furthermore, certain executive employees, instead of having a contract based on a set number of hours per week, have one based on a fixed number of days per year, called a "*forfait annuel en jours*", which factor in the fact they will almost inevitably work more than 35 hours a week.

This is notably the case for certain executive employees, whose roles require a certain flexibility. They are not concerned by the "*contingent annuel*" and are not systematically compensated by overtime or "*RTT*" in the same way as other workers are meant to be.

A fixed allowance of days off ("*jours de repos*") is factored into their year (on top of paid holidays, weekends, bank holidays etc) as partial compensation, and they have higher salaries.

Please note that working time in France is a highly regulated and complex topic.

HOLIDAYS AND VACATIONS

According to the French law, each employee is entitled to two and a half working days' paid leave for each month worked or five weeks per year.

The acquisition of vacation rights goes from June N-1 to May N+1. The acquired rights of vacation can be taken from May N+1 to April or May N+2. From May N+1 to October N+1, a minimum of 12 days have to be taken in one go.

The only public holiday that the employer is legally obliged to grant with pay is **the 1st May**. Most businesses close for the ten other national public holidays. Monthly paid employees are paid for these holidays. Other employees need not to be paid for these unless, as frequently happens, a CVA provides otherwise.

FRINGE BENEFITS

Special pension programs and additional health insurance provision complement the state social security system. The choice of programs is down to each company and can also depend on an individual employee status within the firm.

TERMINATION OF EMPLOYMENT

Permanent employment contracts can be terminated either by the employee (resignation) or by the employer.

Dismissing an employee is always possible, provided that the employer has a just and proper reason to justify it (real and serious cause).

In cases of a dismissal, for whatever reason, employers must strictly adhere to established procedures.

The rules regarding enunciation of dismissal grounds have been made more flexible. Hence, employers have the possibility to supplement the grounds stated in the dismissal letter after the notification to the employee.

Furthermore, in an attempt to reduce litigation (*and in particular litigations related to procedural irregularities*), it was introduced standard templates of dismissal letters for the employers.

Collective dismissal can be justified only when severe economic upheaval affects a company's structure or its day-to-day operations. A plan must be drawn up in collaboration with workers' representatives to minimise the impact of such a dismissal on employees.

Note also that the Macron Reform of 2017 has led to a restriction of the perimeter for assessing the economic reason in case of economic dismissal.

Indeed, under the previous regime, the economic reason underlying an economic dismissal (*e.g. economic difficulties or the necessity to safeguard the company's competitiveness*), in case the company belongs to a group, was assessed at the level of the group's "*sector of activity*" at international level.

As of now, in case the company belongs to a group, the economic reason must still be assessed at group level but exclusively in France. This restriction to French territory exclusively renders the justification of redundancies easier for the companies.

DISMISSAL INDEMNITIES

The legal dismissal indemnity is hence owed to employees with at least 8 months' service, instead of 1 year previously.

Severance pay depends on the employee's length of service and the relevant CBA's provisions. It is generally calculated on the basis of an employee's average salary (often including bonuses as well as basic salary) during the last 12 months of employment. Employees receive statutory severance pay (i.e., one fourth of their monthly salary for each year of service for the first ten years of service and one third for each year above ten years of service) if no CBA applies or the CBA rate is lower than the statutory amount.

COMPENSATION SCALE FOR UNFAIR DISMISSAL

The Macron Reform has introduced a mandatory scale for the Court's determination of damages awarded in case of unfair dismissal.

This scale determines a minimum amount (*between 1 and 3 months*) and maximum amount (*between 1 and 20 months as from 30 years of seniority*) depending on the length of service of the employee. Lower minimum thresholds apply for companies with less than 11 employees.

The Reform thus marks a break from previous rules where the amount of damages was unlimited and the minimum for an employee with at least two years' of service was 6 months' pay.

France is also becoming more "employer-friendly" and "business oriented".

These new caps however do not apply to dismissals held null and void, in particular in case of harassment, discrimination, violation of a protective status or infringement of the employee's fundamental liberties.

Note that the French Supreme Court ("Cour de cassation") recently ruled on the compatibility of this scale with international conventions after a wave of opposition from some labour Courts.

The "Cour de cassation" finally concluded on July 17, 2019 that the scale was compatible with international conventions and notably article 10 of Convention N° 158 of the ILO.

Nevertheless, the interpretations on the Macron scale still goes on since some labour courts continue to refuse to apply the scale.

MUTUAL TERMINATION AGREEMENT ("rupture conventionnelle du contrat de travail")

For a "conventional break", a mutual termination agreement between the employee and the employer is needed in order to terminate the employment contract.

An agreement by the administration is also requested. Indeed the terms and conditions of the agreement must be validated by the French labor authorities (called "DREETS" or "DRIEETS" depending on the location of the company).

This procedure assumes a good relationship between the employee and the employer and should not be used as a replacement for an economic dismissal.

One of the main interests of this procedure is that it allows the Parties to agree on the terms and conditions of the contract's termination - without any grounds being necessary – and as long as the termination complies with a specific procedure and without the employee losing unemployment benefits.

Note that there is no notice period within this specific scheme.

In practice, the mutual termination agreement must be negotiated during at least 1 preliminary meeting between employer and employee.

Once the negotiations are completed, an agreement (“Cerfa” form) is signed by the Parties.

Since April 1st 2022, it is mandatory to use the following internet portal: <https://www.telerc.travail.gouv.fr/accueil>

The “Cerfa” form has to mention the planned date of the mutual termination of the employment contract but also its conditions, especially the amount of the indemnity to be paid to the employee.

In this regard, the employer must grant the employee an indemnity at least equal to the statutory or conventional dismissal indemnity.

This procedure lasts at least 1 month and a half. Thus it can be a quick process but the employee has to agree to conclude such agreement with the company.

Finally, you should also keep in mind that this procedure does not have “res judicata effect” as a settlement agreement (“transaction” or “protocole d’accord transactionnel”). The employee can also appeal against, even if he signed the “Cerfa” form”. Thus the company still supports some risks in case of failure of real grounds for dismissal if the employee decides to appeal against the company after signing the form.

In this respect, the deadline for contesting the mutual termination agreement is up to 12 months from the approval date by the administration.

FACILITATING COLLECTIVE BARGAINING IN SMALL OR MEDIUM-SIZED COMPANIES

It has been implemented new terms of negotiating in companies deprived of trade unions delegates to boost collective bargaining in small or medium-sized companies.

Thus, employers, in companies of less than 11 employees, have the possibility of submitting a draft agreement to their employees on all topics open to collective bargaining at company-level.

Its validity is subject to its ratification by referendum by a majority of two-thirds of the votes cast. This new ratification method is also applicable within companies of 11 to 20 employees deprived of elected employees.

PROFIT SHARING PLANS

Businesses employing at least 50 people must set up a compulsory profit sharing plan.

HEADCOUNTS THRESHOLDS

Hence a headcount threshold will only be considered as crossed if it is reached or exceeded for five consecutive calendar years.

In practice a company must therefore cross a threshold for five years in order to enable the new requirements to take effect.

This new rule, which is clearly advantageous for companies where the headcount fluctuates, will notably impact the implementation of a mandatory profit sharing plan ("*participation des salaries*") within companies.

This provision entered in force on January 1, 2020.

SOCIAL SECURITY SCHEME

The social security system, which is financed by taxation and by contributions paid by companies and employees, provides sickness, disability, maternity and paternity pay, retirement pensions, compensation for work-related accidents or sickness, and family allowances.

Substantial allowances are also distributed for medical expenses.

Charges paid by the employer are equal to approximately 45% of gross salaries.

Tax payers must make an internet-based declaration for social security contributions and are obliged to make an internet telepayment.

Foreigners working in France are entitled to French social security benefits.

A contribution called the 'social package' or '*forfait social*' has been implemented. *Forfait social* (which applies to all companies) is recovered by the social security fund (URSSAF) on amounts not submitted to social contributions but submitted to generalised social contributions (CSG) and contributions to the repayment of the social debt (CRDS).

This contribution represents in principle 20% of the amounts paid to employees for which social contributions have not been paid.

STOCK OPTIONS/ RESTRICTED STOCK UNITS / EMPLOYEE STOCK PURCHASE PLAN

Stock option/allocation plans can be relevant for social contributions and income tax purposes in certain circumstances. The type of plan will determine the social and fiscal contributions due by the employee and the company.

RETIREMENT AND PENSION

For employees covered by the general scheme, the retirement pension system is a two-tier: one with a basic scheme and supplementary cover.

A law has been promulgated in order to increase the retirement age, irrespective of gender, from 62, provided that individuals have been continuously paying social contributions for 41.5 years. All people will be entitled to the full pension at the age of 67, regardless of the numbers of years they have contributed.

The employer can automatically retire an employee who has reached the age of 70. The employer may propose that an employee retires when she/he is aged between 65 and 70. An employee can ask for retirement from the age of 60, assuming responsibility for the financial consequences this decision involves.

Macron government is currently working on a major Reform of the pension system.

Main purpose would be to unify pension rights and rules.

However, at this time this Reform is still on going.

6. TAXATION

THE TAX SYSTEM

MAIN TAXES

The central government levies taxes at national and local levels. The main national taxes are:

- a. Corporate income tax (*impôt sur les sociétés*)
- b. Personal income tax (*impôt sur le revenu*)
- c. A number of withholding and flat-rate taxes on special categories of income
- d. Value added tax (*taxe sur la valeur ajoutée*).

Other national taxes include:

- e. Inheritance and gift taxes
- f. Registration and transfer taxes
- g. Real estate wealth tax
- h. Minor duties and fees.

The main local taxes are:

- i. Real estate contribution (*cotisation foncière des entreprises*)
- j. Value added contribution (*cotisation sur la valeur ajoutée des entreprises*)
- k. Dwelling tax (*taxe d'habitation*)
- l. Real estate tax (*taxe foncière*).

BASIC LEGISLATION

Taxation laws are enacted by parliament and then consolidated into the general tax code (*code général des impôts* - CGI). Appendices to the CGI include decrees and regulations that have the force of law.

Notes, instructions and circulars interpreting the tax laws are published by the tax authorities in bulletins, most of which are available to the public. These bulletins provide guidance in understanding the interpretations and practices of the tax authorities. The council of state (*Conseil d'Etat*), the highest court in tax matters, has a significant influence on tax legislation through its decisions in legal cases.

ADMINISTRATION

The tax authorities (Direction Generale des Finances Publiques – DGFIP) are responsible for assessing and collecting taxes.

The taxpayer has to file tax returns and the tax authorities review them and assess afterwards. The tax year is the calendar year. Income taxes are not withheld, except in the case of employment income which is withheld from January 2019.

The tax authorities are allowed to carry out tax field audit. The statutory limitation for a tax audit is three years. The audits are carried out on corporate persons as well as individuals. Tax rulings are only obtained in exceptional circumstances from the tax authorities.

BUSINESS TAX

The taxation of business profits is guided by the major basic concept of territoriality.

Only activities carried out in France are subject to French corporate tax. The foreign activities of French companies (with the sole exception of certain tax-haven companies) are not subject to French taxes.

In accordance with Article 206, 1° of the French general tax code and the provisions of most tax treaties signed by France, corporate income tax is due by French corporate entities (SAs, SASs, SARLs and partnerships limited by shares), by French branches of foreign corporate entities and by other entities that elect to pay French corporate tax, such as general partnerships, limited partnerships and single-member limited-liability companies (EURLs)). French tax is due by foreign corporations that performs complete cycle of operations' in France, separate from their other activities, but most double taxation agreements concluded by France limit French taxation of foreign entities by reference to the notion of 'permanent establishments' in France. France may regard an agent of a foreign entity as a permanent establishment

Non-corporate entities are not directly subject to income tax, unless they so elect.

Their profits are taxable in the name of each member, with a possible progression of tax rates if the member is a natural person, subject to personal income tax. However, rules concerning the assessment of income are generally the same as for corporate income tax.

TAXABLE INCOME

With the exception of dividend and interest income, French and foreign companies are taxable only on income derived from French sources.

The company's net taxable income is defined as the net profit derived from all operations of every kind carried out by a business, including capital gains from the transfer or sale of every type of asset. The adjustments are made on the income statement for non-taxable income and non-deductible expenditure.

The company's profits, as determined in accordance with generally accepted accounting principles, are subject to few adjustments for tax purposes in France. Items such as non-allowable expenses on excess depreciation are added back, while others are deducted. It is worth noting that some specific tax deductions are only granted if recorded in the books and for such items no adjustments need to be made to book income.

This is the case for the excess of declining-balance over straight-line depreciation, as well as for reserves for cost increase of inventories, which is a provision designed to replace the last in first out (LIFO) method (presently prohibited for both tax and book purposes).

Tax credits, either French or foreign, may be offset against corporate tax but cannot be refunded, except for the carry back losses ("report en arrière des déficits"), the tax incentive for research and development (CIR), tax incentive for competitiveness and employment (CICE) and young innovative enterprises (JEI).

DEDUCTIONS

The net profit defined in Article 38 of the French general tax code is established, in accordance with the provisions of Article 39, 1°, minus expenses incurred by a company. All expenses relevant to the company's activities are deemed to be deductible, subject to specific anti-avoidance rules.

To be deductible, expenses must meet the following criteria:

- m. They must be incurred in the direct interest of the business or be connected with the normal management of the enterprise
- n. They must result in a decrease in the net assets of the company, which lead to the distinction between general and capital acquisition costs
- o. They must be certain in amount and must be incurred by the end of the relevant year
- p. They must be entered in the accounting books for the relevant year.

The following expenses are not deductible:

- q. Dividends
- r. Personal expenses
- s. Corporate tax and similar contributions
- t. Income tax
- u. Liquidation surplus tax
- v. Company car tax
- w. Fines and penalties
- x. Excessive attendance fees
- y. Interest paid to shareholders over certain limits
- z. Gifts over certain limits
- aa. Post employment retirement allowances accruals
- bb. Certain profit transfers (for example, excessive royalty or interest payments made between related parties)
- cc. Excessive depreciation
- dd. Excessive interest (the limitation applies where the difference between interest paid and interest received exceeds EUR 3 million)

LONG TERM CAPITAL GAINS

Most capital gains are treated in the same way as income and subject to the standard rate of corporate income tax. However, certain capital gains qualify for special treatment.

Long-term capital gains are taxed separately at reduced rates of 0%, 15% or 19%.

- ee. Long-term capital gains are exempted:
 - i. Under certain conditions, those arising from the disposal of participating interests held for at least two years or, within certain limits, units or shares in certain venture- capital investment funds or venture-capital companies held for at least five years
 - ii. On the disposal of participating interests after deduction of a 12% portion of costs and expenses. This lump sum is deemed to be a non-deductible cost.
- ff. Long-term capital gains taxed at 15% are the net profits from granting licences to use patents, patentable inventions or developments there to, or for certain industrial manufacturing processes and capital gains from the disposal of such elements.
- gg. Other capital gains are taxed as ordinary profit at the standard rate subject to the exemptions under certain conditions.

Capital losses from the transfer of participating interests to a related company are still covered by the long-term regime, even if they have been held for less than two years.

LOSSES

CARRY FORWARD

According to Article 209, I al.3 of the French general tax code, losses incurred in one year may be offset against profits of the following years with no time limit (except if there is a change in the company activities)

The imputation on the profits is limited to EUR 1 million, increased by 50% of the profits exceeding the million. The remaining deficit can still be carried forward with no time limit.

Long-term capital losses may be carried forward for an unlimited time but may be offset only against long-term gains.

The French tax authority may verify and correct the deficits incurred during a prescribed financial year, as long as they are carried forward to the profits of exercises not covered by the limitation period.

CARRY BACK

According to Article 220 quinquies of the French general tax code, a loss may be carried back and set off against a company's undistributed profits of the year preceding the loss-making year, within the limit of EUR 1 million.

Any remaining amount of loss not carried back, is carried forward with no time limit.

A request needs to be sent formally with the tax return showing the deficit carried back. The amount resulting from the carrying back of the loss can either be used to pay future corporation tax during the five following years or it can be requested as a refund after five years.

TAX INCENTIVES

Temporary tax exemptions

In certain areas, local communities (municipalities, departments, regions etc.) are allowed to grant temporary total or partial business tax exemptions to companies that settle, expand, or take over ailing companies in their jurisdiction

Young innovative enterprise

Specific measures have been created to assist new companies in which research spending accounts for at least 15% of total expenditure. They provide for partial exemption from corporate income tax, local business tax and property tax over a period of eight years.

CORPORATION TAX RATES

Corporate tax is levied at a standard rate of 25% for the fiscal year 2022 whether profits are distributed or not. For the entities with a turnover higher than €252 million the corporate tax is 27, 5% for the 2021 fiscal year.

A reduced rate of 15% is applicable for certain companies. Two conditions must be met:

- Turnover must be lower than EUR 10 million
- More than 75% of the share capital must be owned by individuals or by a mother company meeting the same conditions.

Companies whose corporate tax is higher than EUR 763,000 are liable to a social contribution amounting to 3,3% of corporate tax.

CORPORATE INCOME TAX RETURN AND PAYMENT

A self-assessment system is in place for corporate income tax. Companies file tax returns incorporating a calculation of tax payable.

Companies are generally required to file their annual tax returns within three months of the year-end. Those that have a 31 December year-end, however, may file returns up to the end of April or mid-May. Normally, tax returns are not examined when filed. They are reviewed only when the company is subject to a full tax audit by the authorities.

Corporate income tax is prepaid in four instalments. Companies with a year-end of 31 December must pay their instalments on 15 March, 15 June, 15 September and 15 December. The balance of corporate income tax is due by 15 May of the following year. In the case of a new company, no instalments are due during the first year of activity. Each of the four instalments is 81/3% of the previous year's taxable income, except in the case of patent royalties, in respect of which the instalment rate is 4.75% and, where applicable, the part of taxable income subject to the reduced 15% rate of tax, in which case the instalment rate is 3.75%. The rules governing the payment of corporate income tax also apply to the payment of the 3.3% social security surcharge.

TAXATION ON COMPANIES

GROUPS OF COMPANIES

Under the fiscal integration provisions (*intégration fiscale*), a group consisting of a French holding company (including sub-holdings of foreign groups) and French resident 95%-owned subsidiaries, can consolidate results for corporate income tax purposes, thereby offsetting current profits and losses. The group assessment is made on the parent company as the only taxpayer liable for corporate income tax on the consolidated results. Only companies that have consented to fiscal integration and whose results are subject to corporate tax can be members of the group. All the group companies must have the same financial year-end.

Newly created companies wishing to join a group must close a first tax year before being integrated.

The option for the tax consolidation plan is exercised for a five-year period that may be extended for five fiscal years in five years, but the scope of the integration is reviewable annually.

BRANCHES OF FOREIGN COMPANIES

Profits of a branch or of another permanent establishment of a non-resident company are normally subject to corporate income tax in the same way as those of a resident company. A reasonable allocation of head office expenses relating to worldwide operations may be charged to the French branch and deducted in computing its taxable income but the tax authorities may require the production of the books of the parent company before allowing this deduction. However, if the tax authorities consider that the profits computed from the branch financial statements do not properly reflect the profits earned from operations in France, they have power to attribute part of the profits of the parent company to the branch, by reference to the profits earned by similar entities in the same line of business.

The conversion of a branch into a subsidiary company is treated as a sale of the business and the creation of a new company. Unrealised capital gains will normally become subject to tax. Losses incurred by the branch will not be carried over to the company.

CONTROLLED FOREIGN COMPANY (CFC) RULES

France has CFC rules, under which the profits of a controlled company resident in a low-tax jurisdiction may be attributed pro rata to and taxable on its French-resident corporate shareholders.

The rules apply to French-resident companies that have a direct or indirect holding of more than 50% in a foreign company or permanent establishment incorporated or resident in a jurisdiction in which the effective rate of corporate tax is 50% or more less than that in France.

HEADQUARTERS OF FOREIGN ENTERPRISES

Headquarters' operations of foreign enterprises and international groups may be granted favorable tax status in France. To qualify, a headquarters must act solely for the benefit of either the foreign enterprise or the group in the areas of management, control or coordination.

Corporate income tax is charged on a deemed profit equivalent to a prescribed percentage of the headquarters' expenses (cost-plus basis). The percentage of the cost (*the plus*) is agreed for at least three years and for a maximum of five years. This arrangement applies whether the headquarters are organized as a branch or as a French subsidiary company.

Withholding taxes are levied on after-tax profits when distributed (subsidiary) or realized (branch) at the tax treaty rate.

Headquarters services are subject to VAT at the standard rate of 20%. However, they are considered '*immaterial services*' benefiting from a zero-rate treatment when invoiced:

- To any non-EU company
- To an EU company that is itself subject to VAT in its own country under the framework of the reverse charge.

Only services invoiced to a French operating company are subject to VAT. Because of the zero-rate benefit, all input VAT incurred by a headquarters office is fully recoverable (subject to exceptions provided by law).

Headquarters' operations are subject to the real estate contribution (*cotisation foncière des entreprises*) and value-added contribution (*cotisation sur la valeur ajoutée des entreprises*) just like any other company.

REPATRIATION OF PRE- OR POST-TAX PROFITS

Repatriation of pre-tax profits (in the form of payments representing interest, royalties or fees) is allowed without prior approval. However, attention must be paid to the arm's length principle which, if not met, could lead to a reclassification of these payments as dividend income. OECD commentaries, published in '*Multinational Companies and Transfer prices*', are often used by the authorities to determine if the above principle is met.

Some categories of pre-tax profits are subject to a withholding tax when remitted abroad. This is particularly true in the case of royalties (0% or 5% depending on the treaty). The payment of interest abroad is exempt from any withholding tax, provided that there is a genuine loan contract with a foreign-resident person.

Post-tax profits may also be transferred abroad without prior approval from the authorities.

Dividends from a French company to a foreign corporate recipient are generally subject to deduction of 30% withholding tax. However, dividends paid to a legal entity located in a non-cooperative state or territory (NCST) are subject to 75% withholding tax. France's double tax treaties will apply lower withholding rates to qualifying recipients.

Royalties paid to qualifying associated companies within the terms of the EU Interest and Royalties Directive (2003/49/EC) are exempt from withholding tax.

INDIRECT TAXES

VALUE ADDED TAX (*TAXE SUR LA VALEUR AJOUTÉE – TVA*)

Value added tax or VAT is charged on all economic transactions, sales and services carried out in France, no matter whether the customer is a private person or a business. VAT is a tax on consumption, not a corporate tax. Companies collect VAT on transactions and remit it to the treasury.

VAT applies in principle to all transactions made in France with very few exemptions (among them interest payments, medical services and insurance premiums).

Businesses, such as banks, that acquire both exempt and taxable supplies must apportion their input tax to compute a non-recoverable amount attributable to the exempt outputs (recovery ratio).

VAT is calculated as follows:

- The company collects VAT from its clients, less the amounts billed by suppliers to the company
- VAT incurred on certain expenses is not deductible
 - These include certain goods and services (dwelling facilities, entertainment, gifts, some petroleum derived products)
- VAT is added to the VAT-exclusive sales price. The rate applied depends on the goods and services in question.

The standard VAT rate is 20%.

A reduced rate of 5.5% applies to food for non-immediate consumption (except for pastries and any sweet goods on site or take away, for confectionery, chocolates, margarines and vegetable fats and caviar), water and soft drinks for non-immediate consumption (except for alcoholic drinks), books and live shows where eating and drinking is also possible.

A reduced rate of 10% applies to any meal for immediate consumption on site or take away (in restaurants, breweries or fast-food outlets), soft drinks for immediate consumption (except alcoholic drinks), non-refundable medicines, hotels and passenger transportation, cultural events.

A reduced rate of 2.1% is also applicable for refundable medicines, some newspapers.

There are other specific rates for overseas departments and Corsica.

VAT returns need to be filed on a monthly basis whenever a company pays more than EUR 4,000 in VAT annually. If the annual payment is less than this amount, returns can be filed quarterly.

Calculation of VAT is based on all output VAT on goods invoiced and all output VAT on services paid and all input VAT on goods purchased and all input VAT on services paid. Where input exceeds output, taxpayers can file a claim for a refund of the excess or carry the credit forward.

All companies have to declare and pay their VAT electronically, either via the tax office web site (www.impots.gouv.fr), or by using the EDI portal.

Based on the article 196 of the 2006/112/EC directive applicable on the 1 January 2010, the 'reverse-charge' mechanism has to be used for any deliveries of goods within the EC and all business to business services (except for services related to intermediates, buildings, transportation, culture, art or scientific benefits, services on goods, transportation rents, food services, web services and travel agencies).

REGISTRATION DUTIES

Traditionally, the registration formality consists in analysing a deed by a civil servant who assesses and collects the duties provided for by law.

Registration has a tax purpose, but the formality also has a civil consequence; it gives the deed a legal date and in certain cases, it determines the validity of legal deeds.

Normally, the presentation of deeds is accompanied by the payment of duties. However, in certain cases, payment may be in instalments or deferred.

The rate of registration duty applying to a transfer of goods depends on the nature of the transfer and the type of goods transferred.

The main registration duties are as follows:

- Sale of real property
 - Duties on sales of real property are collected when the property is transferred. In addition to tax on the registration of real property transactions, such a transfer gives rise to additional local taxes
 - Land registration tax paid to the department is calculated in principle at a single 4,5% rate
 - Departments may adjust the rate, though it may not be less than 1.2% or more than 3.8% (except for sales per batches where rates can be reduced to 0.5%)
 - An additional tax of 1.2% is collected for appropriation to the municipality or to a department equalisation fund
 - A 2.37% levy is collected for appropriation to the state, assessed on the amount of the department duty in respect of 'assessment and collection costs'

- Sale or transfer of goodwill
 - Transfer of businesses is taxed according to a banded scale and the goodwill value. It is subject to transfer duties at the rates of (Articles 810, III and 1717 of the FGTC):
 - 3% of the portion of the price between EUR 23,000 –200,000
 - 5 % of the portion of the price over EUR 200,000
 - For transfers made in specific geographical zones (with incentives), the rates are as follows:
 - 1% of the portion of the price included between EUR 23,000–107,000
 - 3% of the portion of the price included between EUR 107,000–200,000
 - 5 % of the portion of the price over EUR 200,000.
 - If the transfer is a contribution to a company, a fixed amount of EUR 375 or EUR 500 usually applies (the same as for a cash contribution). This is applicable if the contributor makes the commitment to keep the shares during three years.

- An increase in capital by way of new contribution is subject to the same tax regime as the contributions made during the formation of the company. Pure and simple contributions are recorded free of charge except in the case of the contribution of certain goods to a company liable to corporation tax by a person not subject to this tax. In this case, the pure and simple contributions give, for the buildings, the right of 5% and, for the goodwill, customers or rights to a lease, the right of 3% on the fraction between EUR 23 000 and 200 000 and 5% on the excess of EUR 200 000 (no tax on the fraction below EUR 23000). However, these contributions are registered free of charge if the provider undertakes to keep the securities given in return for its contribution for three years (Articles 809, I 3° and 810 of the FGTC).
- An increase in capital by way of a cash contribution or through capitalisation of reserves is subject to the same registration duty rules as if that capital contribution had been made at the company's incorporation (EUR 375 or EUR 500).
- Transfers of corporate rights (Article 726, I of the FGTC)
 - A 0.1% registration duty will be charged when a document recording a transfer of shares 'actions' is executed
 - For shares classified as '*parts sociales*', the rate is 3% with a relief equal to EUR 23,000 divided by the total number of shares and applied to the value of each share
 - When the transfer of shares concerns real estate, the registration duty amounts to 5% without any cap.

TERRITORIAL AND ECONOMIC CONTRIBUTION (CET)

Individuals or legal entities, unincorporated companies or trustees, in respect of any activity governed by a trust agreement, and carrying on a regular non-salaried business activity in France are liable to the CET.

The CET tax comprises two separate contributions:

- The business premises contribution tax (*Cotisation Foncière des Entreprises* – CFE, Article 1447 of the FGTC):
 - An activity is liable of the CFE when it simultaneously fulfills the following conditions: the activity has an usual character, is exercised in a professional capacity, is an unpaid activity and is exercised in France
 - The business premises contribution tax base is comprised of the rental value (less 30% for industrial plants) of property liable to property tax in France, excluding property exempt from property tax on developed land (machinery and other equipment used to operate industrial plants and the fixed assets used for photovoltaic electricity generation), which the taxpayer used, for business purposes, during the reference period. This does not include assets destroyed or disposed of during the same period.
 - The reference period is usually the penultimate calendar year prior to the taxation year or the last twelve-month financial year closed during the said year (when this financial year does not correspond to the calendar year). A prepayment is made in June and the balance is paid in December.
 - Any modification of the real estate value is to be sent to the tax office by the end of each calendar year if applicable on a specific return
 - Network activities get additional taxes according to specific activity criteria:
 - Onshore and offshore wind turbines, power plants, photovoltaic or hydraulic plants, power transformer, radio stations, railcars, main phone splitters.

The minimum contribution is not payable by taxpayers with a turnover or income of €5,000 or less.

- Value added contributions (*Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE,

- Article 1586 ter of the FGTC:
 - The CVAE is determined on the basis of the turnover achieved and the value added produced during the tax year or during the last twelve-month period ended in the same year when this year does not coincide with the calendar year.
 - The declaration of this contribution is due by any company submitted to CFE which has a turnover greater than EUR 152,500. It needs to be sent at the same time as the tax return
 - The contribution for the year 2021 is based on 0,75% of the added value (defined as sales minus purchases and opening inventory) of the companies having a turnover greater than EUR 500,000. This amount is however discounted when the turnover is less than EUR 50 million. From 2018, the rate is also calculated in adding the turnover of group companies in France.
 - A minimum of EUR 250 is due whatever the amount of the value added
 - The tax is paid and declared electronically with two instalments, one in June and one in September based on the value added of the previous year. The balance is paid in May the following year when declaring the final tax.

The draft finance law for 2023 provides for the abolition of the tax in 2024.

Both contributions are tax deductible.

- Tax rates vary widely from one local authority to another but the tax payable may not exceed 3% of the added value of the business
- If the amount of the CET exceeds 3% of the added value, a refund request can be sent to the tax administration

OTHER TAXES ON BUSINESS

PAYROLL TAX

Employers who are not subject to VAT on at least 90% of their income are subject to a payroll tax

The payroll tax is assessed on the gross total amount of cash remuneration plus benefits-in-kind.

The payroll tax is payable at a normal rate of 4.25%, which is increased to 8.5% on the part of annual individual salaries between EUR 7924 and EUR 15822 and to 13.6% on the part exceeding EUR 15822. The tax has to be declared and paid electronically.

APPRENTICESHIP TAX AND TRAINING TAX

According to Article L6131-1 2° of the Labor Code a new training tax is created to replace the former apprenticeship tax and training tax

As from January 2019, the new training tax is paid monthly instead of an annual payment in February of the following year

Employers are subject to this tax at a rate of:

- For the training tax part
 - 1% if they employ at least 10 people
 - 0.55% if less than ten people are employed.
- For the apprenticeship tax part
 - tax exemption for the year 2019, from 2020 the applicable rate is then 0.68%

COMPULSORY HOUSING INVESTMENT

Employers with at least twenty staff must allocate to a housing program an amount equal to 0.45% of annual salaries paid. The payment is due before December 31 of each year.

COMPANY CAR TAX

Companies are liable for an annual tax on automobiles that they (or their employees) own, rent or use.

This tax has been extended to personal cars used for professional purposes by employees and managers.

Exemptions are applicable for some non-polluting vehicles

This tax is declared and paid with December VAT return each year at the latest for the period covering the January 1st – December 31st.

OTHER TAXES

The 'social contribution of solidarity' (C3S) applies to companies with a turnover higher than EUR 19,000,000 (being also a reduction of basis), which must pay this tax equal to 0.16% of the turnover declared. In general, the basis of assessment for the C3S is the turnover falling within the scope of application of turnover taxes, i.e. the sum of the sums subject to VAT, or those which, while falling within its scope, are exempt from it. Declaration and payment of this tax must be done electronically by 15 May at the latest. An instalment of C3S must be paid every year as from 2017 before December 15th for companies with a turnover exceeding EUR 1 billion.

The retail space tax (TASCOM) has been applied to retail space larger than 400m² on businesses with a local turnover higher than EUR 460,000 ex VAT and an opening date after 1960. The tax rate ranges from EUR 5.74–34.12m² and varies according to the surface area and total turnover.

INTRASTAT RETURNS

THE GOODS TRADE DECLARATION (DEB)

Each month, companies are required to fill out the goods trade declaration (DEB) covering intra-Community trade in goods with other member states of the EU and file this with customs.

The goods trade declaration must report all trade in EU goods (or goods from countries outside the EU on which duties and taxes have been paid) between France and other member states, including:

- Intra-Community trade in products subject to excise tax
- Goods imported to France on which duties and taxes have been paid and which are dispatched to another member state (declaration of dispatch to the other member state)
- EU goods dispatched from France to another member state from which they are then exported
- Delivery intrastat returns are to be filed from the first euro sent to another member
- Acquisition intrastat returns are to be filed from EUR 460,000 received from another member of the EU.

Companies must choose one of the four reporting obligation levels, depending on the amount of arrivals and dispatches from 1 January through to 31 December of the previous year.

As of 1 January 2022, the declaration of trade in goods (known as the "DEB"), which combined the periodic statistical declaration and the recapitulative statement of customers, is abolished as such and replaced by two separate procedures: a statistical survey and a recapitulative statement of customers for VAT purposes.

From 1 January 2022, the current version of the DEB is repealed and replaced by two separate procedures: the statistical survey and the tax recapitulative statement

THE EUROPEAN SERVICE RETURN (DES)

This return is to be made by the provider of services to European companies subject to VAT (cost plus agreements are included). This return is different to the DEB above.

The transactions to mention on the DES are sales of services to the EU with reverse charge VAT (business-to-business transactions).

DISCLOSURES

FULL AND SIMPLIFIED TRANSFER PRICING DOCUMENTATION

Transfer pricing is now one of the most important issues for multinational companies with cross-border group transactions. The tax authorities have the power to adjust for transactions between related parties that are not at arm's length rates.

Since 1st January 2010, new transfer pricing documentation requirements apply in France in case the company fulfils one of the following conditions:

- at least 400 million Euros of turnover excluding tax or in case its total gross assets is at least 400 million Euros,
- or with more than half of its share capital or voting shares belonging directly or indirectly, at financial year end, to a corporate body meeting the conditions outlined here above;
- or holding more than half of the share capital or voting shares, directly or indirectly, at financial year end, of a corporate body meeting the conditions outlined here above;
- or part of a tax consolidation group when said tax consolidation group contains at least one corporate body meeting the conditions outlined here above.

In case of a tax audit, should the company meet the conditions outlined here above, the company must be able to present to the tax authorities the contracts concluded with other entities in the group as well as documentation justifying the transfer pricing policy carried out in the context of transactions with foreign related companies.

Moreover, those companies must provide within 6 months of the deadline to submit the annual tax returns, a simplified transfer pricing documentation (TP return).

As from YE 31 December 2016, companies with a turnover or total balance-sheet at least equal to 50 million Euros must also submit a TP return even though they do not meet the criteria for the full transfer pricing documentation.

For financial years beginning on January 1, 2018, the documentation to be compiled must include a Master file providing information on the group of associated companies and a Local file providing information on the verified company. Although, this documentation must still be sufficiently precise to enable the French tax authority to assess whether the transfer pricing policy implemented by the audited firm complies with the arm's length principle and the standards OECD. The documentation must be made available to the administration on the date of engagement of the accounting audit; it does not replace the supporting documents pertaining to each transaction.

Only items above 100 000 Euros have to be declared in the simplified TP documentation.

Failure to produce the full transfer pricing documentation can lead to a penalty of a minimum of 10 000 € which may be increased to the higher of the following two amounts, depending on the seriousness of the breaches (CGI Art 1735 ter)

- 0.5% of the amount of the transactions concerned by documents or complements that have not been made available to the French tax authority after formal notice (whether or not there is a correction); "Transactions" shall be understood to mean any transaction between associated companies that may have an impact on net income within the meaning of Article 38, 1 or 2 of the FGTC, including transactions carried out between a head office and its intra-group branches. ;
- or 5% of the rectifications of the result based on Article 57 of the FGTC and relating to the transactions concerned by documents or complements that have not been made available to the administration after formal notice; this fine applies to the amount of profits transferred outside France and not to the corresponding corporation tax, which makes it also payable by loss-making companies. "Documents or additions which have not been made available to the administration" include, in particular, documents or additions which, although formally made available to the administration, do not enable it to assess whether the TP policy implemented by the audited firm is consistent with the arm's length principle and OECD standards.

Failure or errors in the TP return can lead to a penalty of 15€ per omission with a minimum of 60€ and a maximum of 10 000 €.

It is possible for taxpayers to obtain advance pricing agreements. [ANNUAL](#)

FEES RETURNS

All companies must disclose to the tax authorities details regarding fees, commissions and assimilated expenses performed during the calendar year.

This disclosure mentions all details (name, address, Siret number, activity, amount incl. VAT) regarding the providers.

Failure to proceed with this disclosure can entail a penalty equal to 50% of the undeclared amounts.

TAXES ON INDIVIDUALS

TERRITORIALITY

According to Article 4 B of the FGTC, French residents are taxed on their world-wide income and capital gains, subject to certain treaty exceptions, whereas foreign nationals in France are only taxed on their French-source income.

Taxpayers are considered as having their fiscal domicile in France, whether they are French or foreign nationals:

- persons whose home or principal place of residence is in France;
- those who exercise a professional activity in France, whether employed or not, unless they justify that activity is an accessory one;
- those who have in France the center of their economic interests.

Only one of these three criteria is necessary to lead to tax domiciliation in France.

Residence is usually determined under the tax home test (*foyer fiscal*) or the 183-day rule. A French *foyer fiscal* is established if an individual and his family (if any) moves their household to France. Under the 183-day rule, residence is established if the individual spends over 183 days in France in any calendar year.

If an individual is a French resident under French law and, concurrently, a resident of another country under the laws of another jurisdiction, tax treaties provide *tie-breaker* rules so that the individual will only be deemed a resident of one country at a time. The tie-breaker tests include the location of a permanent home, the centre of economic (vital) interests, the location of a habitual abode and the citizenship of the individual.

TAXATION

Taxation is calculated on the total income of the fiscal household (*foyer fiscal*), which includes any income of a spouse or children. The rate of taxation is inversely proportional to the size of the household—the more people in the household, the lower the rate. Taxable income is divided by a certain number of units (*quotient familial*), which depend on the size of the taxpayer's household. The taxable period is the calendar year.

Personal income tax from employment income is withheld by the payer; usually the employer.

French residents are subject to progressive tax rates ranging from 0–45 %. However, certain adjustments ensure a more moderate average rate of taxation.

According to Article 223 sexies of the FTGC high revenues are subject to a tax based on the taxable income of 3% (between EUR 250,000–500 000) and 4% (if higher than EUR 500,000).

French taxes are mitigated for families by the 'family quotient' system, which allows a household to divide its income to reflect the numbers of dependents ('parts') before progressive rates are applied.

The first two children count as one-half of a part each, while each additional child is counted as a full part.

A real estate wealth tax (“IFI”) is levied on individuals whose cumulative real estate fair value at 1st January (owned directly or indirectly) exceeds EUR 1,300,000. Unless an international convention provides otherwise, French residents are taxed on their worldwide assets. However, several items are exempted from taxation, in particular professional properties.

Unless an international convention provides otherwise, non-residents are also affected by the real estate wealth tax but only on real estate located in France.

Real estate wealth tax for 2021 (IFI)

ARNINGS (EUR)	REAKDOWN (EUR)	RATE APPLICABLE	WEALTH TAX (EUR)	TOTAL TAX
less than 800,000	800,000		Exempt	
00,001–1,300,000	500,000	5%	2,500	2,500
,300,001–2,570,000	1,270,000	7%	8,890	11,390
,570,001–5,000,000	2,430,000	0%	24,300	35,690
,000,001–10,000,000	5,000,000	25%	62,500	98,190
more than 10,000,000		50%		

FLAT TAX

Dividends and interests are subject to a single flat-rate levy (UTP) of 30%, unless the global option for progressive rates of tax is chosen, consisting of:

- 12.8% in respect of income tax;
- 17.2% for social security contributions.

7.ACCOUNTING & REPORTING

ACCOUNTING PRINCIPLES

FORM AND CONTENT OF FINANCIAL STATEMENTS

The form and content of financial statements are defined in the 'General Chart of Accounts' (regulated by recent ANC regulation 2018-08). The basic financial statements included in annual reports to shareholders are:

- a) A balance sheet, where headings are classified by function (e.g. finance and customers) rather than by liquidity
- b) An income statement, where revenues and expenses are classified by origin, and are systematically analysed under three overall categories:
 - i. Operating revenues and expenses
 - ii. Financial revenues and expenses
 - iii. Exceptional revenues and expenses
- c) Explanatory notes
- d) SAs, SASs and SARLs, as well as GEIEs and GIEs with either annual revenues of more than EUR 18 million or more than 300 employees, are required to provide forecast accounts (financial information, balance sheet and income statement forecast) to their statutory auditors and works council.

Listed companies, on a regulated market, have the obligation to present their consolidated financial statements according to the IFRS. IFRS standards cannot be applied for the statutory accounts but only for the consolidated accounts.

The statutory auditor's opinion and the directors' report must also be included in the annual report.

The financial statements and the statutory auditor's and directors' reports must be filed with the Commercial Register and are available for inspection by the public for most of the companies.

OBLIGATION CONCERNING THE SUBMISSION OF AN ELECTRONIC ACCOUNTING JOURNAL ENTRY AT THE BEGINNING OF THE TAX AUDIT (FEC)

The obligation, codified in article L47 A I of the book of tax procedures, applies to all fiscal controls as from 1 January 2014.

The administration has published the practical procedures for application. [SCOPE](#)

The verification notices sent to all companies keeping their accounts by means of computerized systems from 1st January 2014, for the fiscal years beginning on or after 1st January 2011 must be documented by a compulsory File of the Accounting Entries (FAE –In French "FEC") containing all the transactions for each year.

The file format has been standardized by the tax authorities, and must include:

b.18 specific fields:

1. Code of journal
2. Full text of the journal
3. Accounting entry number
4. Accounting date of entry
5. Account number from the French Chart of Account
6. Account name
7. Auxiliary accounting record
8. Full text of auxiliary account
9. Internal or external item reference
10. Items
11. Item registration date
12. Literal identification of reason for entry
13. Debit amount in euros
14. Credit amount in euros
15. Indication of matching code 15-Matching date of entry
16. Date on which the registration of entry is final
17. Amount of transaction in foreign currency
18. Text of the currency used.

Failure to prepare the journal within 30 days is punishable with a minimum fine of 5,000 euros for each year audited, able to reach 10% of the reassessment.

In the case of the journal is still incomplete, a fine of 0.5% of the turnover and penalties for opposition to tax audits (i.e. rejection of the accounts) are applicable.

HEADINGS

- c. It is not necessary to report the analytical information related to the records or the associated supporting documents,
- d. The FEC language used must be in French,
- e. The file can be a flat file type (ASCII) or comply with the XML format (XSD type structure, see the website impots.gouv.fr)

SAVING THE FAE

The FEC must be saved in order to freeze the data and give a specific date.

It must be named in accordance with the following convention: SIRENFECYYYYMMDD (Company SIREN code, "FEC", closing date of the year in question)

The file may be saved:

- f. On CD-ROM or DVD-ROM
- g. Via an archiving service

CHART OF ACCOUNT

UHY GVA can help you if you want to establish a mapping applicable to your company and test your FEC files.

AUDITING

PACTE law lightens audit obligations with the aim to encourage small companies to grow.

One important change brought about by PACTE law is the elimination of the duty to use outside auditor for SA companies below certain size thresholds. As discussed above, previously SA companies were subjected to an audit requirement, regardless of their size. This is no longer the case.

For SA, SARL and SAS (and all other commercial company types), the new requirement for outside auditor use applies to companies meeting two out of the following three conditions at the end of a fiscal year.

- 1) Balance sheet total > 4.000.000 €
- 2) Revenues excluding tax > 8.000.000 €
- 3) More than 50 employees on average
Specific rules applies in groups

Audits are conducted by professionals (statutory auditors / *commissaires aux comptes*) registered with the Institute. Statutory auditors are appointed by the shareholders for a period of six financial years and three financial years in the event of voluntary appointment.

The statutory auditor issues formal annual reports to shareholders:

- h. Auditor report – the auditor’s report must include an opinion with appropriate justification on the financial statements and on legal compliance
- i. Special report – the special report contains disclosures of those transactions between a company and its directors that either lie outside the normal course of business of the company or are not at arm’s-length
- j. Internal control report (only for companies quoted on the Stock Exchange) –this report presents the observations of the statutory auditors on the report of the president concerning the internal control procedures regarding the development and the treatment of the accounting and financial data processing. The purpose of the statutory auditors is to ensure the information contained in the report of the president is presented in a sincere way, is relevant and is not likely to be misinterpreted.
- k. More reports and more detailed reports are required for listed companies

8. UHY REPRESENTATION IN FRANCE

CONTACT DETAILS

UHY GVA
Immeuble Le Green
241 rue Garibaldi
69003 Lyon
France
Tel: + 33 6 75 00 83 66
www.uhygva.com

CONTACTS

Liaison contact: Emmanuel Gayte
Email: emmanuel.gayte@gva.fr

Liaison contact: Patrick Hianasy
Position: Managing Partner
Email: patrick.hianasy@gva.fr

SOCIAL MEDIA CONNECTIONS

- Google+: <http://www.uhygva.fr/about.html>

Year established: 1975
PCAOB registered?: Yes
Number of partners: 10
Total staff: 10

ABOUT US

UHY GVA is committed to providing high quality services to its customers. UHY GVA's multidisciplinary teams offer a wide range of services to assist foreign companies in every aspect.

OTHER IN-COUNTRY OFFICE LOCATIONS AND CONTACTS

UHY GVA has a wide presence in France : Paris, Lyon, Lille, Toulouse, Montpellier, Marseille, Saint Denis de la Réunion.

BRIEF DESCRIPTION OF FIRM

The firm is based in a well located area within walking distance from the Champs-Elysees. Our team provides added value services and shares values such as proactivity, search for client satisfaction, open mindedness and ethics. Our total staff is of around 80 and is able to provide a wide range of services. UHY and its international culture is very present in our day to day operations. UHY GVA is also very active within the profession.

SERVICE AREAS

Audit, accountancy, bookkeeping, outsourcing services, HR advisory, Transaction Services/
Corporate Finance
Company secretarial services
Corporate and personal tax
Corporate finance – acquisitions, sales, evaluation
General business advice and strategic planning
Tax outsourcing services
Payroll and human resources administration

SPECIALIST SERVICE AREAS

International business services
Appraisal expertise
Corporate finance expertise
Human Resources and payroll



The network
for doing
business

PRINCIPAL OPERATING SECTORS

Energy and energy-related sectors
Financial services
High tech
Manufacturing, retail and distribution
Charities
Aeronautics
Fashion
Investment funds

LANGUAGES

French, English, German, Spanish, Arabic.

CURRENT PRINCIPAL CLIENTS

Confidentiality precludes disclosure of clients.

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

Argentina, Australia, Belgium, Canada, Czech Republic, Germany, Hungary, Israel, Italy, Ireland, Luxembourg, Netherlands, Spain, Switzerland, UK, USA.

BRIEF HISTORY OF FIRM

Established in 1975, GVA joined UHY in 1989. In 1998, UHY GVA became a founding member of the Différence network, a group of eight accountancy firms in France. GVA is a very proactive firm with an international focus. Our team is dedicated to its clients.

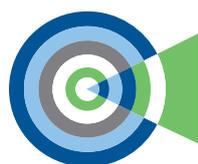
On 1 January 2010, GVA acquired an auditing and accounting firm (ARCCA) of 15 people with great expertise in the public sector and not-for-profit environment.

On December 2019, GVA joined Sémaphores and Alpha Group. Groupe Alpha and as a consequence UHYGVA advice public and private sectors. Our firm's auditing, consulting and support activities help our clients accomplish their changes and transformations. We cover the most significant cities in France : Paris, Lyon, Toulouse, Lille, Montpellier, Marseille, Saint Denis de la Réunion.

The firm is currently managed by 3 partners Philippe Bonnin, Patrick Hianasy and Emmanuel Gayte.

The total partnership is currently composed of 9 partners.

GVA is ISO 9001 certified and USAID accredited.





LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at www.uhy.com to find contact details for all of our offices, or email us at info@uhy.com for further information.

UHY is an international network of legally independent accounting and consultancy firms whose administrative entity is Urbach Hacker Young International Limited, a UK company. UHY is the brand name for the UHY international network. Services to clients are provided by member firms and not by Urbach Hacker Young International Limited. Neither Urbach Hacker Young International Limited, the UHY network, nor any member of UHY has any liability for services provided by other members.

UHY GVA (the "Firm") is a member of Urbach Hacker Young International Limited, a UK company, and forms part of the international UHY network of legally independent accounting and consulting firms. UHY is the brand name for the UHY international network. The services described herein are provided by the Firm and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

© 2023 UHY International Ltd