



Doing Business in France

Edition 2024

forv/s
mazars

Introduction

Forvis Mazars is a leading global professional services network. Uniquely formed of just two members, it is designed to be agile, to deliver consistency and with the global scale to meet clients' needs.

- Two members operating under a single brand - Forvis Mazars Group SC, an internationally integrated partnership operating in over 100 countries and territories, and Forvis Mazars LLP in the United States.
- Committed to providing an unmatched client experience, delivering audit & assurance, tax, advisory, and consulting services around the world.
- Our strategic mission is to move our clients, people, industry and communities forward.

Based on an innovative and customised interpretation of its issues, Forvis Mazars is not only a warranty of reliability based on recognized technical expertise, but also a promise of value creation and performance optimization. In a multipolar world, Forvis Mazars knows that collective intelligence gives rise to the most relevant solutions and, in this way, sets out to have all experts serve a progress dynamic that benefits beyond clients to all.

In France, Forvis Mazars is one of the 2nd auditors in number of SBF 120 mandates with a knowledge network of more than 3,940 people. The Group has long since established itself as the independent

challenger, able to deliver fluent and tailor-made solutions to large international groups and their subsidiaries. The complete, adaptable, and flexible services offered allow us to be the ideal partner of small and medium-sized companies and individuals. Our French offices include an outsourcing and accounting department of more than 300 people, with specialized English-speaking professionals able to perform suitable accounting and administrative work for our clients in their expansion, in particular within the framework of outsourcing engagements. Moreover, having in-house lawyers allows us to be very reactive to the requests of our clients should they need assistance on specific subjects.

Over the years, Forvis Mazars has been working with many businesses establishing themselves within France. They have all experienced the frustration of getting to grips with the complex regulatory environment. The overall purpose of this guide is to provide valuable information and tips to foreign businesspersons when planning to launch a business in France.

Disclaimer: The information contained in this document is general only. It is not meant to be comprehensive, and you should not act upon the information contained in this publication without consulting a professional in connection with any matter or issue.

Forvis Mazars cannot be held liable for any actions or business decisions taken on the basis of information in this booklet.

Executive summary

Why France such a great place to do business?

Investing in France has many advantages. With more than 68.5 million people, and the second largest market in Europe, France is critical for most global companies. As a location, France offers a predictable and transparent legal system, outstanding infrastructure, and access to one of the world's most lucrative consumer markets.

Economy: Take advantage of the seventh largest economy in the world, with a GDP of approximately € 2.600 billion.

Consumer market: global companies operate in France to be closer to their suppliers and customers within a dynamic marketplace.

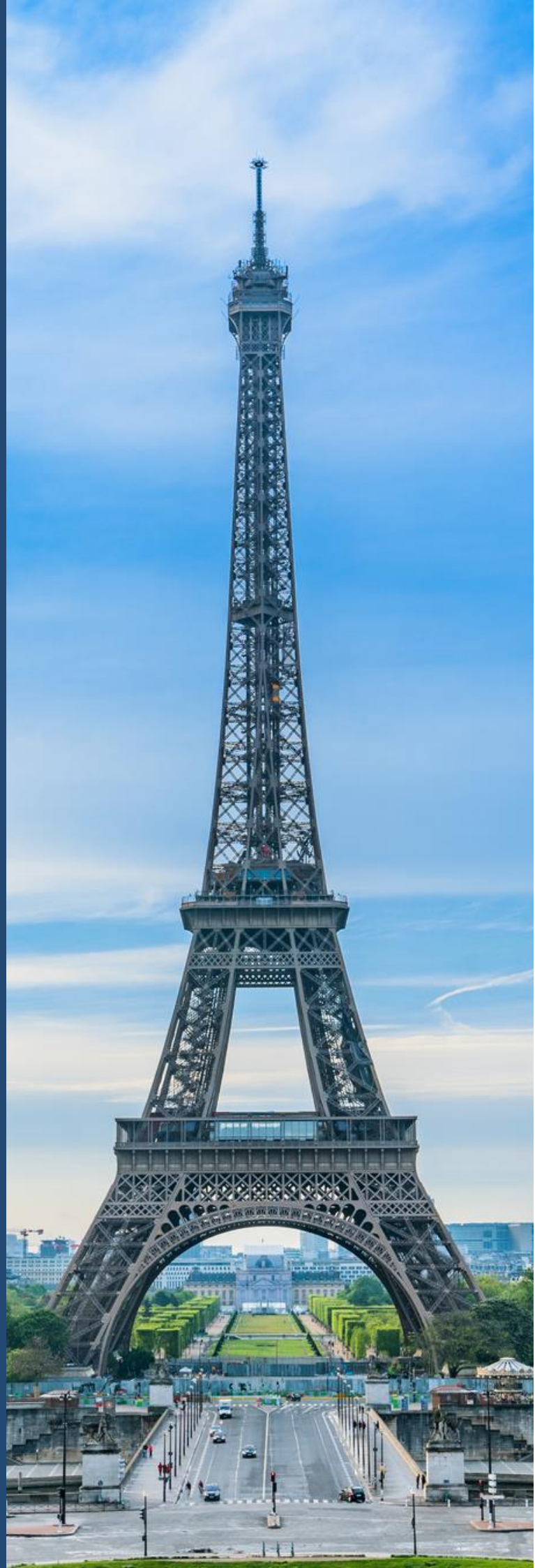
Research and Development: France offers the most generous research & development tax treatment for companies.

Technology: French companies are leaders in breakthrough technology and innovation in key industries ranging from electronics, transportation, tourism, food processing and luxury.

Productive Workforce: investors in France gain access to a highly productive and adaptable workforce. The French workforce ranks as one of the best educated, most productive, and most innovative in the world.

Transportation/ Infrastructure: France has one of the largest paved roadway systems, railway networks, and number of airports in the world. Its strategic location serves as a hub to address both eastern and western European markets.

Dynamic service sector: an increasingly large share of economic activity relies on services and internet technology, and it accounted for a large part of job creation in recent years.



Sommaire

- 4 Designing your project
 - Choosing the right vehicle
 - Simplified formalities in few steps
 - Premises
 - Opening a bank account

- 11 Your first steps as an employer
 - Hiring staff
 - Compensation and benefits
 - Specific social schemes for the association of employees
 - Payroll taxes and government subsidies

- 18 Accounting and reporting requirements
 - Recurring Accounting and compliance requirements
 - Audit of Financial Statements
 - Year-end legal paperwork
 - Sustainability reporting

- 25 Shedding light upon French taxes
 - Corporate Income Tax and tax benefits
 - VAT
 - Other taxes
 - International taxation highlights

- 34 How we can help

Designing your project

Choosing the right vehicle

Simplified formalities in few steps

Premises

Opening a bank account



Designing your project

Choosing the right vehicle

As exciting as launching a business could be for any project holder, it is of great importance to figure out your main investment objectives and goals in order to pick the right “vehicle” and cruise through one of the best business-friendly places in the world.

Liaison office

Utilizing a liaison office is the perfect way to perform non-commercial activities, such as prospecting, advertising, providing information, storing merchandise, or other operations of a preparatory or auxiliary nature.

A liaison office is the best lookout for enabling foreign parent companies to gain new contacts on the spot with various interlocutors (potential customers, suppliers, etc.), collecting information and ensuring clear communication and public relations before “going live”. Bear in mind that the liaison office can never conclude a contract in the name and on behalf of the parent company since its purpose is not to carry out commercial activity.

The office plays only a relay role, in preparation for the negotiation of commercial contracts between customers and the foreign company. Invoices and contracts must be sent and signed by the foreign parent company.

Liaison offices are not subjected to corporate tax or VAT as they are not considered permanent establishments and are not involved in commercial activities.

Branch

Within France, a branch of a foreign company is just an extension of its parent company.

Its management is carried out by a representative of the parent company (manager) who has the power to deal with third parties. It has a certain independence in the

management of the branch (responsibility for the goods, initiative in the execution of the commercial activity, hiring of staff) while remaining under the control of the foreign-based corporate’s head office.

It has its clientele that deals with it directly, and it acts on behalf of the foreign-based corporate’s head office.

What features would make it a suitable choice for me? Setting up a branch would cater for investors that:

- want to have a light permanent establishment in France
- already have a good experience and knowledge of the French market
- seek to avoid statutory audit requirements
- seek to avoid financial statements filing with the Commercial Court
- need to obtain a VAT number in France for business purposes and a specific project (building site...)
- seek to avoid the 3% levy on dividends paid if the company is located in an EU country and is not a SME

Expand into France and let your company branches expand your business family tree by including a fully owned brand-new French subsidiary. This is the most common way to adopt a portfolio approach when considering an investment in France.

Subsidiary: a glimpse of the legal forms

As the issue at hand is to set up a wholly owned French company, there are many reasons a subsidiary makes sense with respect to:

- satisfying existing customers and prospects with a legal presence in France
- manufacture of goods, assembly of products, or provide services
- being protected against liability claims
- minimizing certain tax or customs duty-related costs
- segregating subsidiaries' and parent companies' assets for liability purposes
- applying for government support when starting up or expanding

The subsidiary must pay all applicable taxes like any regular French corporation. Investors are advised to seek specialist legal advice when setting up a subsidiary. The most common legal forms are set out below to provide a short overview.

« Société à Responsabilité Limitée » (SARL)

The Limited Liability Company (SARL) is a commercial company where the shareholders' liabilities are limited to the amount of their contribution represented by the company's shares. To become a legal entity, the company needs to be registered in the Trade and Companies Register (RCS).

The share capital can be held either by one or several natural persons or legal entities (whether incorporated in France or in a foreign jurisdiction) and no minimum requirement applies to the capital.

The SARL is run by one or several general managers ("gérant(s)") appointed by the shareholders:

- the manager ("gérant") is necessarily a natural person, whether he is or is not shareholder of the company,
- the manager can be dismissed on justified grounds ("juste motif") only.

Decisions are made through ordinary general meetings or extraordinary general meetings depending on stakes. The financial statements must be filed with the Commercial Court once a year.

« Société par Actions Simplifiée » (SAS)

The Simplified Stock Company (SAS) is also a commercial company. The share capital can be held either by one or several natural persons or one or several legal entities (whether incorporated in France or in a foreign jurisdiction). The liability of the shareholders is limited to the capital invested and the share capital can be freely decided within the articles of association.

Its main feature is a greater freedom to draft their articles of association with respect to internal organisation and decision-making process.

The administration and management are governed by the articles of association:

- the appointment and dismissal of the Managers (Chairman/CEO, Managing Director, so called Directeur Général and Directeur Général Délégué)
- the number of Managers, their term, their compensation, and their powers

It is possible to allow the dismissal of directors without providing for justified grounds and compensation.

The SAS can be managed either by an individual or a legal entity (whether shareholder or not).

If a legal person is appointed as director, the director of this legal person is personally held liable for civil and criminal charges, as if appointed in person. The SAS can also be managed by a collegial executive body.

The mechanisms of control are also freely decided upon within the articles of association. Such as in a classical public limited company (French "SA"), a supervisory board can be provided for.

The sole executive body that is provided for by law is the "président", who disposes of the complete authority to represent the company towards third parties. This stands even if a collegial body is appointed for the management of the company. Only one "président" can be appointed. One or several general managers ("directeurs généraux") can be given the authority to represent the company towards third parties, if the articles of association provide for it.

« Société en Nom Collectif » (SNC)

The General Partnership is a commercial company of two or more individuals or corporate partners, with the status of merchants (“commerçants”). Each partner is wholly and jointly liable for the debts of the company, which is tantamount to an unlimited liability.

The rules for the sharing of profits and losses between partners are not necessarily proportionate to the partners’ share of capital but derived from what has been decided within the articles of association.

There is no minimum capital requirement, the status of each partner relates to its contribution to the nominal capital, and each partner receives shares in return for their subscription. Contributions may be either in cash or in kind.

The shares may be sold, when authorised by all the other partners.

“Société Anonyme” SA

The Public Limited Company (SA) is a commercial company. Its capital is divided into shares, owned by at least seven shareholders (or two if the company is not listed) with limited liability.

Their financial commitment towards the company is limited to the value of their share in the capital of the company. They can be individuals or legal entities. This legal form is suitable for listed companies.

The articles of association must contain the name of the company, lifespan (maximum 99 years, renewable), activity, registered office address, amount of share capital, the founder’s name, management, and name of the statutory auditors. The articles of association are signed by the shareholders themselves or a representative and should be published in an official journal.

To obtain legal entity status, the company needs to be registered at the Commercial Register.

The capital of at least € 37 000 must be subscribed, in cash and/or in kind, and deposited at a bank or with a Notary Public in an escrow account. Subscriptions in kind are assessed by a professional, namely the valuation auditor.

« Société Civile Immobilière » (SCI)

The Real Estate Company (SCI) is often used to acquire properties in France. This provides a form of corporate ownership with minimal French taxation. It allows the owners of properties in France to organise their estate planning effectively for succession purposes.

Since 1978, civil companies need to be registered. The partners (at least two) are individually but not jointly liable to the creditors for the company’s debts. Their liability is not limited to the amount of contribution in the capital of the company. A new partner joining the company will therefore be liable for future and past debts. Therefore, there is no requirement for a minimum amount of capital. The capital of the SCI is divided into shares.

All profits made by a SCI whose associates are individuals will therefore be taxed in France as personal income tax, making the SCI a transparent company. However, if the SCI carries out a commercial activity it will be liable to French corporation tax.

A SCI is not required by law to file financial statements with the Commercial Court (as required for commercial companies).

Designing your project

Simplified formalities in few steps

A “one-stop shop” called Guichet Unique is the place where all the logistics for creating a new company can be dealt with. It handles all administrative details, gathers all necessary documents, and delivers them to the relevant authorities. It then only takes a few days for a company or branch to be recorded in the Company Register.

The 10-step process for the setting-up of a company in France:

1. Figuring out the most appropriate type of legal structure
2. Seeking business premises for the company's registered head office: business address agreement vs commercial lease (a domiciliation with a domiciliation company is possible)
3. Drafting of the company articles of association which requires preliminary steps to be taken (Head office address, definition of business, shareholders, choice of the chairman...)
4. Constituting the share capital: opening a bank account in France and transfer of the capital of the company being formed
5. Signing the company articles of association with the appointment of the chairman (managers) of the company and of the statutory auditors (if applicable)
6. Publishing the notification of establishment in a legal newspaper
7. Registration of the company at the trade and companies register: declaration of the domain name of the company website, if one exists

Please note that this list does not include specific formalities to be carried out with French authorities for certain types of regulated activities.

The formality of incorporation is only possible online on the platform: Guichet Unique. It is possible to:

- Perform the procedures yourself, acting under the authority vested by the foreign company as the future legal representative of the company's new establishment in France
- Delegate powers to an attorney to represent you
- Delegate powers to one of your personnel or a partner in the company to be founded

You will be asked to show proof of authorization or power of representation to complete the formalities when filing your application with the guichet unique.

What are the costs for registration formalities?

~ € 65, plus the cost of publishing a notice announcing a new company in a legal gazette (around € 165).



Designing your project

Premises

When it comes to business premises, France is a place where a large array of options is available to fit your needs.

Short term affordable solutions enable you to set up the company's registered office in a business centre offering services such as a physical business address, mailboxes, phone answering service, meeting rooms etc.

Local authorities are also keen to provide premises, such as so called "business incubators" or temporary manufacturing facilities.

A long-term option is within the form of commercial lease. The statutory term for commercial leases is nine years, but tenants can terminate the lease at the end of the third or sixth year.

Tenants are legally protected against non-renewal or eviction. The lessor must pay eviction compensation proportionate to the value of the business and the right to the lease. Rent increases are capped.

The commercial lease agreement stipulates the commercial purpose of the premises (activity), but the parties to the lease can agree to amend the lease to change the initial purpose or add another activity. The tenant shall hold a civil liability insurance contract for the rented premises.

Another long-term option is the acquisition of a property, a massive investment that must be thought through thoroughly.

Designing your project

Opening a bank account and accessing financing

How to open a corporate bank account?

A French bank account is imperative to incorporate a company in France. Bank account could be opened in the French branch of international banks (e.g. HSBC) or in one of French major banks (e.g. BNPP, Société Générale, CA-CIB, Natixis). Opening a bank account involves many bureaucratic steps because of anti-money laundering and/or counter-terrorism legislation. Do not forget to negotiate an overdraft when opening a bank account. Banks are likely to require guarantee from parent company.

What financial support is available for company creation and growth?

A range of subsidies exist to encourage investment and business creation in France and accompany entrepreneurs in the riskiest phases of their financing cycle. In practice, the government offers grants such as:

- Grants for industry and services (Prime d'aménagement du territoire) for companies that create at least 20 permanent jobs and investments of at least € 3 M in the context of site creations, expansions or even takeovers of ailing companies. For more detail, visit: <http://www.cget.gouv.fr/>
- Support from local authorities in the form of support for acquisitions of tangible assets and real estate acquisition or even acquisition. For more detail, visit: <http://www.aides-entreprises.fr/>

In addition, BPI France is the country's public investment bank that offers support to companies in the form of:

- Bank loan guarantees (sharing credit risk with partners' financial institutions by taking on between 40% and 70% of the total, depending on the project to be financed)
- Cash advances to offset payment times for orders and contracts secured with major public and private sector customers.

- Cash advances pending receipt of the competitiveness and employment tax credit (CICE), which reduces a company's corporate tax bill by 6% of gross payroll, excluding salaries more than 2.5 times the statutory national minimum wage. This facility is granted for a renewable one-year term and is capped at 85% of the estimated CICE.
- An unsecured loan of up to € 5 M, but not exceeding the business' total equity, over a 6-to-8-year term, with a 1-to-3-year principal repayment grace period and either a fixed or floating rate. Financed in conjunction with banks and equity investors.
- A subsidy during the feasibility phase of an innovative project and either a repayable advance if the project is successful or an interest-free loan to help finance the development of technologically innovative products, processes or services offering real prospects of commercial success.

BPI France also offers solutions to investors throughout the growth of their businesses such as buying real estate, equipment acquisition, R&D projects and even CSR initiatives.

The bank is implemented in 42 regional offices and aims at enhancing competitiveness in the French market by offering innovative investment support.

For more detail, visit: <http://www.bpifrance.fr/>

Your first steps as an employer

Hiring staff

Compensation and benefits

Specific social schemes for the association of employees

Payroll taxes and government subsidies



Your first steps as an employer

Hiring staff

Contractual relationship

The only genuine form of wealth is...people. Employers can hire staff according to their needs using a variety of different employment contracts, the permanent employment contract being the main one. Contractual clauses can provide for greater flexibility in employment relationships, provided they are not contrary to the French Labor Code provisions or to any Collective Bargaining Agreement applicable or that could be identified as applicable to the company.

The most common employment contract in France is the permanent contract (“Contrat à Durée Indéterminée” or CDI), which is concluded between an employer and an employee for an indefinite period of time. This contract offers a high level of protection for the employee. Consequently, even though there is no legal requirement for permanent contracts to be in writing, it is strongly recommended that the employment relationship be governed by a written employment contract, which must comply with the legal and collective bargaining provisions applicable to the company.

Under certain conditions strictly defined by the French legislation, companies might conclude fixed-term contracts (“Contrat à Durée Déterminée” or CDD) or temporary work contracts (“Contrat de Travail temporaire” or “Contrat d’intérim”).

The fixed-term contract (CDD) can be used in different specific situations exhaustively listed and strictly defined by the French regulation (e.g. to replace someone temporarily absent, when there is an exceptional increase of work, etc.). The CDD must be in writing and can never be concluded to recruit for a permanent job position within the company.

The temporary work contract requires two contracts: an employee placement contract (“Contrat de mise à disposition”), signed between the temporary employment agency and the client company, and an engagement contract (“Contrat de mission”), signed between the temporary employment agency and the temporary worker.

Recruitment

Recruitment support services exist in France to help you find the right employees for your company. The French National Employment Office (France Travail) can help companies by publishing their job vacancies, identifying and shortlisting candidates, as well as offering and organizing training courses for candidates. Most French jobseekers also use websites to find opportunities (e.g. Indeed, Monster, Cadremploi...).

International mobility insights

Foreign nationals who do not hold the citizenship of a country from the EU-EEA-Switzerland area require a work permit to carry out a professional activity in France. Some residence permits allow residency in France and act as work permits.

The expatriate employee residence permit, valid for 3 years, concerns employees seconded or expatriated to France as part of an inter-company assignment.

The employee or temporary worker residence permits are intended for foreign nationals employed by companies in France. It is valid for an initial period of one year and can be renewed.

The temporary residence permit for scientific and research activities allows foreign nationals to carry out research or teaching activities at university level. The permit is valid for a maximum period of 4 years, depending on the duration of the research work that still to be carried out.

The Talented Passport is a multi-year residence permit, valid for 4 years, which allows qualified foreign nationals to work in France, provided their output contributes in a significant and sustainable way to France’s development.

Your first steps as an employer

Compensation and benefits

Supplementary health insurance ("Mutuelle") and Life insurance ("Prévoyance")

In France, the social security system includes a compulsory "basic" coverage, managed by dedicated public bodies, and a compulsory "supplementary" coverage, set up within each company. Any private sector company setting up in France will have to provide all its employees with this collective supplementary health insurance scheme and contribute to at least 50% of the costs of the social security charges. Such insurance comes in addition to the basic health insurance benefits provided by the French social security system. The contract is concluded with private insurance organisms. Therefore, the employer can adjust the contribution rates according to the level of coverage and guarantees provided by the contract.

Furthermore, for executive employees, the company will have to subscribe to a life insurance fund called "Prévoyance" (mandatory). The subscription to a supplementary Prévoyance scheme for non-managerial employees is in principle optional, however, certain Collective Bargaining Agreements require employers to set up such insurance schemes for non-managerial employees. The Prévoyance scheme is a social insurance scheme that supplements the legal social security system by guaranteeing additional protection against the risks of death, incapacity, disability and dependency. The contract is concluded with private insurance organisms. Therefore, the employer can adjust the contribution rates according to the level of coverage and guarantees provided by the contract.

Meal vouchers ("Tickets restaurants")

Employers can allocate meal vouchers to their employees. The allocation of these vouchers is in principle optional, and employers are not committed to providing them if they have premises for employees' catering or a company restaurant close to employees' place of work.

Meal vouchers are a special form of payment issued by the employer to the employees to enable them

paying for all or part of the cost of meals consumed in restaurants, or to purchase directly consumable food products (e.g. meals to be reheated or defrosted), or even other food products (such as dairy products or fruit and vegetables). Meal vouchers are financed both by the employer, whose contribution benefits from social security and tax exemptions, and by employees, usually through a deduction from their salary.

Transportation allowances

Transport costs incurred by employees to get from their habitual place of residence to their place of work may be borne, either compulsorily or voluntarily, by the employer, for example:

- The reimbursement of a part of the cost of public transport subscriptions or public bicycle rental services paid for by employees for their home-workplace journeys. This compulsory reimbursement covers at least 50% of the cost of the pass, or more in case of more favorable collective bargaining arrangements.
- The provision of a company car to the employee. This provision could generate a benefit in kind under certain circumstances.
- A support of the employer when the employee uses his/her personal vehicle, in the form of a kilometric allowance or a transport allowance. Under certain conditions, employers can grant employees who use their personal vehicles to get from home to work, a kilometric allowance for cars or motorized two-wheelers, or a transport allowance to cover the cost of fuel or electricity.
- The allocation of a sustainable mobility package. For certain so-called "green" types of transport (bicycles, electric scooters, car-sharing including thermal vehicles, non-thermal shared mobility services, public transport excluding compulsory subscription, etc.) used by the employee to get from home to work, the employer can, under certain conditions, grant the employee a sustainable mobility lump-sum allowance.

Your first steps as an employer

Specific social schemes for the association of employees

Employees profit-sharing schemes

In France, there are two employee savings schemes that can be implemented by companies under certain conditions:

- the mandatory profit-sharing known as “Participation”
- the voluntary profit-sharing known as “Intéressement”.

Employees profit-sharing is a collective mechanism granting part of the company’s profits to the employees.

“Participation” is compulsory for all companies that employ at least 50 employees during five consecutive years. The plan may be implemented either through a collective agreement which defines the details of calculation and payment, or via an approval by the employee’s when the company has no union representatives. The beneficiaries receive a profit-sharing bonus. This bonus is exempted of social security contributions under certain condition, exempted from personal income tax if invested on a company savings plan, and can grant tax breaks to the company.

“Intéressement” is an optional mechanism allowing additional profit-sharing with employees. The plan may be implemented either through a collective agreement which defines the details of calculation and payment, or via an approval by the employee’s when the company has no union representatives. The beneficiaries receive a performance bonus. This bonus is immediately available but can be exempted from personal income tax if invested on a company savings plan. This bonus is exempted of social security contributions under certain conditions and can also grant tax breaks to the company.

Measures to encourage employee and managers (share ownership)

Several mechanisms allow French companies to remunerate their managers and employees by the subscription or the acquisition of shares in their company.

Stock options (options to subscribe for or purchase shares): this mechanism gives employees and/ or managers the right to subscribe for or purchase shares in their company at a set price. These employees and managers have a certain period to exercise their option. If the value of the share increases, they will be able to subscribe or acquire shares at a price lower than their current market value.

Free Shares: this mechanism is based on the same principle as stock options, with the difference that employees and managers do not have to make any payment to acquire their shares as they will be allocated free of charge.

Warrants for business creator shares (“Bons de Souscription de Parts de Créateur d’Entreprise” or BSPCE): this mechanism is also based on the same principle as stock options, French joint stock companies can grant their employees or managers share subscription warrants under more advantageous tax and social conditions. Since January 1st, 2020, foreign companies established in the EU or in a State or territory that have concluded a tax treaty with France containing an administrative assistance clause in order to combating fraud and tax evasion, may grant warrants to their employees in France.

The company savings plan (“Plan d’épargne entreprise” or PEE): is a collective savings scheme that allows employees of a company to participate, with the company’s support, in the creation of a portfolio of stock and shares. Managers and executives can also participate (even those without an employment contract), provided that their company has fewer than 250 employees. The plan can be invested in shares issued by the company. These can be purchased or subscribed to directly by employees or via a mutual fund. The sums are unavailable for at least 5 years, except in the case of exceptional releases.

Highlights on the tax and social regime applicable to Stock-options and Free Shares

As a preliminary remark, a distinction should be made between French employee incentive plans that:

- Meet the requirements of French law to benefit from a specific and favorable tax and social regime (such as, e.g. for stock-options (“SO”) and free shares (“FS”) – so-called “Qualifying Incentive Plan”); and
- Do not meet these requirements and hence not qualify for specific tax and social regimes (“Non-Qualifying Incentive Plan”).

The grant of SO or the attribution of FS under a Qualifying Incentive Plan may benefit from a favorable tax and social regime in France.

On the other hand, the grant of SO or the attribution of FS under a Non-Qualifying Incentive Plan may not benefit from the favorable tax and social regime. In such a case, any gain realized or recognized upon the grant or exercise of a SO and/or the attribution or acquisition of a FS, is treated as ordinary employment income (benefit in kind) from a French tax and social perspective (progressive income tax up to 45% - employer & employee social security contributions for healthcare, unemployment, retirement).

When SO and/or FS plans are issued by a foreign company to French resident employees of a French company, the foreign plan must be analyzed to define whether it is a Qualifying or Non-Qualifying Incentive Plan under French law. If the foreign plan does not qualify, drafting a qualifying sub-plan for the French employees is an alternative. Please find below a summary of the favorable tax and social regime applicable to qualifying incentive plans under French law:

Acquisition gain: Value of share at the date of its attribution	Free Shares	
	Portion of gain < € 300K	Portion of gain > € 300K
Income Tax	Rebate of 50% on the acquisition gain, then progressive rates (up to 45%)	Progressive rates (up to 45%) without rebate
Social surcharges (CSG-CRDS-PS)	17.2% (including 6.8% of CSG deductible from income in Y+1)	9.7% (including 6.8% of CSG deductible from income in Y+1)
Exceptional income tax for high income	3% or 4%	3% or 4%
Employee social Contribution	N/A	10%
Employer social contribution	20% being levied on the fair value of the shares, evaluated at the date of their acquisition. Small and medium-sized companies (SMC) that have not distributed dividends and that meet the definition of a European SMC are exempt from the employer's contribution, up to the limit, for each employee, of the annual amount of the Social Security ceiling (€ 46,368 for 2024)	
Capital gain: Sale price – Value of share at the date of its attribution	Income tax: 12.8% Social surcharges (CSG-CRDS-PS) : 17.2%	

Stock-Options	
Exercise gain	Capital gain
Income tax: progressive rates (up to 45%) without rebate Social surcharges (CSG-CRDS): 9.7% (including 6.8 % of CSG deductible from income in Y+1)	Income tax: 12.8% Social surcharges (CSG-CRDS-PS): 17.2%
Special employee social contribution: 10%	N/A
Special employer contribution: 30% levied on 25% of the value of the shares evaluated at the date of grant of the option (or on 100% of the fair value of the options)	N/A

Your first steps as an employer

Payroll taxes and government subsidies

High social contributions giving entitlement to high benefits

The French social security system provides insurance against the risks of sickness, death and disability, work accidents and professional diseases, retirement and old-age, family benefits, and unemployment. Employees contribute through payroll taxes withheld by employers on their behalf.

The collecting bodies are the URSSAF (social security for sickness, maternity, retirement and unemployment), pension funds, private insurance institutions for life-insurance and complementary health insurance.

Gross to Net

The salary of an employee is subject to 2 different sets of social contributions, the first part being due by the Employer, the second part being due by the Employee himself.

- Employer contributions represent about 42% of the employee's gross monthly salary and are paid by the company to the French social security institution in addition to the employee's gross salary.
- The employee contributions represent about 23% of his gross monthly salary. On a monthly basis, the employer must withhold the employee's social security contributions from the gross salary and pay these to the French social security institution on behalf of the employee.

Thus, for a net salary of € 2,000 per month for an employee, the gross monthly salary would be around € 2,600 and the total monthly cost for the company for this employee would be of € 3,700.

Personal Income Tax

The employer also withholds the Personal Income Tax and pays Tax Office on behalf of the employee.

Thus, for a Net Salary of € 2000; the employer may withhold € 200 (amount depending on the Personal Income Taxation rate of the employee).

The employee will receive € 1800 on his personal bank account.

To be noted: the personal taxation rate depends on many personal factors (salary range, marital situation, number of children etc.) and fluctuates periodically – the personal taxation rate is transmitted by Tax organs and integrated in the payroll software).

Cost of Labor

France's economic policy strategy in recent years has been to support competitiveness and job creation in French companies. To this end, several reforms have been launched to reduce labor costs, particularly for the low-wages, and thereby help businesses to compete internationally.



Accounting and reporting requirements

Recurring Accounting and compliance requirements

Audit of Financial Statements

Year-end legal paperwork

Sustainability reporting

Accounting and reporting requirements

Recurring accounting and compliance requirements

Accounting and tax go hand in hand in France as the books are meant to fuel most tax reporting requirements.

Accounting records

Accounting records must be kept in French language and in Euro, according to the French Chart of Accounts-PCG – for the main Industry and Service sectors.

Accounting software and obligatory output

Even though the choice of accounting software is free as such, it is important to note that all French companies must produce and store the Accounting Entries File (FEC) gathering all transactions booked for a given fiscal year. This document must be provided to the tax auditor in case of a tax audit.

For petty cash operations in the retail sector, the amount must be accredited.

Bookkeeping activities

The bookkeeping activities, as well as the preparation of annual financial statements can be performed internally or outsourced to an external provider. Only companies, or individual members of the National Council of Public Chartered Accountants (Ordre des Experts Comptables) are allowed to render these services.

Transmission and storage of invoices

Since January 1st, 2021, all companies working with public entities as clients, must transmit their invoices to the public sector (B2G) in electronic form via the national platform called “ChorusPro”.

In Parallel, invoices prepared in the frame of a B2B transaction can be exchanged either in a paper format or in a digitalized format, provided that a few conditions of the P2P process are observed.

Since a few years, the French Tax administration is working on a project of Law, making compulsory the issuance of electronic invoices (e-invoicing) and the transmission of a report of transactions and payment data (e-reporting).

New E-invoicing and E-reporting Calendar

Article 26, III, of the Finance law for 2022, modified by the Finance law for 2024, provides the following calendar for the deployment of e-reporting and e-invoicing in France:

- September 1, 2026: for large and medium-sized companies; all companies will be required to be able to receive dematerialized invoices by this date
- September 1, 2027: for small and medium-sized businesses and micro-businesses

E-invoicing obligation applies to all taxable persons, who are liable to pay VAT. Hence, operators who carry out exclusively exempt operations within the meaning of articles 261 to 261 E of the FTC (healthcare activities, education, etc.) are not concerned with e-invoicing and e-reporting.

Therefore, the transactions concerned are the B-to-B transactions realized between taxable person established in France, advance payments regarding such transactions, and supply of certain types of goods (e.g., piece of art, second hands goods).

Financial statements

A French-based company is required to produce yearly financial statements consisting of the balance sheet (bilan), income statement (compte de résultat) and accompanying disclosure notes (annexe) in accordance with French GAAP supporting with back-up documents.

Small and medium sized companies/LLCs have an option to file abbreviated financial statements (condensed balance sheet and income statement, and less disclosures notes).

French accounting principles authoritative rules are laid down by the French Commercial Code:

True and fair view principle

Accounting is a system of organizing financial information to capture, classify, and record basic figures and present statements reflecting a true and fair view of the financial position and profit or loss of the entity at the closing date.

Comparability principle

Accounting allows for periodic comparisons and an assessment of the entity's evolution from a business continuity perspective.

Regularity and fairness principle

Accounting is held in accordance with the rules and procedures in force which are applied with sincerity in order to translate knowledge that the preparer of the accounts have of the reality and the relative significance of the recorded events. In the exceptional cases where the application of an accounting rule would be unsuitable for giving an accurate image, this requirement may be waived. The justification and consequences of the derogation are set out in the disclosures notes to the financial statements.

Precautionary principle

Accounting is established on the basis of conservative assessments, to avoid the risk of transfer, on future periods of uncertainty likely to affect the assets and results of the entity.

Principle of consistent accounting methods

The consistency of accounting information implies the application of rules and procedures over successive periods. Any exception to this principle of permanence must be justified by an exceptional change in the situation of the entity or by better information under preferential method. Preferential methods are those considered to lead to better information by the standard setting body.

Historical cost principle

Under the historical cost accounting principle, assets acquired are recorded at acquisition cost, assets acquired free of charge are recorded at their market value or use value, and revenues are recorded at cost of production. Latent capital gain on assets shall not be recorded.

Going concern principle

Under the going concern principle the financial statements must be drawn up on the assumption that the company will continue its business in a normal manner. This principle is at the basis of the asset valuation rules. It implies taking into account an economic perspective without serious disruption of the activity. Where there is no longer any continuity of operation (divestment of an industry, interruption of operations, judicial liquidation, etc.), the use of other valuation assumptions should be considered (market value, scrap value...).

Accounting and reporting requirements

Audit of Financial Statements

A company must appoint a legal auditor for a duration of six years, whenever 2 out of the following 3 thresholds are exceeded:

- Turnover > € 10 M
- Total Balance Sheet > € 5 M
- Average staff number > 50

Groups of entities exceeding these thresholds must appoint a statutory auditor for the parent company, unless this entity is owned by an audited company.

Entities members of the group and reaching 2 out of the following 3 thresholds must appoint an auditor:

- Turnover > € 5 M
- Total Balance Sheet > € 2.5 M
- Average staff number > 25

In this case the duration of the appointment may be limited to 3 years.

The role of the statutory auditor is to carry out an audit in order to issue a report specifying to the shareholders whether or not the company's audited financials provide a fair and accurate representation of its actual financial position.

The statutory auditor is appointed by the shareholders at the creation or during the annual general meeting. His mission lasts for 6 consecutive years.

Accounting and reporting requirements

Year-end legal paperwork

Registered companies must file their financial statements with the Commercial Court within 30 days after the shareholders' annual general meeting, which must be held within six months of the close of the fiscal year.

The decision can be taken through a unanimous decision of the shareholders or a meeting in which the shareholders will approve the financial results for the year. The decision or the general meeting may not be held more than 6 months after the closing date, unless requested postponement is filed with the Commercial Court.

The mandatory filing must include following items:

- Balance sheet
- Profit & Loss
- Management report
- Minutes of the annual general meeting approving the accounts and voting the profit allocation.

Accounting and reporting requirements

Sustainability reporting

On 16 December 2022, the final text of the Corporate Sustainability Reporting Directive (CSRD) was published in the Official Journal of the European Union (OJEU), to come into force on 5 January 2023. France transposed this new directive into national law on 6 December 2023.

What are we talking about?

The CSRD is an update of the Non-Financial Reporting Directive (NFRD) which, in 2014, created reporting and transparency obligations on sustainability topics for a number of European companies.

In practice, the CSRD extends the scope of companies subject to sustainability reporting obligations. Companies within the scope of the CSRD will also have to comply with the information to be provided pursuant to Article 8 of Regulation (EU) 2020/852 establishing a taxonomy of sustainable activities, which also extends the scope of companies subject to this reporting.

With the CSRD, the EU hopes to eventually bring sustainability information up to the same level as financial information in order to meet the ambitions of its Green Pact and its objective of climate neutrality by 2050.

The CSRD aims to improve the quality of sustainability reporting by requiring the use of European Sustainability Reporting Standards (ESRS) for all companies covered by the directive (for more information, please refer to the Forvis Mazars publication dedicated to the first set of ESRS).

The aim of the CSRD is therefore first and foremost to define a standardised, common language for sustainability information.

What information should be published?

Companies in the field of CSRD will have to include in their management report the information needed to understand the company's impact on sustainability topics and how sustainability matters affect the company's development, performance and position ("dual materiality" perspective).

Sustainability statements and the information they contain will be subject to mandatory assurance, with mandatory assurance initially via moderate assurance and then via reasonable assurance (from 2028, following an assessment of the feasibility of implementing reasonable assurance for auditors and companies).

In France, the legislator requires sustainability information to be certified by a statutory auditor (CAC) or an independent third-party organization (OTI).

Which groups/companies are concerned?

As indicated, the CSRD significantly extends the scope of the companies concerned. In practice, it applies to the following companies:

Entity category	Financial year starting from	Reporting published in
<p>Large European and non-European companies under NFRD thresholds</p> <p>European public interest entities (according to the Accounting directive definition - which include EU companies listed on EU regulated markets) and non-EU companies that are listed on EU regulated markets, that satisfy both of the following criteria:</p> <ul style="list-style-type: none"> - Staff over 500 employees - Turnover over 50 million € or balance sheet over 25 million € 	<p>1st January 2024</p>	<p>2025</p>
<p>Other large European and non-European companies</p> <p>All other large EU companies (listed or not listed) i.e. that meet two out of the three following criteria:</p> <ul style="list-style-type: none"> - Staff over 250 Employees - Turnover over 50 million € - Balance sheet over 25 million € <p>All other large non-European companies that are listed on EU regulated markets (i.e. that meet the criteria mentioned above)</p>	<p>1st January 2025</p>	<p>2026</p>
<p>SMEs listed on EU regulated markets</p> <p>All SMEs – European or non-European - that are listed on European regulated market, except micro-companies</p> <p>Companies are considered Mirco-companies if they meet two of these criteria,</p> <ul style="list-style-type: none"> - Staff under 10 employees, - Turnover under 900 thousand € - Balance sheet under 450 thousand € 	<p>1st January 2026 with a 2-year opt-out (2028)</p>	<p>2027 with a 2-year opt-out (2029)</p>
<p>Other large non-European groups</p> <p>Some third-country groups with an European turnover that exceeds €150 million and with a large branch or subsidiary based in the EU - and with at least one branch (generating at least €40m in sales) or subsidiary in the EU (large company or listed SME).</p>	<p>2028</p>	<p>2029</p>

Shedding light upon French taxes

Corporate Income Tax and tax benefits

VAT

Other taxes

International taxation highlights



Shedding light on French taxes

Corporate Income Tax and tax benefits

A resident company is subject to Corporate Income Tax (CIT) in France on its French source income. In that respect, income attributable to foreign business activity (if there is no tax treaty in force between France and the relevant foreign country) or to a foreign Permanent Establishment (if a tax treaty applies) is excluded from French tax CIT basis.

An average nominal tax rate combined with a small tax base

The corporate tax rate is 25% since 2022.

For small and medium-sized businesses (SMEs): reduced corporate tax rate of 15% up to € 42,500 of profits and standard rate on the remainder provided few criteria are met:

- Getting at least 75% of their shares owned directly or indirectly, by individuals, or by companies satisfying the same conditions
- Annual turnover of less than € 10,000,000 for FY opened as of January 1st 2023
- Fully paid-up share capital

The CIT base is rather flexible and items such as financial costs from IC loans, assets write-downs, provisions for contingencies, regulated reserves, dividends exemptions etc., enable companies to shrink their tax bill by decreasing their effective CIT rate.

Possibility of a tax compliance pre-audit (Examen de Conformité Fiscale “ECF”)

The ECF is a voluntary procedure offered to companies, governed by the law in both form and substance. This procedure enables companies to pre-check their tax situation for a given year, which in turn enables them to make any necessary corrections, and to assess the risks incurred in the event of a tax audit.

The ECF does not protect against a tax audit. Nevertheless, it should enable the tax authorities to sort out the candidates for a tax audit. In the event of an audit, the performance of this procedure tends to demonstrate the company's concern for compliance and the willingness to take note of the recommendations made, which could eliminate the

penalties or late payment interest that the tax authorities might otherwise impose.

The scope of checks included in the ECF notably includes:

- VAT tax regime applicable
- Depreciation rules and tax treatment
- Determining the amount of provisions and their tax treatment
- Determining the amount of expenses and their tax treatment
- Deductibility of exceptional expenses

It is available to all operators (whether individuals or legal entities), carrying on a professional activity regardless of their turnover or tax regime.

Capital gains exemption

Capital gains realized upon the disposal (sale or any kind of transfer) of shares might benefit from the French participation exemption regime, offering a total exemption of the gain, except for a 12% portion thereof (corresponding to related expenses) leading to an effective CIT rate of 3% as from 2022.

To be eligible, the transferring company must have held, for more than 2 years, at least 5% of the voting rights of the company the shares of which are transferred. However, the French participation exemption regime is not applicable to the disposal of shares in French real estate companies.

If shares in a French company are sold by a foreign, non-resident entity, applicable double taxation treaties may prevent France from taxing the capital gains.

Finally, in case of a restructuring (mergers, etc.), the taxation of latent capital gains may be deferred.

Innovation friendly environment

When it comes to innovation, France has set a stunning tax landscape for innovation related tax incentives offering generous research and development (R&D) tax treatment for companies.

France has one of the lowest effective corporate tax rate in the world for R&D operations, taking into account differences in tax bases, depreciation allowances, tax exemptions and tax credits.

As an attractive tax landscape for innovation and R&D, France's patent box regime allows under certain conditions, income derived from the sale or license of patents or patentable inventions being levied at a reduced CIT rate of 10%.

Introduction of a minimum effective CIT rate for multinational groups

Internationally, the OECD "Pillar 2" agreement is currently being implemented by 140 countries around the world, including all European Union countries, which must transpose into national law directive no. 2022/2325.

"Pillar 2" provides for the implementation of a minimum effective tax rate of 15% for multinational groups with operations and sales of over € 750M in the country of application. Should those groups be subject to less than an effective 15% CIT rate in one or more of their operating countries, a Top up tax will be levied and paid by the ultimate mother company.

In France, "Pillar 2" provisions fully applies to FYs open since 31st December 2023 (i.e., FY24). For FY23, the multinational groups must nonetheless perform a "Pillar 2" analysis and attach an appendix to their annual accounts.

Many efforts made to attract investors

France's Research Tax Credit (CIR) is one of the most attractive tax incentive programs of its kind in Europe: a tax break amounting to 30% of annual R&D expenses, up to € 100M, and 5% above this threshold. Salaries for research staff are wholly integrated plus 43% of R&D operating costs and 75% of investments in R&D operations.

All companies incurring R&D expenses are eligible, regardless of their size, business sector and nationality.

The research tax credit base covers not only all R&D spending (salaries, social security contributions, amortization, and depreciation allowances, operating costs, subcontracting, patents, and monitoring, etc.) but also, innovation expenses incurred by SMEs, at a rate of 30%, or 20% if incurred before January 1, 2023 (up to € 400,000 a year).

Please note that, since January 2022, subcontracting expenses entrusted to public bodies are no longer retained for the double of their amount. In addition, the 2-million increase on the ceiling for subcontracting expenditure is removed.

France's Innovation Tax Credit (CII), combinable with the CIR, is equal to 30% of the SME's expenses, or 20% if incurred before January 1, 2023, until € 400K linked to conception, to construction of a prototype, or to testing of new products.

Eligible companies can combine the benefits of tax credits with those of the "Innovative Start-ups" scheme (JEI), which provides exemptions for corporate tax, local taxes, social security contributions, capital gains on the sales of shares, as well as an immediate reimbursement of any Research Tax Credit.

Shedding light on French taxes

Compensation and benefits

VAT tax point

Regarding supplies of goods, French VAT is due at the time the transfer of ownership on the concerned goods occurs (i.e., in practice, when the invoice is issued).

Regarding supplies of services, French VAT tax is due in principle at the date of payment from the clients. However, the taxable person can opt for the payment of VAT on an accrual basis (i.e., when the invoices are issued).

VAT rates

French VAT standard rate is 20%. An intermediary VAT rate of 10% can be applied to some specific supplies of goods and services specified in the French tax Code (e.g., hotel activities). A reduced VAT rate of 5,5% must be applied on first necessity products, books, etc. Lastly, a super-reduced VAT rate of 2.10% applies to medicine, certain media publications, etc.

VAT liability

In principle, the person liable for the payment of French VAT is the person performing VAT-taxable transactions.

However, a VAT "reverse charge" mechanism is applicable when the supplier is not established for VAT in France and the customer is identified for VAT purposes in France. In this case, the customer duly registered for VAT in France is liable for the payment of VAT.

Moreover, under specific situation a domestic reverse charge mechanism can be applicable.

In addition, since January 1, 2022, VAT on imports of goods must also be self-assessed directly on the VAT return.

Scope

French VAT is due on the supply of goods and services performed, for consideration, by taxable persons acting as such.

Some transactions are VAT exempted according to VAT territoriality rules (i.e., intra-EU supply of goods, export of goods) or regarding a particular provision from the French regulation (e.g., financial activities, education...).

VAT deduction rights

Substantive condition - Input VAT incurred on purchases is deductible insofar as the goods and services are used for the purposes of taxable transactions and provided that these operations give rise to a VAT deduction right (e. g., French VAT incurred on certain expenses such as accommodation and transport for employees is not deductible).

Formal condition – Input VAT must be justified by a supporting documentation (i.e., a compliant invoice).

The time limit for a taxable person to claim for the refund of input VAT is in principle at the latest on December 31 of the second year following the year during which VAT became due.

Reporting requirements

Taxable persons must file its French VAT returns on a monthly, quarterly, or annual VAT return (the frequency thereof depends on the level of both turnover and the total amount of VAT paid during the previous year). There is also a turnover threshold under which no VAT return is required.

These VAT returns must be filed electronically, and the corresponding VAT must be paid on the following website: <https://www.impots.gouv.fr/accueil>

Where a taxable person performs some Intra-EU supplies of goods and/or acquisitions of goods and supplies of services within EU borders, some additional reports must be filed according to the nature of the transaction:

- For a supply of goods (Intra-EU acquisitions of goods and or intra-EU supply of goods), the taxable person is required to file two different returns: the EMEBI, a statistical return, and the recapitulative statement, a tax return
- For a supply of services performed by a taxable person established in France to a taxable person established in the EU-Member State, an EC sale list for services referred to as “Déclaration Européenne des Services” (DES) must be filed

These returns must be filed electronically from the dedicated French Customs website:

<https://www.douane.gouv.fr/>

Invoicing requirements

The invoices should include some VAT invoicing requirements such as the date of issuance, a sequential number based on one or more series identifying the invoice, the VAT identification number of both customer and supplier, the full name and address of the taxable person, and of the customer, the quantity and nature of the goods supplies/services rendered, the date of completion of the targeted transaction, the taxable amount per VAT rates applicable, the VAT amount to be paid etc.

Reliable audit trail documentation

In accordance with Article 289 VII of the French tax code, companies that do not use the advanced electronic signature procedure or electronic data interchange (EDI) must draw up a reliable audit trail describing the controls implemented between the invoices issued or received and the supplies of goods or services on which they are based, in order to ensure the authenticity of the origin, integrity of the content and readability of the invoices (BOI-TVA-DECLA-30-20-30-20 §1).

Shedding light on French taxes

Other taxes

There are only a few other taxes that an investor should factor-in when intending to set-up a new business in France. Forewarned is forearmed... This is a glimpse of most common taxes applying to businesses in France:

Taxes	Name in French	Base	Taxation Rate	Deadline
Corporate Social Solidarity Contribution	C3S	VAT reported	0,16%	May 15 th
Contribution on business value added (1)	Acompte CVAE	Added Value as computed for CVAE purposes	Max 0,375%	Instalments: June 15 th and September 15 th Final settlement : May 1st
Annual statement on commissions and fees paid	Déclaration DAS 2	Not applicable	Not applicable	May 1st
Annual statement on interests paid	Déclaration IFU	Not applicable	Not applicable	February 15th
Apprenticeship tax	Taxe d'apprentissage (TA)	Gross salaries	0,68%	Should be declared on the same date as the DSN – “Déclaration sociale nominative” : on the 5th or 15th of each month- (depending on the number of employees)
Employers' contributions to continuous vocational training	Formation professionnelle continue (FPC)	Gross salaries	0,55% for companies < 11 employees 1% for companies >11 employees 2% for intermittent entertainment workers	Should be declared on the same date as the DSN – “Déclaration sociale nominative” : on the 5th or 15th of each month- (depending on the number of employees)
Employers' contributions to construction	Participation de l'employeur à l'effort construction (PEEC)	Gross salaries	0,45% (exemption for companies with less than 50 employees)	Should be declared on the same date as the DSN – “Déclaration sociale nominative” : on the 5th or 15th of each month- (depending on the number of employees)
Disabled levy	Contribution Obligation d'Emploi des Travailleurs Handicapés (OETH)	Headcount	Fixed contribution for companies with more than 20 staff, if they do not employ 6% of disabled staff - the contribution is proportionnal to the gap	Should be declared on the same date as the DSN – “Déclaration sociale nominative” : on the 5th or 15th of each month (depending on the N° of employees)

1- CVAE is deemed to be cancelled as of 2027

Shedding light on French taxes

International taxation highlights

Transfer pricing within international groups

The transfer pricing regulations in France are based on the arm's length principle and the guidance set forth by the OECD, establishing principle-based rules that apply to all French taxpayers that are involved in cross-border intercompany transactions, including French branches of foreign companies.

Regarding compliance, taxpayers are required to prepare transfer pricing documentation that describes how transfer prices have been established, substantiating their arm's length nature.

Contemporaneous documentation must be included in the administration of the taxpayer and supplied to the tax authorities upon request. Failure to comply may result in reversal of the burden of proof in addition to certain administrative penalties. To determine the exact transfer pricing requirements, thresholds based on the annual turnover or gross assets of the French company belonging to a multinational group must be considered.

All French taxpayers that engage intercompany transactions are obliged to maintain transfer pricing documentation to substantiate that its inter-company prices are at arm's length. Specifically, French entities with an annual turnover or gross assets above € 150M as of January 1st 2024 (€ 400M for the previous non-statute barred fiscal years) or are owned by a company or own a company that meet one of the criteria are required to prepare a Master File and Local File following the requirements set forth by the OECD Guidelines. Furthermore, groups with consolidated revenues exceeding € 75M are required to comply with CbCR requirements.

With regards to disputes, in France these are often settled by compromise with the French tax authorities. The French tax authorities are also willing to co-operate at any stage to remove double taxation either through a mutual agreement procedure or an arbitration procedure. Finally, the French tax authorities are very open to negotiating in good faith pragmatic TP structures within the context of APAs, whether unilateral, bilateral or even multilateral.

Withholding tax basics

Outbound interest payments made by French companies do not give rise to French domestic withholding tax, unless they are made to an entity located in a so-called non-cooperative State or Territory (in which case a 75% withholding might apply).

Outbound royalty payments made by French companies are in principle subject to a domestic levy which rate corresponds to the French standard CIR rate (25% since 2022).

However, royalties paid by a French company to a non-resident affiliated company will not give rise to withholding tax under certain conditions:

- Amounts invoiced must be justified and in line with the prices for arm's-length transactions between independent companies and the French Tax Authorities might demand evidence that transfer pricings are in line with actual market prices
- These transactions can be placed under EU's interests and royalties directive providing for exemptions whenever between companies in different member states

Otherwise, for royalties paid to a foreign recipient, most of double tax treaties concluded by France set out rates that range from 0 to 15%, subject to the treaty eligibility (and might rely on certain specific conditions such as beneficial ownership, anti-abuse provisions, etc.).

As regards outbound dividend distributions performed by French companies, a domestic withholding tax is in principle applicable at the following rates:

- 12.8% for non-resident individuals
- French standard CIT rate: 25% since 2022 for non-resident companies

Dividends distributed by a French company to an EU / EEA resident parent company are exempt from French dividend withholding tax if such parent company is the beneficial owners of the dividends and holds at least 10% of the share capital of the French distributing company for a continuous period

of at least 2 years (or commits to satisfy this holding requirement).

When applicable, the French domestic dividend withholding tax might still either be lowered (generally between 5 and 15%) or exempt by claiming the application of a double taxation treaty concluded between France and the jurisdiction where the company receiving the dividend is established. The benefit of such treaty reductions or exemptions

is subject to the treaty eligibility and might rely on certain specific conditions (beneficial ownership, ownership threshold, anti-abuse provisions, etc). Similarly as for interest payments, a 75% withholding tax might apply to dividend distributions made by a French company to an entity located in a so-called non-cooperative State or Territory.

How we can help



How we can help

You are a company planning to set up or develop your activity in France? We can help you make the right business decisions and successfully manage your investment.

Our approach

Thanks to our in-depth knowledge of the environment and corporate culture in France, we help multinationals establish and operate their activities in France with audit, tax and consulting services. At the same time, we support organizations in their international development in more than 100 countries and territories by mobilizing our experts from around the globe.

Our seamless integration ensures a single point of contact and consistent methodologies everywhere, ensuring tailored service and flexible coordination, fast and efficient between your team and our multilingual and multicultural experts in France and abroad.

Our international services

At Forvis Mazars, we provide a range of audit, tax and advisory services, helping companies grow internationally.

To succeed in your international development, it is crucial to anticipate organizational, operational and financial challenges. Experts in auditing, consulting and tax have in-depth knowledge of local specificities and global markets. They bridge the gap and overcome the complexities often encountered in conducting business in France and abroad, offering tailor-made services when and where you need them.

- ✓ **Audit & Assurance**
- ✓ **Consultancy** (start-up assistance, management, risk and technology consultancy)
- ✓ **Financial advisory** (transactional services, mergers and acquisitions, valuations, financing, judicial investigations and compliance)
- ✓ **Legal** (corporate & commercial, legal compliance, transaction support)

- ✓ **Outsourcing** (accounting & reporting, HR & payroll, corporate secretariat)
- ✓ **Sustainability** (e.g. sustainability reporting and assurance, ESG strategy and transformation, sustainable finance)
- ✓ **Taxation** (international taxation, national and national taxation, transfer pricing, global mobility and employment tax)

Contacts

Florence Pinot

Partner, Forvis Mazars, France

Florence.pinot@mazars.fr

Claire Gueydan-O'Quin

Partner, Forvis Mazars, France

claire.gueydan-oquin@mazars.fr

Forvis Mazars is a leading global professional services network operating under a single brand with just two members: Forvis Mazars, LLP in the United States and Forvis Mazars Group SC, an internationally integrated partnership operating in over 100 countries and territories. Both members share a commitment to providing an unmatched client experience, delivering audit & assurance, tax, advisory and consulting services across the globe.

© Forvis Mazars 2024

