



# DOING BUSINESS IN FRANCE

JANUARY 2014



This guide, *Doing Business in France*, written by the Invest in France Agency (IFA) in partnership with Deloitte, is intended to be a working reference guide to the business environment in France.

It has been designed especially for foreign company directors who would like to invest in France, where more than 20,000 foreign companies are already established, running businesses under many different legal forms.

In a fast-changing international environment, where being competitive is more than ever a priority, foreign companies choosing to set up business in France need be able to call upon experts that can offer them real growth opportunities.

Working alongside the IFA is the Deloitte group, which has an extensive international presence in more than 150 countries, through which it can provide support to any foreign company in France.

With around 15 international service groups based in France and around 10 abroad, Deloitte France is a unique and innovative organization that is fully dedicated to these issues. With its specialist country expertise, Deloitte France can provide assistance with your relocation and development projects in France and provide you with expert views from recognized audit, tax & legal, financial advisory, consulting and accounting experts.

Today, France is a preferred destination for companies setting up business in Europe. It is a large economy within the euro zone, is open to foreign investment, and has supportive government policies to produce a well-qualified workforce and stimulate R&D, among other initiatives. France has many key strengths.

While perusing the pages of this publication, we invite you to discover for yourself this environment stimulating entrepreneurial spirit, investment and innovation.



<b>1</b>	<b>SETTING UP BUSINESS IN FRANCE SUCCESSFULLY</b>	
	I. Simplified formalities for customized business solutions .....	9
	II. Legal structures tailored to different needs .....	12
	III. Partnerships and takeovers .....	12
	IV. Corporate real estate to meet various needs .....	15
	V. Rules for regulated facilities (ICPEs) .....	17
<b>2</b>	<b>FRENCH EMPLOYMENT LAW</b>	
	I. Employment relations within a company.....	22
	II. Profit-sharing and employee savings plans.....	27
	III. Organizing working hours: agreement negotiated within the company.....	29
	IV. Extensive high-quality social security cover.....	32
<b>3</b>	<b>INTERNATIONAL MOBILITY FOR FOREIGN COMPANY DIRECTORS AND EMPLOYEES</b>	
	I. Admission and residence conditions for foreign nationals in France.....	36
	II. Paid employment in France.....	37
	III. Health cover and social security benefits for employees in France .....	44
	IV. Tax regulations for employees in France .....	45
<b>4</b>	<b>BUSINESS TAXES IN FRANCE</b>	
	I. Corporate tax in line with EU standards.....	50
	II. Ways to repatriate earnings.....	53
	III. Value added tax and customs duty.....	54
	IV. Local taxes paid by companies.....	54
	V. A wide range of tax incentives for investors.....	58
	VI. Special tax system for certain headquarters.....	61
<b>5</b>	<b>GOVERNMENT SUPPORT FOR BUSINESS</b>	
	I. Receiving support for investment and job creation .....	64
	II. Financing your investment project.....	66
	III. Receiving funding for training and recruitment.....	68
	IV. Receiving support for innovation, research and development.....	69
	V. Support for environmental investments .....	71
	<b>APPENDICES</b>	
	Glossary .....	74
	Useful Contacts .....	76
	The IFA Network .....	78
	International Services Groups (ISGs).....	80



# 1

# SETTING UP BUSINESS IN FRANCE SUCCESSFULLY

I. Simplified formalities for customized business solutions	9
II. Legal structures tailored to different needs	12
III. Partnerships and takeovers	12
IV. Corporate real estate to meet various needs	15
V. Rules for regulated facilities (ICPEs)	17

# SETTING UP BUSINESS IN FRANCE SUCCESSFULLY

There are no administrative restrictions on foreign investment in France. Whatever your business development strategy, in France you will find an appropriate legal structure for the kind of business you wish to set up. Investors can set up a permanent or temporary structure and enjoy full legal peace of mind; they are then free to drive their project forward in an uncomplicated and inexpensive environment.

## IN DETAIL

### SIMPLE STEPS FOR FOREIGN INVESTORS TO FOLLOW:

#### → SIMPLE STATISTICAL OR ADMINISTRATIVE RETURN

FORMALITY	CASES
<b>Return for statistical reasons filed with the Banque de France</b>	→ Acquisition of 10% or more of the equity or voting rights in a resident company – or when equity or voting rights in the company rise above the 10% threshold, if the amount of these transactions exceeds €15 million.
<b>Return filed with the Ministry responsible for the Economy (Treasury Directorate)</b>	→ When new companies are created, if the investment exceeds €1.5 million. → Transactions (with no minimum amount) that result in the acquisition of all or part of a business line. → Acquisition of a direct or indirect equity interest in (or any other transaction with) a French company amounting to more than one-third of its shares or voting rights (unless the investor already has a majority interest in the French company).

#### → PRIOR AUTHORIZATION IN CERTAIN BUSINESS SECTORS

Certain acquisitions in sectors considered to be “sensitive” require prior authorization:

- Acquisition of a controlling interest (i.e. majority of voting rights) in a French company and the acquisition of all or part of a business line by a foreign investor.
- For investors from countries outside the European Union (EU) and the European Economic Area (EEA), authorization is also required for the acquisition of interests exceeding 33.33% of equity or voting rights in a French company (unless the investor has already been authorized to acquire a controlling interest).

Authorization is given by the Ministry responsible for the Economy within two months (tacit agreement to be assumed if no reply is received).

INVESTMENTS AFFECTED	SECTORS REQUIRING PRIOR AUTHORIZATION
<b>Investments from EU Member States</b>	Certain private security services; interests concerning the prevention of illicit use of biological or toxic agents or other agents prohibited in the construction of chemical weapons; equipment designed to intercept communications; the evaluation and certification of systems used in information technology; the production of goods or provision of services relating to the security of information systems; goods and technology with dual applications.
<b>Investments from non-EU countries</b>	The interests indicated above, plus: gambling (excluding casinos); encryption and decryption systems for digital applications; businesses certified for national defense; trade in weapons, munitions and explosives for military applications or equipment used in warfare; businesses under contract to supply research or equipment to the French Ministry of Defense or its subcontractors.

#### + FOR FURTHER INFORMATION:

Articles L151-1 to L152-6 of the French Monetary and Financial Code.  
Articles R153-1 and following of the French Monetary and Financial Code.  
Ministerial Order of March 7, 2003, detailing the information necessary to complete returns or requests for authorization.



## I. SIMPLIFIED FORMALITIES FOR CUSTOMIZED BUSINESS SOLUTIONS

The formalities for setting up businesses have been greatly simplified and the whole procedure can be carried out over the internet.

### 1. A 'ONE-STOP SHOP': THE *CENTRE DE FORMALITÉS DES ENTREPRISES* (CFE)

However you decide to set up your business, all the formalities for creating a new company can be dealt with at the nearest *Centre de formalités des entreprises* (CFE), which are located throughout France. They handle all administrative details in one place, including all the documents required to set up, change or close down companies, and deliver them to the relevant authorities.

It takes a few days for a company or branch to be recorded in the Company Register (*Registre du commerce et des sociétés* - RCS). The cost of administrative formalities is approximately €84, plus the cost of publishing a notice announcing a new company in the legal gazette (approximately €230).

#### Online formalities

Formalities for setting up, changing or closing a company or branch can be completed online. You can also track the progress of your applications on the internet.

**+ FOR FURTHER INFORMATION:** \_\_\_\_\_  
[www.cfenet.cci.fr](http://www.cfenet.cci.fr)  
[www.guichet-entreprises.fr](http://www.guichet-entreprises.fr)

#### Regulated professions

In principle, applications for authorization to engage in regulated or licensed professions or those registered with trade associations (lawyers, accountants, architects, doctors, transporters of goods or people, etc.) must be registered with the respective

authorities or professional bodies. However, as a one-stop shop, CFEs are gradually beginning to receive all the applications for registration, authorization and declarations required to open specific lines of business, apart from actually founding the company (i.e. professional licensing, registering with trade associations, filing declarations with municipal offices or the *Préfecture* to open a business, etc.).

#### A representative in France to manage formalities

There are different ways of completing formalities at the CFE:

- 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 CFE.

## 2. BUSINESS ENTITIES TO SUIT ALL NEEDS

Choosing a business structure in France depends on the investor's strategy and the degree of independence that the French operations are to have from the parent company.

### 2.1 Reducing administrative procedures: short-term solutions

A foreign company wishing to prospect for business in France can start by hiring a single employee or by opening a liaison office. This option involves a specific tax and company status.

#### Liaison offices: nominal representation without commercial activity

A foreign company may recruit or send an employee to France to represent it through a local liaison or representative office.

## QUICK COMPARISON OF WAYS TO SET UP BUSINESSES IN FRANCE

	TYPE OF BUSINESS STRUCTURE	DEFINITION	FEATURES
SHORT-TERM SOLUTION	Liaison office	One representative office in France, no commercial activities	<ul style="list-style-type: none"> <li>→ Simple structure (extension of a foreign company in France)</li> <li>→ No commercial activities</li> <li>→ No autonomy</li> </ul>
	Branch	Through its representative, an entity of the foreign company that can legally bind the company (i.e. sign sales contracts)	<ul style="list-style-type: none"> <li>→ Uncomplicated structure that can conduct commercial activities</li> <li>→ Can make decisions independently as the branch's representative in France</li> <li>→ Transactions legally binding for the foreign company</li> </ul>
LONG-TERM SOLUTIONS	Subsidiary	Company subject to French law that can conduct all types of business	<ul style="list-style-type: none"> <li>→ Autonomous legal entity</li> <li>→ Transactions only legally binding for the subsidiary itself</li> </ul>

Liaison offices may conduct only a very limited amount of non-commercial operations, such as prospecting, advertising, providing information, storing merchandise, or other operations of a preparatory or auxiliary nature. They are not separate legal entities. Invoices must be issued by the parent company, which must also sign any contracts.

Tax law stipulates that while liaison offices must pay certain local taxes and social security contributions, they are not subject to corporate tax or VAT since they are not considered to be permanent establishments. If, however, the office conducts commercial activities, in particular where an employee signs contracts on behalf of the foreign company employing them, or fulfills a complete manufacturing cycle, or acts as a fixed place of business through which the company conducts all or part of its trade, it may be reclassified as a permanent establishment.

Companies wishing to safeguard their business may ask the tax authorities to rule in advance whether or not their establishment qualifies as a permanent establishment in France (the tax authorities are deemed to have given tacit consent if no reply is received within three months).

## Registering a liaison office

While registering a liaison office is not required in principle, it becomes necessary when the office has its own premises or is to be used to employ several employees in France. A declaration must be made to:

- URSSAF in the Bas-Rhin *département* if the liaison office has employees registered with the French social security system.
- The local corporate tax office (*Service des impôts des entreprises* - SIE) if the liaison office does not have any employees registered with the French social security system.

However, for commercial activity to be conducted, or for practical reasons, the liaison office must be registered as a branch in the Company Register (*Registre du commerce et des sociétés* - RCS).

Documents to be submitted are identical to those required to set up a branch.

## 2.2 Planning for the future - two key decisions

Companies can set up a branch or a subsidiary to conduct manufacturing or commercial operations in France through a permanent principal or secondary establishment.

### Branches - a basic option

Branches enable foreign companies to establish a foothold in France for commercial operations.

Branches are headed by a legal representative, functioning like an agency and reporting to headquarters, and have no official restrictions on their decision-making powers. They may carry out all the operations of an industrial or commercial company,

but are not separate legal entities and the parent companies are responsible for their initiatives. If they encounter financial problems, the parent company bears liability for their debts.

Branches are permanent establishments with regard to tax laws and must pay corporate tax and VAT. The subsequent conversion of a branch into a separately incorporated subsidiary is possible, but must comply with rules governing the sale and transfer of a business, and is subject to taxation.

### Registering a branch

Registration is mandatory for branches. The registration application must include (in addition to the M0 form):

- One copy of the parent company's articles (the original and, if necessary, one copy translated into French and certified by the legal representative).
- An original registration certificate issued by the foreign company register in the last three months and translated into French.
- Documents relating to the person empowered to act on behalf of the company: identity cards and a police clearance record; residence permit (for non-European directors) and documents certifying the required qualifications if the business is regulated.
- Proof of address.

### Creating a subsidiary, a company incorporated under French law, offers certain advantages:

- Segregation of subsidiaries' and parent companies' assets means that foreign companies do not bear unlimited liability for the debts of their French structures. On the other hand, losses by subsidiaries cannot be offset against parent companies' profits.
- Subsidiaries may apply for government support when starting up or expanding.
- Subsidiaries can enter into agreements on sales and technical royalties, commissions, etc.

The subsidiary must pay all applicable taxes. Investors are advised to seek specialist legal advice when setting up a subsidiary. Bar associations can provide lists of lawyers in France.

### Registration formalities for companies under French law

The company becomes a separate legal entity when it is entered in the Company Register (*Registre du commerce et des sociétés* - RCS). The founders are personally liable for their legal commitments during the incorporation phase, and these are consequently assumed by the newly incorporated company.

The registration application for the new company must include (in addition to the M0 form):

- An original copy of the articles giving the names of the directors and, where appropriate, the names of the statutory auditors.
- A summary, appended to the articles, of the formalities completed on behalf of the new company.
- Two signed and dated copies of the independent auditor's report, if capital contributions in kind are involved.
- A copy of the lease or ownership deed to the business premises.
- A copy of the legal gazette containing notification of the company's establishment.
- Copies of the directors' birth certificates, identity cards or passports, along with a certified clean criminal record and a representative's mandate.
- If appropriate, a copy of the professional license, degree or certificate required to exercise a regulated profession.

→ If appropriate, the residence permit(s) of any foreign director(s) ("Business Activity" or "Skills and Expertise" type).

→ A certificate of deposit from a bank for the new company's initial capital reserve.

Once the application is received, the Commercial Court Registry issues a business creation certificate (*récépissé de dépôt de dossier de création d'entreprise*), free of charge, enabling company set-up procedures to go ahead.

After these formalities, the Registry issues a "K-bis" registration certificate, an official identification document for your company which certifies that the company has been founded.

#### + FOR FURTHER INFORMATION:

The French Office for National Statistics and Economic Studies (INSEE) which allocates the APE code corresponding to the company's primary business and the SIREN and SIRET numbers (company and establishment registration numbers).

## IN DETAIL

### THE FIRST KEY STEPS IN CREATING A SUBSIDIARY

Creating a company involves carrying out a number of steps before the company can be registered. Investors should anticipate the following steps:

- Seeking public or private investment (loans, venture capital, business angels, mutual investment funds in innovation etc.).
- Seeking business premises and a business address agreement for the company's registered office, a commercial lease or the acquisition of real estate.
- The type of legal structure for the business (e.g. SAS / SARL or SA).
- Drafting and signing the company articles (before a notary where the company owns property) which requires preliminary steps to be taken (address, directors, definition of business etc.).
- Planning the appointment of the company officers.
- Obtaining where appropriate (for foreign directors from countries outside the

European Economic Area) a long-stay visa and residence permit ("Business Activity" or "Skills and Expertise").

- Choosing a company name (and ensuring it can be used by conducting searches at the French Patent and Trademark Office (INPI) and the Commercial Court Registry – *Grefe du tribunal de commerce*), address and the appointment of directors.
- Appointing the statutory auditor(s), where relevant.
- Evaluating capital contributions in kind by an independent auditor, where relevant.
- Constituting the share capital: opening a bank account in France and depositing the capital of the company being formed.
- Registering the articles with the tax authorities at the registered office's location (free of charge).
- Publishing the notification of establishment in a legal gazette.

Since some of these steps involve procedures in both the country of origin and in France, they may take several weeks to complete.

**After creating the company, you are required to:**

- Register internet domain names ending in ".fr" with a registrar designated by the French Internet Names and Cooperation Association (AFNIC).
- Register the company with an insurance center for civil liability insurance (and/or for the contents of your premises).
- Register with an employee retirement plan (mandatory within three months of registration).
- Complete formalities relating to hiring each employee with URSSAF by using a special form (*déclaration préalable à l'embauche* – DPAE).

## II. LEGAL STRUCTURES TAILORED TO DIFFERENT NEEDS

### 1. THE THREE MAIN TYPES OF LIMITED LIABILITY COMPANIES

In this case, financial liability is limited to the amount of owners' capital contributions. Such entities can easily be converted into other forms of companies with minimal tax consequences.

The most popular company forms are the *société à responsabilité limitée* (SARL), the *société par actions simplifiée* (SAS) and the *société anonyme* (SA). SARLs and SASs can be formed with a single partner [SAS *unipersonnelle* (SASU) or single-shareholder limited liability company (EURL)], whereas seven shareholders are required for an SA. The SA is the most sophisticated type of French company and is able to launch a public offering.

The SAS (or SAS *unipersonnelle*) is the most recent form of French company and is well suited to holding companies and foreign companies wishing to maintain 100% control of one of their subsidiaries. This option has gained popularity since the reform allowing partners to draft articles setting any level of capital they choose (like for SARLs).

Choosing a legal structure will affect the company's legal status, taxes, assets and employment relations.

### IN DETAIL

French company law has kept in step with modern technology: meetings of boards of directors and supervisory boards may now be held remotely (by video-conference or other means) except in cases where company articles stipulate physical meetings or where annual or consolidated financial statements and management reports are to be approved.

### 2. ADDITIONAL OPTIONS ARE AVAILABLE

These are mainly general partnerships (*société en nom collectif* - SNC), non-trading partnerships (*société civile*) and economic interest groupings (*groupement d'intérêt économique* - GIE). They are less common because they require a greater level of partner liability in the event of financial difficulties. However, there are no minimum capital requirements and these structures offer significant levels of flexibility (but decisions must usually be unanimous in SNCs and GIEs) and fiscal transparency that make them attractive as subsidiary companies.

A special form of company, the *société en participation*, is used in the construction industry and in the performing arts and publishing sectors. These are very simple to set up (RCS registration not required) and no legal announcements are required.

## 3. INCORPORATING AS A EUROPEAN COMPANY

Businesses present in at least two Member States of the European Union can opt for European Company status (SE for *société européenne*).

In this case, the company benefits from a unique set of regulations and a unified system of management and disclosure of financial details.

SEs have a minimum capital of €120,000. The company's headquarters is stated in the articles, and its location determines the business law that applies to the company: the company is registered in the country where the headquarters is located. SEs are subject to taxation in all EU countries where they have a permanent establishment.

### IN DETAIL

#### APPROVAL OF ANNUAL ACCOUNTS

This decision is made by partners at the Annual General Meeting. The decision to approve the accounts must be made no later than six months after closure of the accounts for the financial year. This is essential so that profits can be allocated and any dividends distributed.

All limited liability companies must file:

- Their annual accounts, business report and where applicable their consolidated statement and auditors' reports.
- The motion or resolution regarding allocation of the profits.

A copy of each must be filed with the Commercial Court Registry within one month of the annual accounts being passed (or within two months when the accounts are filed online at [www.i-greffes.fr](http://www.i-greffes.fr)).

## III. PARTNERSHIPS AND TAKEOVERS

French law makes full provision for business partnerships and takeovers.

### 1. ACQUIRING EQUITY IN A COMPANY

Acquiring an equity interest may be the result of an agreement between companies or an unsolicited bid to buy shares (hostile takeover bid).

#### **Administrative formalities: transparency required**

Buyers are required to make certain disclosures when more than 5% of the shares or voting rights in a listed company are likely to change hands:

- A declaration must be filed with the financial market authority within five days.
- The target company must be notified within 15 days.

## COMPARISON OF THE MAIN FORMS OF LIMITED LIABILITY COMPANIES IN FRANCE

	<b>SOCIÉTÉ À RESPONSABILITÉ LIMITÉE (SARL)</b>	<b>SOCIÉTÉ ANONYME (SA) USUAL FORM (BOARD OF DIRECTORS)</b>	<b>SOCIÉTÉ PAR ACTIONS SIMPLIFIÉE (SAS)</b>
<b>Key advantages</b>	Easy to set up and operate.	Structured for "monitored delegation". Public offerings permitted.	At least one partner. Freedom of constitutional arrangements for relations with shareholders, management and the structure and to transfer capital.
<b>Directors</b>	One or more directors, who must not be corporate entities, but do not need to be partners.	One individual to be the Chairman of the Board and CEO, or two individuals to be Chairman and CEO respectively. Deputy CEOs: up to five. Board of directors: three to 18 members, including one or two directors representing employees (if their number exceeds the statutory thresholds) and a statutory auditor.	At least one Chairman (individual or corporate entity) and possibly a board with other members. The company can be represented by a person so empowered by the articles (CEO or deputies) in addition to the Chairman.
<b>Director's status</b>	A director who is a minority, equal shareholder or non-partner can also have an employment contract if certain conditions are met (work as a subordinate, separate from company officer role).	The director can also have an employment contract if certain conditions are met (work as a subordinate, separate from company officer role).	
<b>Appointment and dismissal of Directors</b>	→ Decision of partners representing more than half the company shares. → Compensation payable for dismissals without due cause.	Decided by the Board of Directors.	Defined by choice in the articles.
<b>Minimum capital</b>	→ No minimum: sufficient capital to finance long-term needs. Partners define the amount in the articles. → At least one-fifth of contributions must be paid-up capital when the company is founded and the balance over five years. → Restrictions apply to issuing bonds.	→ Minimum of €37,000. → Half the capital must be paid up when the company is founded and the balance over five years. → Public offerings permitted.	→ No minimum: sufficient capital to finance long-term needs. Partners define the amount in the articles. → At least one-fifth of contributions must be paid-up capital when the company is founded and the balance over five years. → Restrictions apply to issuing bonds.
<b>Contributions</b>	Sweat equity <sup>1</sup> permitted.	No sweat equity permitted.	Sweat equity permitted.
<b>Partners / shareholders</b>	2 to 100 individuals or corporate entities. Or single shareholder (EURL). At least one meeting per year: annual approval of the accounts, review of contracts by simple majority at Ordinary General Meeting.	At least seven (with at least one individual). At least one meeting per year: annual approval of the accounts and ordinary decisions by simple majority at Ordinary General Meeting, changes to the articles require a two-thirds majority at Extraordinary General Meeting.	At least one (SAS <i>unipersonnelle</i> ) individual or corporate entity. Only certain decisions made by Ordinary General Meeting: approval of the accounts, mergers, changes in capital, liquidation.
<b>Quorums for meetings</b>	25% of voting rights on first notice and 20% on second notice of Extraordinary General Meeting.	For an Extraordinary General Meeting, 25% of voting rights on first notice and 20% on second notice. For an Ordinary General Meeting, 20% on first notice and no quorum on second notice.	According to the articles; no obligation to hold an annual meeting of shareholders.
<b>Blocking minority</b>	Extraordinary General Meetings: 33% + 1 vote for amendments to the articles. Ordinary General Meetings: 50% of voting rights + 1 (or majority of votes on second notice).	1/3 of votes at Extraordinary General Meeting. 50% of votes in Ordinary General Meeting.	According to the articles.
<b>Liability of partners / shareholders</b>	Limited to contributions, except in civil or criminal lawsuits.	Limited to contributions, except in civil or criminal lawsuits.	Limited to contributions, except in civil or criminal lawsuits.
<b>Transfers</b>	Buyer pays a 3% filing fee. Equal deduction for each share, to the ratio between €23,000 and the total number of shares in the company.	Buyer pays a filing fee* of 0.1%	
<b>Auditors</b>	Auditor necessary if company exceeds two of the three thresholds below: net turnover over €3.1 million; total balance sheet over €1.55 million; more than 50 employees.	Statutory auditor required.	Statutory auditor required for companies held by (or holding) another company OTHERWISE Statutory auditor required if company exceeds two of the following three thresholds: Pre-tax turnover > €2 million; total balance sheet > €1 million; over 20 employees.
<b>Tax system</b>	Corporate tax <sup>2</sup> or option of paying income tax (if company is less than five years old and has fewer than 50 employees) or if the company comprises members of the same family.	Corporate tax or option of paying income tax (if company is less than five years old and has fewer than 50 employees).	Corporate tax or option of paying income tax (if company is less than five years old and has fewer than 50 employees).

<sup>1</sup> Sweat equity: a partner offers the company his time, work and professional knowledge. Does not contribute to forming the capital but has right to shares in company.

<sup>2</sup> For a SARL comprising only one private individual: income tax or irreversible option to pay corporate tax.

\* Unless the transaction is exempt, such as the acquisition of ownership interests when buying back the company's own shares or raising capital; when buying a company that is undergoing an insolvency or bankruptcy protection procedure (*sauvegarde* or *redressement judiciaire*); when companies are members of an integrated group; and when partial assets are contributed for mergers.



The same rules apply to transactions that exceed thresholds, up or down, of 10%, 15%, 20%, 25%, 30%, 33%, 50%, 66%, 90% and 95% of the shares or voting rights.

When buyers intend to acquire more than 30% of the shares in a listed company, they are required to make a bid for all of the outstanding shares so that minority shareholders have an opportunity to sell their shares.

### Prior notification to competition authorities of large concentrations between undertakings

Concentrations between undertakings arise from one of the following transactions:

- Mergers of two or more independent companies.
- Full or partial takeovers.
- Creation of joint ventures that conduct their business independently on a long-term basis.

In principle, concentrations are authorized, however large concentrations may require prior authorization from national or European Union authorities. Restrictions on concentration are intended to ensure that market dominance by a single company does not distort competition.

Concentrations require the prior authorization of the French Competition Authority (*Autorité de la concurrence* - an independent body) if:

- The aggregate turnover of the companies concerned exceeds €150 million, excluding tax, and
- The aggregate turnover of at least two of the companies in France exceeds €50 million, excluding tax, and
- Turnover remains below EU thresholds.

Specific thresholds have been set for the retail distribution sector (lower notification threshold) and in the French overseas *départements* and authorities.

The French Competition Authority's decision will be made within 25 working days of the date when full notification procedure documentation is submitted. However if the transaction is likely to distort competition, the Competition Authority may open a second phase in order to conduct a more extensive analysis of the transaction (in principle, a period of up to 65 days is set aside for this second phase).

The European Commission must be notified of concentrations between undertakings if:

- The aggregate global turnover of the companies concerned are more than €5 billion, and
- Individual turnover of at least two of the companies concerned in the European Union totals more than €250 million, except if turnover within a single country accounts for more than two-

thirds of each of the companies' total European Union turnover.

The European Commission must also be notified of concentrations that do not exceed the above thresholds if they affect three or more European Union countries.

The procedure can take up to eight months and the concentration is frozen until authorization is granted.

## 2. MANAGEMENT LEASE: A FLEXIBLE TEMPORARY TAKEOVER OPTION

Management leases grant authorization to operate a business without having to buy it outright.

The owner or operator of the business or manufacturing establishment signs a contract with a lessee, who manages the leased company at his own risk and pays a lease payment. The owner collects the lease payments and has no say in the management of the leased business.

A management lease is a temporary solution that can be used to assess the viability of a business. At the end of the lease, the company may be sold or transferred to the lessee.

## IN DETAIL

### PROTECTING INTELLECTUAL PROPERTY IN FRANCE

The administrative formalities to protect patents, trademarks, designs and models are filed with the French Patent and Trademark Office (INPI). You may also request that legal protections granted in other countries be extended to France and Europe.

NB: Company names, trade names, logos and domain names are also protected from their first use and can be cited in unfair competition lawsuits.

Innovation	Duration of legal protection
Patents	20 years
Trademarks	10 years (renewable indefinitely)
Designs and models	25 years

### 3. PROCEDURES FOR ACQUIRING AN AILING COMPANY

French law on ailing companies has been simplified in recent years, particularly the regulations concerning the takeover of such companies.

A procedure affording protection before insolvency (*procédure de sauvegarde*) can now be undertaken when a company's difficulties are such that they risk becoming insurmountable. This preventive procedure does not provide for the sale of all or part of company assets, for which liquidation proceedings are necessary. Likewise, any partial insolvency is subject to bankruptcy law.

Reorganization (*redressement judiciaire*) is a form of bankruptcy protection that takes place when a company is insolvent and its assets are not enough to cover liabilities. The sole aim of this procedure is to facilitate the drafting of a plan that will enable the company to remain in operation, maintain jobs and reduce its liabilities. Any sale of assets must comply with liquidation procedures.

Once either of these two procedures has been initiated, third parties may submit offers to the administrator to save the company as a going concern, through the total or partial sale of business; such sales must be conducted in keeping with liquidation procedures.

Buyers must make their offers to the commercial court-appointed administrator before the deadline set in the court ruling initiating the proceedings (court rulings are published in the legal gazette *Bulletin officiel des annonces civiles et commerciales*).

### 4. THE BEST ACQUISITION SOLUTION PREFERRED BY JUDGES

During liquidation procedures, judges evaluate each potential buyer's bid by the prospects it offers of keeping all or part of the company in business, saving jobs and repaying creditors.

Part or all of a company's assets may be sold to ensure that those operations that can be conducted independently remain in business, to preserve all or part of the associated jobs, and to reduce liabilities.

Offers must include a detailed list of assets, rights and contracts included in the offer; a business recovery plan and financing forecasts; the purchase price and how this will be paid; information about the providers of funds and any guarantors (if the offer is based on loans, it must specify terms and duration), the date of sale, job numbers and outlook based on projected operations, financial guarantees underpinning execution, asset disposal plans for the next two years, and the duration of each commitment made by the buyer.

Offers cannot be amended or withdrawn once they have been filed with the Commercial Court Registry except for amendments that improve conditions for employees and creditors, which may be presented up to 48 hours prior to the hearing. The court then decides whether to make a partial or full sale of the business and gives the reasons for its decision.

Some contracts may be transferred to the new owner, including employment contracts, equipment and finance leases, supply contracts for goods and services necessary to keep the business going, stock pledge agreements, contracts with customers, etc.

If no solution can be found to keep a business going or if recovery is clearly impossible, the court will liquidate the ailing company and the assets will be sold to the highest bidders once the court proceedings have been completed.

## IV. CORPORATE REAL ESTATE TO MEET VARIOUS NEEDS

### 1. SHORT-TERM, LOW-COST SOLUTIONS

Several solutions exist to meet temporary needs:

- Setting up the company's registered office and conducting business at a director's personal address, subject to certain conditions.
- Setting up the company's registered office in a business center (*centre d'affaires* or *centre de domiciliation*) offering services such as answering telephone calls, meeting rooms, mailboxes, etc.
- Premises offered by local authorities, such as business incubators (*couveuses, pépinières d'entreprises*) or temporary manufacturing facilities (*ateliers-relais*).
- Fixed-term leasing of office space: sub-letting subject to agreement from the owner of the building, or through the signature of a short-term lease (up to 24 months).

### 2. LONG-TERM OPTIONS

Various solutions, offering different degrees of legal security, exist for long-term investments, in accordance with the needs of the company.

#### 2.1 A commercial lease is the most common option

Companies generally sign commercial leases, which are governed by strict legal provisions protecting the tenant's rights.

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 register with a company register (except for independent contractors) and 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 lease stipulates the commercial purpose of the premises (*activité*), but the parties to the lease can agree to amend the lease to change the initial purpose or add another activity (*déspecialisation*).

## 2.2 A more flexible but less secure option: a professional lease

Non-trading businesses may rent premises under the terms of “professional” leases which are contractually flexible but offer less protection for the tenant than commercial leases. The statutory term is six years with no early termination option.

## 3. PURCHASING PROPERTY - SEVERAL OPTIONS AVAILABLE

### 3.1 Full ownership offers the greatest legal security

Foreign companies are entitled to buy commercial and industrial land and buildings from private- and public-sector owners. Real-estate agents can help them find suitable properties. The laws governing property purchases and the services of intermediaries such as notaries ensure the legal security of real-estate transactions.

Government support for real estate purchases may be available, subject to certain conditions.

### 3.2 Leasing to own is a common practice

Many companies acquire industrial and commercial buildings by signing a property finance lease. Such leases generally run for nine to 15 years and title to the property is transferred to the tenant at the end of the term. Local authorities may help companies obtain finance leases by arranging meetings with financing organizations. Government investment support in the form of discounts on finance lease payments is also available subject to certain conditions.

### 3.3 Construction of industrial and commercial buildings

Foreign investors can erect industrial and commercial buildings in France. Local maps show zones in which construction is allowed and mayors have the power to authorize construction by issuing planning permission and construction permits. The local *mairie* (municipal offices) offers land owners and other persons entitled to erect buildings a one-stop service for construction permit applications.

### 3.4 Commercial buildings - possible additional permit

The construction of a retail outlet or commercial premises with a surface area of more than 1,000 sq. m. requires an installation permit, in addition to a construction permit. A Commercial Urban Planning Commission (*Commission d'aménagement commercial*) in the *département* concerned oversees the application procedures.

Some business activities do not require this special permit, notably hotels, service stations and motor vehicle dealerships.

## 3.5 Acquiring premises through a real estate partnership (SCI), offering greater protection and tax benefits

A real estate partnership (*société civile immobilière* - SCI) is a separate legal entity where the capital is contributed by companies or individuals. It is used to finance premises that can then be occupied by the company operating the business. This solution protects the real-estate assets from the operating company's creditors. It can also provide tax benefits, since the company can deduct rent and maintenance fees from its taxable income and the partnership can deduct acquisition costs for the buildings if it opts to pay corporate tax.

Investors should seek legal advice to work out the details of such an arrangement.

## IN DETAIL

---

### CONSTRUCTION PERMITS

Construction permit applications must be filed with the local municipal offices with jurisdiction over the land. Applications comprise a printed form and a portfolio of drawings and written documents that will enable the authorities to ensure that the application is compliant with urban planning regulations. Applicants must use the services of an architect when preparing their applications. The timescale for the procedure is between one and three months from the date the completed application is filed. If the application file is incomplete, the relevant authority has one month in which to request further documents.

When planned construction work concerns a regulated facility (ICPE), the construction permit application needs to include proof that a permit or registration or declaration application has been filed with the *Préfecture* in application of the ICPE legislation. When regulated facilities require a public inquiry, any work covered by a construction permit may only be carried out after the public inquiry is concluded.



## V. REGULATED FACILITIES (ICPEs)

Concern for preventing hazards, pollution and other environmental nuisances means that preliminary administrative formalities are required before operating certain types of manufacturing plants.

The State Prefect in the *département* where the plant is located is the authority responsible for regulated facilities (*installations classées pour la protection de l'environnement* – ICPEs – aka “classified installations” in France). The Regional Directorate for the Environment, Development and Housing (*Direction régionale de l'environnement, de l'aménagement et du logement* – DREAL), which is part of central government in France's regions and comes under the authority of the Prefect and the Minister responsible for the environment, processes application case files.

### 1. DIFFERENT PROCEDURES DEPENDING ON THE EXTENT OF RISKS AND POLLUTION

Activities covered by legislation on regulated facilities (ICPEs) are listed in a nomenclature that can be downloaded from the ICPE Inspectorate website. Depending on the significance of the risks or disadvantages that may result, the nomenclature obliges the facility to follow a declaration procedure (D or DC if the facility is subject to periodic inspection by a certified organization), registration (E) or permit (A or AS for permit with public utility easement). Permits with public utility easement concern the most hazardous facilities. In the case of facilities subject to the AS procedure, the formalities are the same as for obtaining a permit, but entail additional urban planning restrictions and prohibitions in order to prevent third parties setting up close to these high-risk activities.

The prospective operator is responsible for identifying the categories of the nomenclature that apply to the facility. It should be noted that a facility may be affected by one or more categories of the nomenclature, for both the business activity it conducts and the substances stored or used at the site.

#### + FOR FURTHER INFORMATION

ICPE Inspectorate website:  
[www.installationsclassées.developpement-durable.gouv.fr/](http://www.installationsclassées.developpement-durable.gouv.fr/)  
(in French, English and German).  
The ICPE nomenclature can be consulted in the section “Classified installations: principles”.

## 2. DECLARATION

### 2.1 Facilities required to make a declaration

Activities that cause the least pollution and hazards are obliged to submit a declaration.

### 2.2 Declaration procedure

This is a simple procedure whereby the prospective facility operator submits a declaration application, including supporting documents, indicating the nature and volume of the planned operations as well as the name(s) of their section(s) in the nomenclature to the Prefect of the *département* before the operations begin.

The *Préfecture* has two months to review the application and if it is complete and compliant, the Prefect issues the operator with:

- a certificate (*récépissé de déclaration*);
- a copy of the general guidelines for the facility (minimum precautions for the operator to follow).

These documents enable the operator to begin operations.

#### + FOR FURTHER INFORMATION:

The full list of supporting documents for the declaration application can be found in article R512-47 of the French Environmental Code.

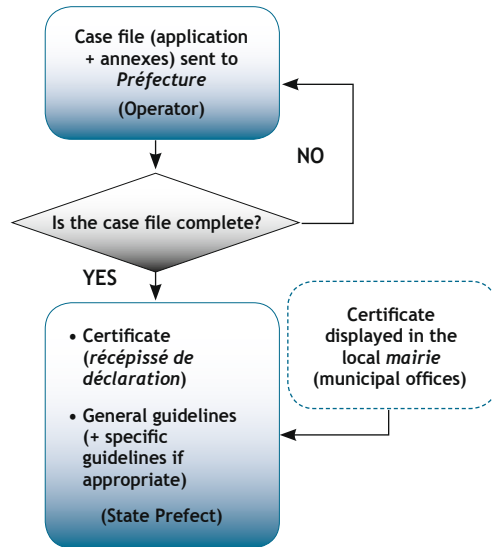


### EXAMPLE ICPE NOMENCLATURE - EXTRACT

Category	Description of the category	Procedure
2662	Polymers (plastics, rubber, elastomers, resins and synthetic adhesives) (storage of) The volume liable to be stored being: 1. Equal to or greater than 40,000 m <sup>3</sup> ..... 2. Equal to or greater than 1,000 m <sup>3</sup> , but less than 40,000 m <sup>3</sup> ..... 3. Equal to or greater than 100 m <sup>3</sup> .....	A E D

A: Permit (*autorisation*); E: Registration (*enregistrement*); D: Declaration; S: Public utility easement (*servitude d'utilité publique*)

## DECLARATION PROCEDURE



## 3. REGISTRATION

### 3.1 Facilities required to register

The system of registering regulated facilities, which falls between the declaration and permit procedures, is designed to make the applications easier to understand and to reduce authorization periods. Registration applies to standardized facilities (sectors or technologies with well-understood environmental impacts and hazards) that are not located in environmental conservation areas.

Since the introduction of this simplified procedure in 2009, more than thirty categories of the nomenclature that previously required the facility to obtain a permit now only require the facility to be registered. Depending on the volumes processed, these may pertain to service stations, warehouses containing flammable materials (wood, paper, plastic, polymers), refrigerated warehouses, polymer processing, mechanical metal and alloy work, concrete production or production of concrete-based products using mechanical processes, certain facilities that collect or conduct methanogenesis of non-hazardous waste, and certain facilities that prepare or store animal-derived food stuffs.

The registration procedure is based on standardized guidelines or universal requirements and not on requirements specific to each facility. These guidelines are published in the Official Journal of the French Republic (Orders on general requirements) and in online manuals available on the ICPE section of the French Environment Ministry website. The future operator may request modifications, however if they are significant the Prefect can rule that the request be reviewed as a permit application.

### 3.2 Registration procedure

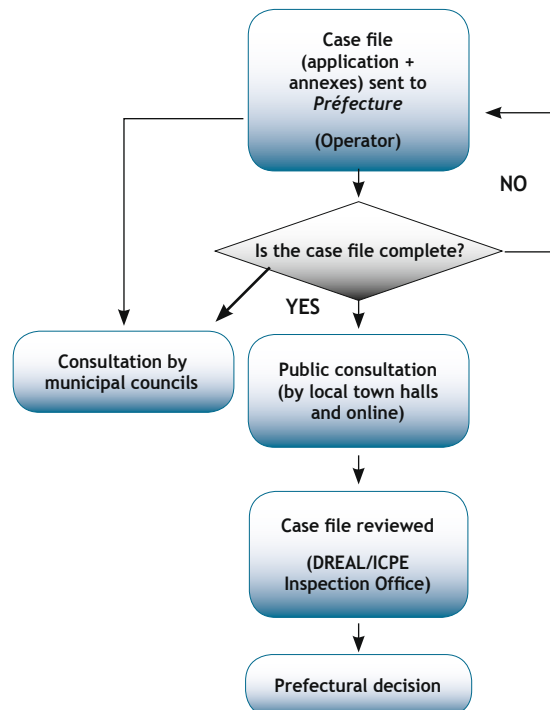
The prospective facility operator must submit the registration case file (application plus supporting documents) to the Prefect of the local *département* before they begin operations.

The application case file is lighter than for a permit application, and operators are not required to provide an impact study or safety report. The key document for the registration case file is a document vouching that the general guidelines applicable to the facility have been followed. To provide evidence of compliance, the applicant can refer to the guides to help vouch for compliance available at the ICPE Inspectorate website. When setting up the facility also requires a construction permit to be obtained, a receipt for the construction permit application must be included with the registration application or forwarded within 10 days.

The registration procedure includes an application inspection phase, followed by a consultation phase and a review phase, following which the Prefect issues an official order (cf. diagram). The review period for a complete case file is five months, after which time the Prefect issues a registration order or rejects the application.

In certain circumstances, the review period may be extended by two months. In such cases, the Prefect alerts the operator and explains the reasons for the extension. If no registration order is received after five (or seven) months, tacit rejection of the application by the Prefect can be assumed.

## REGISTRATION PROCEDURE



Furthermore, in certain instances stipulated in the French Environmental Code, a registration application may be reviewed according to the process used for the permit application procedure. In such cases, the file must include a safety report and impact assessment, as required for the permit application procedure.

**+ FOR FURTHER INFORMATION**

The full list of supporting documents for the registration application can be found in articles R512-46-3 and R512-46-4 of the French Environmental Code. The Ministerial Orders on general requirements applicable to facilities required to register and the corresponding guidelines, specifying the evidence of compliance to be produced by manufacturers, can be downloaded from: [www.ineris.fr/aida/consultation\\_document/10361](http://www.ineris.fr/aida/consultation_document/10361)

**4. PERMIT (AUTORISATION)**

**4.1 Facilities that require a permit**

Businesses that can cause hazards or serious damage to the environment must obtain a permit, in this case issued as an order (*arrêté*), from the Prefect. Permits are required mainly for businesses falling within the scope of the European Union “Seveso” or “IED” directives.

**4.2 Permit procedure**

Businesses must complete a permit case file (application plus supporting documents) and send it to the Prefect of the local *département*. The application must include plans and a detailed description of the facility as well as two studies conducted by the manufacturer itself:

- a safety report (identifying the risk of accidents and indicating the measures planned to reduce those risks) ;
- an impact study (environmental impact and the measures taken to attenuate these effects).

When setting up the facility also requires a construction permit to be obtained, a receipt for the construction permit application must be included with the permit application or forwarded within 10 days.

The permit procedure includes an application inspection phase, followed by a consultation phase and a review phase, following which the Prefect issues an official order (cf. diagram). The consultation phase involves a number of different government departments (central government divisions in Frances’ regions responsible for health, the environment, urban planning, agriculture, public safety), in addition to local authorities and residents’ associations. Local residents are consulted through a public inquiry, during which the public is notified and invited to comment. Work subject to a construction permit can be executed once the public inquiry has been concluded.

Once the review has been completed, the Regional Directorate for the Environment, Development and Housing (DREAL; a regional

branch of the French Environment Ministry) draws up a report presenting its recommendation to the Prefect. Finally, the project is brought before an advisory body, the local *Département* Council for the Environment & Health and Technology Risks (CODERST), which also issues an opinion. The Prefect bases its final decision on all of these elements and the outcome of the public inquiry.

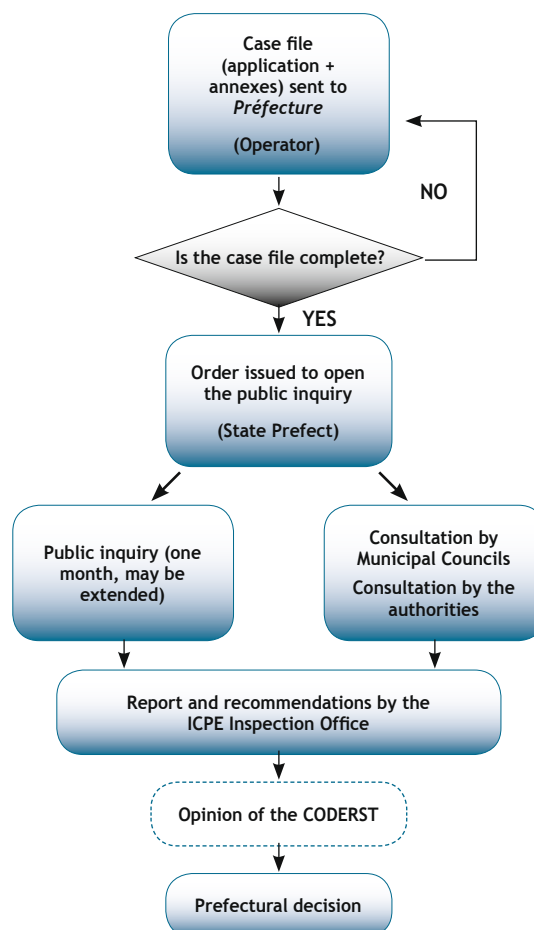
The Prefect’s order authorizing operations at the facility sets out the operating requirements with which the operator must comply. In principle, this order should be issued no more than eight to 12 months after the application is filed.

Prospective operators are recommended to contact the DREAL, which will process the case file, in advance of submitting the case file to the *Préfecture*. The DREAL is may be contacted by project owners throughout the procedure and compilation of the case file to offer advice and support. The DREAL and the operator remain in constant contact throughout the review process.

**+ FOR FURTHER INFORMATION**

The full list of supporting documents for the permit application can be found in articles R512-2 and R512-10 of the French Environmental Code.

**PERMIT PROCEDURE**



## 5. TAKING OVER A REGULATED FACILITY

When a regulated facility changes owners, the new operator must make a declaration to the Prefect within one month of assuming ownership of the operation. A permit is required from the *Préfecture* for facilities subject to financial guarantees. The Prefect issues a ruling within three months from the date the application is received.

## 6. LOGISTICS FACILITIES

Logistics facilities are used to store merchandise. In an effort to prevent accidents, indoor storage facilities are required to make a declaration, register or obtain a permit, depending on their storage volume.

As such, indoor facilities must:

- Make a declaration if the storage volume is between 5,000 and 50,000 m<sup>3</sup>.
- Register if the storage volume is between 50,000 m<sup>3</sup> and 300,000 m<sup>3</sup>.
- Obtain a permit if the building's capacity exceeds 300,000 m<sup>3</sup>.

## 7. THE "POLLUTER PAYS" PRINCIPLE

The "polluter pays" principle is applied in France as in all the countries of the European Union. This rule ensures that polluters bear the cost of their emissions and waste.

France has also introduced measures to assist businesses with their waste management systems, which are administered by the French Environment and Energy Management Agency (ADEME).

# 2

## FRENCH EMPLOYMENT LAW

<b>I. Employment relations within a company</b>	<b>22</b>
<b>II. Profit-sharing and employee savings plans</b>	<b>27</b>
<b>III. Organizing working hours: agreement negotiated within the company</b>	<b>29</b>
<b>IV. Extensive high-quality social security cover</b>	<b>32</b>

# 2 FRENCH EMPLOYMENT LAW

Employment relations within companies are governed by the French Labor Code (*Code du Travail*) and industry-specific collective agreements. In recent years, social dialogue has also been enhanced and now underpins developments in employment law, being the preferred method of modernizing legislation. The Employment Act of June 14, 2013 (*loi de sécurisation de l'emploi*), negotiated with employee and employer representatives, introduced new provisions: employee mobility; anticipating change; career security; revised rules for collective dismissals on economic grounds with better defined procedures and time limits, and a focus on developing the use of conciliation to resolve disputes.

## I. EMPLOYMENT RELATIONS WITHIN A COMPANY

Employment relations within a given company are increasingly based on collective agreements at industry level and at the level of individual companies, with employee and employer representatives playing a key role.



### COLLECTIVE AGREEMENTS

Parties are free to substitute replace certain legislative and regulatory measures by collective agreements as long as these agreements do not contravene the law. Such agreements include:

- **Inter-professional agreements** reached at national level to ensure a cohesive overall system.
- **Industry-specific agreements** covering a given profession, which must stipulate: minimum wage levels, job classification, collective guarantees for insurance and pooling of training funds.
- **Company or establishment agreements** reflecting specific features of a company and its employees.

Company or establishment agreements can override industry-specific agreements or collective agreements as long as the latter are not mandatory or do not expressly exclude this. Moreover, employers can organize the working hours of their employees on the basis of a company-wide agreement which can override higher-level agreements.

#### + FOR FURTHER INFORMATION

The company's business activity, as stated in its articles, determines which collective agreement is applicable.  
[www.legifrance.gouv.fr](http://www.legifrance.gouv.fr) (*conventions collectives / collective agreements*)

### 1. A FREELY NEGOTIATED EMPLOYMENT CONTRACT

Employers can hire employees according to their needs using the different kinds of employment contracts admissible under

French law. Contractual clauses can provide for greater flexibility in employment relationships, provided they are not contrary to the French Labor Code or to any collective agreement that applies to the employer.

#### 1.1 Permanent contract (*contrat à durée indéterminée - CDI*)

→ **Format and language:** Although permanent contracts do not necessarily have to be a written document, they are usually documented, and when so must be written in French.

→ **Clauses:** An employment contract must stipulate the employee's pay and job description, along with the working hours and place of work. In principle, parties are free to write their own contracts and have a great deal of liberty with regard to content, which may include clauses specifying targets for pay, providing for geographical mobility or requiring employees to assume different professional roles, as well as non-compete clauses, clauses covering ownership of inventions and intellectual property rights, etc.

The contract may also provide for a probationary period, which may be as long as four months for a managerial post (renewable once if an industry-specific agreement allows this).

#### → **Remuneration:**

- The statutory national minimum wage (SMIC) is €9.53 gross per hour. This amounts to €1,445.38 per month for a 35-hour work week, or €1,651.87 per month for a 39-hour work week including a 25% increase for overtime hours (between 35 and 39 hours).
- The contract may also provide for additional benefits and a profit-sharing scheme.

#### → **Probationary period:**

Probationary periods give employers a chance to evaluate an employee's skills.

Employers can terminate an employment contract during the probationary period without having to provide grounds or severance pay. The probationary period and the terms of its renewal must be clearly stated, either in the appointment letter or the employment contract, in order to be enforceable.

The probationary period under permanent contracts depends on the employment status of the employee:

- Up to two months for those with *ouvrier* (worker) and *employé* (employee) status.
- Up to three months for those with *agent de maîtrise* (a higher employee status) and *technicien* (technician) status.
- Up to four months for those with *cadre* status (another higher employee status, including, but not exclusively, managers).

Probationary periods can be extended once for up to four, six and eight months (including the renewal period) depending on the employee's position and whether an industry-specific collective agreement authorizes this.

**+ FOR FURTHER INFORMATION**

Company directors are bound to their company not by employment contracts but by corporate appointments. The terms of their appointment, pay and dismissal are freely determined in the company's articles. However, some directors may sign employment contracts with their companies, subject to certain restrictions (e.g. the CEO or Managing Director of a *société anonyme* (SA), the Chairman of a *société anonyme* or a *société par actions simplifiée* (SAS) and a Company Director with minority interests in a *société à responsabilité limitée* (SARL)).

**1.2 Fixed-term contract (*contrat à durée déterminée - CDD*)**

Extra employees can be hired for a limited time to meet temporary needs. However, French law restricts the use of fixed-term contracts and temporary agency employees to specific situations and generally sets an upper limit of 18 months on such arrangements.

→ **Reasons for fixed-term contracts:** Temporary increase in the company's business; seasonal work; 'standard' fixed-term contracts (according to certain practices within a given profession); a special assignment for a skilled employee or an engineer, subject to specific terms; replacement of an absent employee; replacement of an employee who has temporarily moved to part-time work; gap before a new employee takes up their post.

Fixed-term contracts cannot however be used on a long-term basis to fill jobs that are related to the company's regular business.

→ **Format and language:** Must be in writing and drawn up in French.

→ **Clauses:** The contract must specify in particular the duration of the assignment and the reason why the contract is being made (see "Reasons for fixed-term contracts" above).

→ **Probationary period:** Probationary periods give employers a chance to evaluate an employee's skills.



**SUBSIDIZED EMPLOYMENT CONTRACTS**

There are a number of specific contracts that can be used to recruit employees with medium- or long-term training needs. These contracts entitle businesses to recruitment aid.

	PURPOSE OF CONTRACT	SPECIAL FEATURES AND AID
<b>APPRENTICESHIP CONTRACT (<i>CONTRAT DE L'APPRENTISSAGE</i>)</b>	For 16- to 25-year-olds on a work-study contract alternating academic training at an apprentice training center ( <i>centre de formation d'apprentis - CFA</i> ) and vocational training in a company.	<ul style="list-style-type: none"> <li>→ Contract length:                             <ul style="list-style-type: none"> <li>- Between 1-3 years depending on the profession and the degree the apprentice is working towards.</li> <li>- Or for an indefinite length of time, including an apprenticeship period.</li> </ul> </li> <li>→ Salary: 25-78% of the statutory national minimum wage (SMIC) depending on the apprentice's age and stage of the training cycle.</li> <li>→ Aid: Regional grant of €1,000 or more for companies with fewer than 11 employees, tax credit of €1,600 or €2,200 per apprentice, partial exemption from social security contributions.</li> </ul>
<b>PROFESSIONAL TRAINING CONTRACT (<i>CONTRAT DE PROFESSIONNALISATION</i>)</b>	For candidates enrolled in a social inclusion program, or 16- to 25-year-olds completing their education in a six- to 12-month professional training initiative.	<ul style="list-style-type: none"> <li>→ Contract length: Permanent or fixed-term.</li> <li>→ Salary: 55-100% of the statutory national minimum wage (SMIC) depending on the candidate's age and qualifications.</li> <li>→ Aid: Reimbursement for the costs of training a mentor and in some cases partial exemption from certain employer social security contributions, along with a grant of up to €2,000.</li> </ul>
<b>INTERGENERATIONAL CONTRACT* (<i>CONTRAT DE GÉNÉRATION</i>)</b>	Program whereby a permanent contract is given to a young employee at the same time as a senior employee is retained in their post. The goal is to ensure that knowledge and skills are passed down.	<ul style="list-style-type: none"> <li>→ Companies with fewer than 300 employees: €4,000 grant per year, for three years.</li> </ul>

\* By March 31, 2015 companies with between 50 and 300 employees must prove that they have implemented an industry-specific agreement, a company-wide agreement, or an action plan relating to "intergenerational contracts", failing which they may be subject to a fine.



Employers can terminate an employment contract during the probationary period without having to provide grounds or severance pay. The probationary period and the terms of its renewal must be clearly stated, either in the appointment letter or the employment contract, in order to be enforceable.

The probationary period under fixed-term contracts of up to six months is one day per week of the contract, and may not exceed two weeks. The probationary period for longer contracts may not exceed one month.

→ **Maximum contract duration:** Depending on the reason for the fixed-term contract, 18 months at most. It is possible to draft fixed-term fixed-purpose contracts for managers and engineers of between 18 months and three years (trial scheme until July 2014). Provision must however be made for this in an industry-specific collective agreement where one exists, or if not in a company-wide agreement.

→ **Severance pay:** Employees are entitled to severance pay when a fixed-term contract ends and is not followed up with a permanent contract. This severance package amounts to 10% of total gross pay received during the term of the contract. However, an extended industry-specific collective agreement (or establishment- or company-wide agreement) may limit this amount to 6%. In such cases, the employee must be compensated for the difference, which is mostly provided in the form of preferential enrollment in vocational training courses (training initiative, skills assessment).

### 1.3 Changing an employee's contract

→ **Changing an essential component of an employment contract**

Essential components are pay, qualifications, and more generally, the work assigned to the employee or any other element which might have been a determining factor for the employee when they signed the contract (providing it was expressed in a clear and precise clause).

In this case, the employer cannot impose a change to the contract but must propose the change to the employee. If the employee refuses, it is up to the employer either to decide against the change or to dismiss the employee.

For example: a change from day work to night work is a substantial change; a relocation of the workplace from the north to the south of France is a substantial change, unless mobility clauses in the contract provide for this.

→ **Simple changes to working conditions**

In these cases, employers can draw upon their remit of managerial authority. Refusal on the part of the employee does not lead automatically to termination of the contract but may constitute professional misconduct which the employer could invoke to dismiss them on these grounds.

## IN DETAIL

### HIRING IS THE KEY TO OPTIMIZING WORKING RELATIONSHIPS

Recruitment support services exist in France for you to find the right employees for your company.

→ **FINDING AND RECRUITING EMPLOYEES:**

France's National Employment Office (*Pôle Emploi*) can help companies by publicizing their vacancies, identifying and short-listing candidates, as well as offering and organizing training courses for candidates.

→ **TRAINING YOUR EMPLOYEES:**

Central government and regional councils, which are responsible for vocational training, can also organize training courses to upgrade and improve the skills of certain categories of prospective employees to suit the needs of companies locating in France. Based on the company's training program, it is possible to receive support for training current and prospective employees. These funds are intended to cover a portion of training costs outsourced to a vocational training center and/or courses held inside the company (see Chapter 5 for further information).

→ **RECRUITMENT TAX BREAKS AND SOCIAL SECURITY REDUCTIONS**

These are in the form of reduced social security contributions (relief on low salaries or exemptions in certain regional zones) and grants for hiring certain categories of employees (state-subsidized contracts for certain categories of employees). Since January 1, 2010, all companies have the right to request a *rescrit social* (advance social security ruling) called *aide à l'emploi* (subsidized employment) which advises them on their eligibility for these forms of support.

### 2. SIMPLE HIRING PROCEDURES THAT CAN ALSO BE COMPLETED ONLINE

→ The administrative formalities involved in hiring employees have been streamlined with the introduction of a **pre-hiring declaration form** for new employees (*déclaration préalable à l'embauche* - DPAE). The employer must complete the form in the eight-day period before a new employee starts work and send it to the local URSSAF office. The form can also be submitted online.

As such, the following can be carried out in a single procedure: registering the employee with the social security system (unless on secondment) and with occupational health, organizing the mandatory medical examination (during the probationary period), and registering with the unemployment insurance body (*Pôle Emploi*).

→ In addition to the DPAE, employers must also:

- declare the first employee hired to the labor inspection;
- register with supplementary retirement funds within three months of setting up the business;

→ carry out the necessary procedures for hiring a foreign employee (excluding European nationals).



 IN DETAIL

## THE “TITRE FIRMES ÉTRANGÈRES” (FOREIGN COMPANY STATUS) SIMPLIFIES EMPLOYMENT FORMALITIES FOR FOREIGN COMPANIES WITHOUT A PERMANENT ESTABLISHMENT IN FRANCE

Foreign companies that do not have a permanent establishment in France have been able to use a simplified labor status called the *titre firmes étrangères* (TFE) to fulfill their social security obligations when hiring workers in France. The procedure requires the employer to send their TFE status every month to the National Center for Foreign Firms (URSSAF in the Bas-Rhin *département*), which performs the following tasks:

- Calculates the applicable social security contributions on the employee's gross salary and pays them into the social security system.
- Draws up the pay slip and sends it to the company to give to the employee.
- Files the required social security declarations.

### + FOR FURTHER INFORMATION

[www.tfe.urssaf.fr](http://www.tfe.urssaf.fr)

## 3. TERMINATING A PERMANENT EMPLOYMENT CONTRACT BY MUTUAL CONSENT

There is a fairly flexible procedure whereby an employer and employee can mutually agree to negotiate an amicable termination to a permanent employment contract.

At least one interview is required to enable both the employer and the employee to agree upon the termination and to determine the accompanying conditions (no formal legal procedure). The employee may be assisted by a person of their choice from among the company personnel.

The employer and employee sign an agreement in writing, setting out the termination date and conditions including the payment due to the employee. The employer and employee then have 15 calendar days during which they can withdraw their position.

The agreement must then be approved by the employment authorities (local unit - *unité territoriale* - UT - within the *Direction régionale des entreprises, de la concurrence, de la consommation, du travail et de l'emploi* - DIRECCTE) within 15 working days, subject to the UT checking that the procedure has been carried out correctly and that both parties have given their consent, as well as the amount of severance pay received by the employee from the employer, which must be at least equal to the statutory or contractual severance pay due (cf. section 4.1).

This procedure can only be used following redundancy or resignation, as it cannot be imposed upon the other party. Legal action can only be taken within 12 months of the date upon which the agreement is approved.

### + FOR FURTHER INFORMATION

Online certification for a mutual consent contract termination:  
[www.teleRC.travail.gouv.fr](http://www.teleRC.travail.gouv.fr)

 IN DETAIL

## NEGOTIATING CONDITIONS FOR INTERNAL EMPLOYEE MOBILITY

Under the Employment Act of June 14, 2013 employers have several means available to them to anticipate changes within their company. An employer may enter into a company-wide agreement with employee representatives to negotiate the conditions for professional and geographic internal employee mobility within the framework of standard collective measures. Employee agreement is required; otherwise the employee can only be dismissed on economic grounds.

## 4. LAYOFFS ON ECONOMIC OR PERSONAL GROUNDS

Employees can be dismissed on either economic or personal grounds.

As in many other countries, employers must provide genuine and serious grounds for layoffs, and comply with the legally prescribed procedures, which vary according to the reason for termination, the number of employees concerned, and the number of people employed by the company.

### 4.1 Layoffs on economic grounds: simplified procedures since July 2013

Dismissals for economic reasons arise from job cutbacks or changes, or when an employee rejects a modification to a key component in their employment contract in the wake of:

- financial difficulties;
- technological changes;
- restructuring to protect the company's competitiveness; or
- closure of the business.

Such layoffs may be individual or collective.

#### Individual layoffs

Individual employees must be asked to attend a preliminary interview before they are dismissed. The head of the company must meet with the works council and consult with it about collective dismissals.

Layoffs of individuals and of two to nine employees can only become effective seven days after the interview date, or 15 days later in the case of management personnel.

## Collective layoffs

A job preservation plan (*plan de sauvegarde de l'emploi* - PSE) must be drawn up when a business with 50 employees or more decides to dismiss 10 or more employees in a given 30-day period. This plan must explain all action taken to avoid job losses, such as reorganizing work, job-sharing, redeployment of employees inside and outside the company, etc. The plan must also explain the financial terms of the severance package. It is then submitted to the employee representatives and the employment authorities.

The notification period for layoffs under a job preservation plan is subject to strict time limits.

## Works council consultation time limits

The employer must consult the works council about the planned restructuring and the number of employees to be dismissed. The work council may issue an opinion within the following time limits:

- two months when fewer than 100 employees are affected;
- three months when between 100 and 250 employees are affected;
- four months when 250 or more employees are affected.

## Simplified collective dismissal procedures

The Employment Act of June 14, 2013 introduced simplified and more secure collective dismissal procedures. Employers may now:

- Either sign a **majority backed collective agreement** with employee representatives defining the content of the job preservation plan (PSE). The Regional Directorate for Enterprise, Competition, Consumption and Employment (DIRECCTE) then has 15 days in which to approve the agreement after verifying that it meets the majority requirement, complies with procedures, is not contrary to statutory provisions and contains redeployment measures.
- Or prepare a **unilateral document** defining the content of the job preservation plan certified by the DIRECCTE within 21 days. Ratification differs from the approval procedure in that the plan's content is examined with consideration of the means available to the employer. If no reply is received, the plan is deemed to be ratified.

## Jurisdiction and time limits

Any disputes relating to either of the two procedures are heard by the administrative law courts which must issue a ruling within three months.

## Severance pay

Severance pay for layoffs on economic grounds is at least one-fifth of the employee's monthly pay (including bonuses) for each year of service after one year increased by two-fifteenths of the employee's monthly pay for each additional year beyond ten years.

For example, an employee with 10 years of service and a gross monthly salary of €2,500 will be entitled to €5,000 or two months' pay. However, collective agreements in some cases provide for higher severance pay than this statutory minimum.

Severance pay is treated favorably by the tax and social security system, receiving partial exemptions from social security contributions and income tax.

Voluntary departures arising from job cutbacks, job changes, restructuring, or refusals to accept substantial changes to employment contracts are treated as layoffs.



## JOB SECURITY AGREEMENTS

The Employment Act of June 14, 2013 offers several solutions to employers facing economic difficulties, including job security agreements.

In a particularly difficult economic context, an employer may temporarily adjust employee working hours and pay for a two-year period:

- either through a majority backed company-wide agreement;
- or by a unilateral plan ratified by the local administrative authority (DIRECCTE).

Irrespective of the number of employees refusing the new working conditions, the rules of individual layoffs on economic grounds apply to each one of them (consequently, the employer is not required to justify a job preservation plan for more than 10 layoffs over a given 30-day period).

## 4.2. Layoffs on personal grounds

Personal dismissal procedures can be initiated for misconduct on the part of the employee or for actions that fall short of misconduct but nevertheless significantly harm the company's interests. A warning is often issued before initiating the dismissal procedure. The employee must be given an opportunity to provide explanations at a preliminary interview, before the dismissal becomes effective. The employer must also comply with the notice period to which the employee is entitled by law or the relevant collective agreement. In principle, the notice period is two months for employees with more than two years of service.

Employees dismissed on personal grounds are now entitled to severance pay equal to that paid for layoffs on economic grounds.

Employees are not entitled to severance pay in cases of serious misconduct.

## 5. RETIREMENT

In principle, employees cannot be forced by their employer to retire before they are 70. The employer can however propose retirement to an employee once they reach an age of between 65 and 67, depending on their date of birth. Employees born before July 1, 1951 must be at least 60 before they can retire; the exact age is rising gradually for all employees by around four months every year, starting on July 1, 2011, and is 62 for people born after 1955. Early retirement is, however, possible for people who entered employment at an early age or who are permanently incapacitated.

Retirement pension benefits are paid by specific benefit offices.

## II. PROFIT-SHARING AND EMPLOYEE SAVINGS PLANS

In addition to their wages and salaries, employees and company directors may be offered attractive employee profit-sharing schemes and savings plans.

The range of schemes available enables companies to set up pay and benefit systems tailored to their specific needs, including supplementary retirement and family benefits, stock options, corporate and inter-company employee savings plans, etc.

Employee profit-sharing is mandatory in companies with more than 50 employees and in this case is referred to as *participation*, as opposed to voluntary profit-sharing which is referred to as *intéressement*.

→ *Participation* involves allocating employees a fraction of company profits in accordance with clearly defined rules. Procedures for implementing the scheme are established by an agreement between employer and employee representatives. Bonuses earned by an employee under a profit-sharing scheme no longer have to be frozen for five years; employees can request immediate payment of all or part of the corresponding sums. Tax and social security relief apply to sums which have been frozen; sums paid out immediately are only eligible for social security contributions relief.

→ *Intéressement* allows employees to benefit financially from the results or performance of their company (or companies belonging to the group of employers for which the employees work). Immediately available (with no period during which sums are frozen), the sums are calculated in accordance with the agreement which established the measure.

These schemes are collective and individual arrangements are not permitted. Companies that offer an employee savings plan must present employees with a booklet setting out the provisions of the plan when they sign their employment contract. Provisions can also be made for employee savings plans (PERCO promoting retirement saving or PEE for constituting a securities portfolio).

Trading companies with more than 50 employees and headquarters in France must pay their employees a bonus when the dividends paid out to their shareholders are higher than the average paid in the previous two tax years. The amount and terms of this profit-sharing bonus are determined in a company-wide agreement or, failing this, by the employer's unilateral decision. Both the employer and the employees receive a social security contribution exemption for bonuses of up to €1,200 (except for the CSG and CRDS and the fixed social security contribution).

 IN DETAIL

---

## EMPLOYEE REPRESENTATION

The employee representation system varies according to the size of the company and concerns three separate institutions:

→ **In companies with at least 11 employees**, employee representatives are elected by the employees to present individual and collective pay claims and to ensure compliance with employment laws.

→ **A works council must be set up when a company has at least 50 employees**. The council is elected for a period of four years by the employees to represent their interests when decisions are made about economic changes in the company (such as company development and changes in work organization) and social and cultural issues.

If the company has fewer than 200 employees, the employer may decide, after consultation with employee representatives, to opt for a single employee representation delegation which combines employee and works council representatives in the same elected body.

→ **Establishments with at least 50 employees must also set up a Joint Safety Committee** (*Comité d'hygiène, de sécurité et des conditions de travail* – CHSCT) to involve employees in training and other initiatives to prevent occupational risks and improve working conditions.

Only union representatives have the power to negotiate and enter into collective agreements. Where there are no union representatives, an industry-wide agreement may allow the employer to negotiate with elected employee representatives, either those making up the works council or those chosen as delegates. Failing this, in which event the situation must be confirmed in a written report, the employer may be authorized to negotiate with an employee designated for this purpose. The result of these negotiations must then be submitted to employees for approval by a majority of votes cast.

### **Trade unions are also entitled to set up bargaining units within a company**

In order to ensure improved employee representation in companies and better dialogue between employers and employees, a reform initiated by the government on union representation in companies has been passed:

- Unions now have to obtain at least 10% of the votes cast in the first round of the professional elections to be represented. When a union does not have representation in a company or establishment, it can designate a representative to represent it in the company or establishment, primarily with a view to achieving representation at the next professional elections.

- Collective company-wide agreements have only been valid if they are signed by one or more unions with at least 30% of votes and in the absence of union opposition accounting for over 50% of votes.

## FOR YOUR BUSINESS

	SOCIAL SECURITY CONTRIBUTIONS	TAX
<b>MANDATORY PROFIT SHARING (PARTICIPATION)</b>	<ul style="list-style-type: none"> <li>→ Exempt from social security contributions.</li> <li>→ Fixed 20% social security contribution.</li> </ul>	<ul style="list-style-type: none"> <li>→ Exempt from deductions to finance apprenticeships, training and housing.</li> <li>→ Sums allocated to the special participation reserve fund deducted from taxable profits.</li> </ul>
<b>VOLUNTARY PROFIT SHARING (INTÉRESSEMENT)</b>	<ul style="list-style-type: none"> <li>→ Exempt from social security contributions.</li> <li>→ Fixed 20% social security contribution.</li> </ul>	<ul style="list-style-type: none"> <li>→ Sums allocated deducted from taxable income.</li> <li>→ Exempt from deductions to finance apprenticeships, training and housing.</li> <li>→ Companies with fewer than 50 employees which conclude a profit-sharing agreement of this sort before December 31, 2014 will receive a tax credit amounting to 30% of the sums paid to employees, up to €200,000 over three years.</li> </ul>

## FOR YOUR EMPLOYEES

	SOCIAL SECURITY CONTRIBUTIONS	TAX
<b>MANDATORY PROFIT SHARING (PARTICIPATION)</b>	<ul style="list-style-type: none"> <li>→ Exempt from social security contributions.</li> <li>→ Subject to CSG and CRDS deductions.</li> <li>→ Additional social security deductions (6.80%).</li> </ul>	<ul style="list-style-type: none"> <li>→ Not taxable (except interest on frozen accounts received annually and not reinvested).</li> </ul>
<b>VOLUNTARY PROFIT SHARING (INTÉRESSEMENT)</b>	<ul style="list-style-type: none"> <li>→ Exempt from social security contributions.</li> <li>→ Subject to CSG and CRDS deductions.</li> </ul>	<ul style="list-style-type: none"> <li>→ Not taxable provided profit-sharing is within the framework of an employee savings plan and no more than half of the annual social security limit.</li> </ul>

### III. ORGANIZING WORKING HOURS: AGREEMENT NEGOTIATED WITHIN THE COMPANY

Companies in France have a good deal of flexibility in how they organize their working hours so as to make best use of their facilities and increase the productivity of their company. Working hours can be negotiated within their company.

#### 1. THE 35-HOUR WEEK: GREATER FLEXIBILITY

→ Statutory working hours: 35 hours per week.

These hours serve as the basic reference, beyond which overtime is calculated.

The 35-hour week does not apply to executives, to whom regulations on night work, daily and weekly rest periods, and statutory holiday entitlement do not apply either.

→ Overtime hours (*heures supplémentaires*): 25% pay increase for the first eight hours and then 50% thereafter. A collective agreement may provide for a lower rate, but it may not be less than 10%.

The payment of overtime can be substituted by time off in lieu if this arrangement is provided for in a collective agreement.

→ Overtime quota: The overtime quota available to an employer is negotiated through a company-wide agreement (by default this is 220 hours per year per employee), which increases annual working hours to 1,827, the equivalent of over 39 hours per week for 47 weeks.

The collective company-wide agreement may also state how overtime can be performed beyond this overtime limit. In this case, in addition to overtime pay, the works council's opinion must also be sought and mandatory time off in lieu planned.

→ Maximum working hours: 10 hours per day (a contractual exemption up to 12 hours can be made) and 48 hours in any one week, with a maximum average of 44 hours per week over a 12-week period.

→ Flat-rate agreements (hours/days worked) where the statutory 35-hour work week does not apply:

Provision can be made for flat-rate agreements covering hours or days worked for independent skilled and non-skilled employees who are free to organize their own work time. In such cases, a flat-rate agreement must be signed with the employee.

Employers must respect the European Union directives governing daily 11-hour rest periods, weekly 24-hour rest periods in addition to the daily rest periods, paid leave and unworked days in the company. They must also conduct interviews to discuss workloads and work-life balance.

	Collective agreement	Employee consent
<b>Flat-rate agreement in hours worked</b> (per week or per month)	Not required	Yes
<b>Annual flat-rate pay agreement in hours or days worked</b> (max. 218 days) <sup>(2)</sup>	Yes <sup>(1)</sup>	Yes

<sup>(1)</sup> The collective agreement must ensure that maximum working hours as well as daily and weekly rest time will be respected, in accordance with European Union directives.

<sup>(2)</sup> Employees may have their time off in lieu "bought back" (excluding paid leave) in return for a salary increase: the number of working days may then reach 235 days per year. The salary increase paid to the employee is set by an amendment to the initial flat-rate agreement and must be at least equal to a 10% increase.

## 2. STAGGERING PAID LEAVE

Employees in France are entitled to five weeks of paid leave. The employer can refuse to let an employee take paid leave if the workload is too great. However, employers must let employees take at least four weeks of paid leave between May 1 and October 31. In addition to paid vacation, there are 10 statutory holidays and personal leave days (births, marriages, bereavements).

## 3. SUNDAY IS A DAY OFF BUT WITH RELAXED REGULATIONS

Employees must be given a weekly day of rest lasting at least 24 hours on Sunday. However, there are exceptions to the Sunday rule:

→ **Permanent exemptions** are granted when warranted by the nature of certain businesses (e.g. manufacturing firms using or producing perishable goods, factories operating around the clock, maintenance firms, etc.), in *communes* categorized as tourist or spa attractions, and in certain other highly popular tourist areas.

→ The authorities may also grant **temporary exemptions**, for example when manufacturing firms are operating with extra shifts. Exemptions may also be granted within a month by the local *Préfecture* to avoid a situation detrimental either to the public or business interests.

## WORKING HOURS IN FRANCE

	LEGAL PROVISION	STANDARD OVERTIME QUOTA	BEYOND STANDARD OVERTIME QUOTA	
			Small companies <sup>(1)</sup>	Large companies <sup>(1)</sup>
<b>Companies concerned</b>	All companies	All companies	Small companies <sup>(1)</sup>	Large companies <sup>(1)</sup>
<b>Working hours</b>	35 hours per week or 1,607 hours per year	→ Set by collective agreement (company- or industry-specific) or → Statutory annual limit of 220 overtime hours i.e. 39 hours per week over full year = 1,827 hours/year	Set by a collective agreement (company- or industry-specific) without exceeding the maximum working hours limit (EU regulations)	
<b>Administrative formalities</b>	None	Simply inform the works council	The works council must be consulted	
<b>Overtime pay rates <sup>(2)</sup></b>	Not applicable	→ Rate provided for in collective agreement for the business or sector (10% minimum) or → 25% from the 36th to the 43rd hour or 50% beyond that	Same as standard overtime quota	
<b>Mandatory time off in lieu</b>	Not applicable	None. Time off in lieu is optional within the standard overtime quota and must be included in a collective agreement.	50% beyond quota (= 1/2 hour per overtime hour beyond quota)	100% beyond quota (= 1 hour per overtime hour beyond quota)

<sup>(1)</sup> Small companies have up to 20 employees and large companies have at least 21 employees.

<sup>(2)</sup> If provided for in the collective agreement, time off in lieu can partially or entirely replace overtime pay.



→ Exemptions may also be granted in urban areas of over one million inhabitants.

These exemptions, granted on an individual or collective basis, are granted by the State Prefect in the *département* for a five-year period. The local mayor may also allow non-food retail stores to open five times a year on Sundays.

Employees who work on Sunday receive extra pay and are still entitled to a weekly day of rest.

#### 4. ORGANIZING WORK TIME OVER THE YEAR BY AVERAGING PAY

Companies have several ways of adjusting working hours to suit their business requirements without incurring extra payroll costs. Organizational arrangements of working time are integrated into a single framework: a collective agreement may organize working hours over a period of longer than a week to up to a year.

If the company experiences uneven fluctuations in business which can be forecast, working hours can be increased or cut in certain periods without incurring additional costs or exceeding statutory limits.

→ Shift work does not entail additional payroll costs

Shift working, over a period of several weeks, can be introduced by the employer. The exemption from the Sunday rule may be automatic or may require local authorization, depending on the activities concerned.

→ Working time arrangements are organized by company-wide agreements

Provision is made in the collective agreement for the conditions and notice required of changes to working hours or times (by default, seven days), the limits for calculating overtime, how to calculate an average salary and the threshold for triggering overtime, etc. In the absence of any collective agreement regarding working time arrangements, the employer can organize working hours in the form of cycles, each up to four weeks long.

→ Work may also be organized with rotating shifts or teams

In all of these cases, the company is not required to pay increased wages or overtime pay, and it is not required to provide time off in lieu, as long as the statutory working hours are not exceeded on average over the cycle.

## WORKING ARRANGEMENTS

	CONVENTIONAL SHIFT WORK	ALTERNATING SHIFTS
<b>Principle</b>	Fixed round-the-clock shifts <sup>(1)</sup>	Shifts longer than normal working hours
<b>Examples</b>	<ul style="list-style-type: none"> <li>→ Shift A: 6am - 2pm</li> <li>→ Shift B: 2pm - 10pm</li> <li>→ Shift C: 10pm - 6am</li> </ul> (Three eight-hour shifts)	<ul style="list-style-type: none"> <li>→ Shift A: 6-10am/2-6pm</li> <li>→ Shift B: 10am-2pm/6pm-10pm</li> </ul> or: <ul style="list-style-type: none"> <li>→ Shift A: 6am-2pm</li> <li>→ Shift B: 9am-5pm</li> <li>→ Shift C: 12pm- 8pm</li> </ul>
<b>Average work week</b>	35 hours	35 hours

	ROTATING SHIFTS	PRODUCTION CYCLE
<b>Principle</b>	Working days and days off divided among employees <sup>(1)</sup>	Working hours are scheduled over the cycle
<b>Examples</b>	<ul style="list-style-type: none"> <li>→ Shift A: Monday to Friday</li> <li>→ Shift B: Tuesday to Saturday</li> </ul>	<ul style="list-style-type: none"> <li>→ Weeks 1 and 2: 44 hours</li> <li>→ Week 3: 38 hours</li> <li>→ Weeks 4 and 6: 28 hours</li> <li>→ (average over cycle: 35 hours)</li> </ul>
<b>Average work week</b>	35 hours	Average of 35 hours over cycle

<sup>(1)</sup> With special arrangements for working on Sunday.

## IV. EXTENSIVE HIGH-QUALITY SOCIAL SECURITY COVER

The quality and scope of social security cover in France ensure that both employers and employees can benefit from a stable professional and family environment.

### 1. A GENEROUS SOCIAL SECURITY SYSTEM

France's health and social security system pays virtually all healthcare costs incurred by the employees and their families. The system offers four types of benefits:

- **Health insurance** (healthcare, maternity, disability and death benefits): Employees are partially reimbursed for medical care and hospital expenses, which are covered by social security (benefits in kind). The employee's family and any legal dependents also receive medical cover if they reside in France and are not covered by another health insurance plan.
- Social security provides female employees paid **maternity leave** of up to 16 weeks (six weeks before the birth and 10 weeks after) while fathers receive 11 days of paid **paternity leave** in the first four weeks after the birth.

Employees receive supplementary reimbursements for illnesses and maternity expenses through workplace mutual insurance systems.

- **Old-age pensions:** Retirement schemes in France comprise a basic state social security pension and a supplementary plan managed jointly by employee and employer representative organizations. These two systems are mandatory and can be further supplemented by employee savings plans.
- **Family benefits** are paid to people with dependent children living in France (e.g. family benefit, birth or adoption allowance, back-to-school allowance, etc.).
- **Accidents at work**

The system is backed up by compulsory unemployment insurance schemes. Employers are free to add other insurance coverage to suit their employees.

The health and retirement benefits for employees compare favorably with those offered in many other countries.

## REIMBURSEMENT RATES COVERING MEDICAL AND MATERNITY EXPENSES FOR EMPLOYEES UNDER THE FRENCH SOCIAL SECURITY SYSTEM

	REIMBURSEMENT RATE <sup>1</sup>
<b>Medical fees:</b> Practitioner consultation fees (doctors, dentists, midwives)	70%
<b>Other consultation fees:</b> Nurses, physical therapists, speech therapists, ophthalmologists, podiatrists	60%
<b>Long-term illnesses, including pharmaceutical products, treatments and hospitalization</b>	100%
<b>Laboratory examinations and tests</b>	60% - 100%
<b>Medication</b>	15% - 100%
<b>Other medical expenses:</b> → Optical → Bandages, supplies, small devices → Orthopedics	60% 60% 60%
<b>Hospitalization (to a hospital or certified private clinic):</b> → Hospitalization costs → Transfer from one hospital facility to another	80% 100%
<b>Maternity:</b> Pre- and post-natal exams, examinations and medical care received in the last four months of pregnancy and costs of the birth	100%

<sup>1</sup> Reimbursement rates may differ in the Alsace region and the Moselle *département*.



## 2. SOCIAL SECURITY CONTRIBUTIONS INSURE THE COMPANY IN CASES OF SICKNESS, RETIREMENT, TRAINING AND UNEMPLOYMENT

Contributions amount to 42% on average of gross wages and the employees' share amounts to nearly 21%. Employer social security contributions are substantially lower on low wages: depending on the size of the company (more or fewer than 20 employees), they vary between 17% and 21% on behalf of employees earning the statutory national minimum wage (SMIC). The competitiveness and employment tax credit (*crédit d'impôt compétitivité emploi* - CICE) also applies at a rate of 6% of payroll, excluding salaries higher than 2.5 times the statutory national minimum wage.

To a large extent, these contributions relieve employers of their responsibilities to employees. For example, social security partially covers employee pay when they are sick or on maternity or accident leave.

Similarly, by making monthly contributions to the company's **career training fund** (*fonds de formation professionnelle*), all or part of the employee career-training costs borne by the employer are covered.



# 3

## INTERNATIONAL MOBILITY FOR FOREIGN COMPANY DIRECTORS AND EMPLOYEES

<b>I. Admission and residence conditions for foreign nationals in France</b>	<b>36</b>
<b>II. Paid employment in France</b>	<b>37</b>
<b>III. Health cover and social security benefits for employees in France</b>	<b>44</b>
<b>IV. Tax regulations for employees in France</b>	<b>45</b>

# 3 INTERNATIONAL MOBILITY FOR FOREIGN COMPANY DIRECTORS AND EMPLOYEES

France has implemented international mobility measures designed to help bring in skilled employees and facilitate intra-group employee mobility.

As such, multi-year residence permits have also been introduced that provide foreign nationals and their families with a complete legal framework.

A 'one-stop shop' has been introduced in selected *départements* at the French Immigration and Citizenship Office (OFII) to improve the quality of service to companies.

Expatriate personnel in France also benefit from tax and social security measures specifically designed to offset the costs of expatriation.

## I. ADMISSION AND RESIDENCE CONDITIONS FOR FOREIGN NATIONALS IN FRANCE

Unless special dispensation is granted, admission to and residence in France requires a visa. The category of visa is primarily determined by the duration and reason for residence. The main visa categories for international mobility are the short-stay visa (up to 90 days) and the long-stay visa (more than 90 days).

### 1. SHORT-STAY VISA

The short-stay visa is commonly referred to as the "Schengen visa" because it enables the holder to travel throughout the 26 States of the Schengen area (EU and EEA Member States, with the exception of Bulgaria, Romania, Cyprus, Croatia, Ireland and Great Britain). This visa can be issued for a maximum of 90 days per 180-day period. A request must be filed with the embassy or consulate of France in the country of residence. This visa is primarily intended for travelers on business, official visits and personal visits.

Business people wishing to conduct business relations in France without actually residing in the country may request a circulation visa. The circulation visa is a specific Schengen visa issued for a total period of one to five years, thereby saving holders with legitimate business activities in France from having to apply for a new visa each time they travel.

The short-stay visa does not authorize the holder to engage in paid employment in France, for which a work permit must be obtained. As such, when a company wishes to send or receive an expatriate employee in France for an assignment of less than three months, the reason for the stay must be specified:

→ If the employee is traveling to France on a business trip to attend an occasional meeting or to meet clients, a short-stay visa is sufficient, unless special dispensation is granted (based on nationality).

→ If the employee is on a short-term assignment to train, advise, or provide technical assistance to a company in France, a temporary work permit (*autorisation provisoire de travail*) is required as well as the visa.

The deciding factor is whether the employee provides a service and/or effectively participates in the host company and/or is working as a subordinate for the host company.



## FLEXIBLE CONDITIONS FOR NATIONALS FROM THE EUROPEAN UNION (EU) AND THE EUROPEAN ECONOMIC AREA (EEA)

EU, EEA and Swiss nationals are free to travel and work in France without a visa, residence permit or work permit. They must simply register with the *mairie* (municipal offices) of their *commune* within three months of their arrival.

Following the admission of Croatia to the EU on July 1, 2013, only Croatian nationals are subject to specific rules during a transition period expected to end by 2020. During this time, Croatian nationals must obtain a work permit for any work performed as an employee. There are no restrictions on them finding work in one of the 291 sectors listed by the Ministerial Order of October 1, 2012. With the exception of regulated professions, commercial and industrial professions are not subject to any restrictions.

## 2. LONG-STAY VISA

Foreign nationals who wish to stay in France longer than 90 days for personal reasons (family reunion, retirement, etc.) or professional reasons (to set up a company, or engage in paid employment, etc.) must submit an application for a long-stay visa to the French consular authorities in their country of residence.

The long-stay visa is in principle valid for a three-month period, during which the visa holder must go to the *Préfecture* to complete the administrative formalities to obtain the residence permit corresponding to the reason for the stay: “Expatriate Employee”, “Research Scientist”, “Skills and Expertise”, etc.

Some categories of foreign nationals are issued a long-stay visa equivalent to a residence permit (*visa long séjour valant titre de séjour*), which is valid for three to 12 months and does not require the holder to apply at the *Préfecture* for a residence permit for the first year.

This simplified procedure is available to students, research scientists, interns, and employees with a work contract at a company based in France and employees whose foreign-based company has temporarily seconded them to work in France for a period of three to twelve months (except for intra-group transfers).



IN DETAIL

### APPLYING FOR A WORK PERMIT FOR A SHORT-TERM STAY IN FRANCE

The originating company sends a completed temporary work permit application to the French local employment authorities (*Unité territoriale*) at least three weeks before the arrival of the foreign employee to obtain a temporary work permit. The temporary work permit is valid for up to 90 days; the short-stay visa cannot be renewed and the company must ensure that the validity periods for the work permit and the visa correspond.

For foreign companies that regularly send employees to their subsidiaries in France for assignments shorter than 90 days, a government memorandum on November 12, 2010 allows them to apply for an annual work permit. Employees can use this work permit to obtain a multiple-entry short-term visa from their local Consulate which is valid for 12 months. The visa and the work permit authorize three-month stays in France in every six-month period to conduct business-related activities. This simpler process means companies no longer have to apply for work permits and visas several times a year on behalf of employees who need to make frequent trips to a subsidiary in France.

Within three months of arriving in France, foreign nationals are summoned by the French Immigration and Citizenship Office (OFII) to pass a medical examination.

## II. PAID EMPLOYMENT IN FRANCE

Immigration procedures depend on the type of activity being conducted by the foreign national. In this respect, a distinction should be made between a salaried employee and a company director, which each have to follow a different procedure to obtain specific residence permits. The exception to the rule is that some residence permits allow any type of employment to be undertaken on French soil (salaried or commercial employment) without any specific formalities: these are the “Private and Family Life” temporary residence permit and the standard residence permit.

### 1. A FOREIGN COMPANY DIRECTOR'S STATUS WHEN CONDUCTING A COMMERCIAL OR INDUSTRIAL ACTIVITY

Company directors comprise independent business people (*commerçants*), self-employed entrepreneurs (*artisans*), or persons holding the authority to make company decisions. The latter category specifically concerns the director of a *société à responsabilité limitée* (SARL - limited liability company), the CEO of a *société anonyme* (SA - public limited company), or the individual (*personne physique*) with the authority to direct a foreign company in France (representative of a branch or a liaison office).

Setting up a company in France does not require any specific formalities to be undertaken by nationals from EU Member States or those from Iceland, Lichtenstein, Norway and Switzerland.

Similarly, nationals from countries other than EU or EEA Member States who direct a company in France but do not intend to live there are subject to the same rules as those that apply to French and European nationals. They must register with the Company Register (*Registre du commerce et des sociétés* - RCS) or Trade Register (*Répertoire des métiers*) by submitting the supporting documents required for their specific type of company. They must also comply with the rules governing short-stay visas (cf. point 1.1).

For foreign company directors wishing to relocate to France, there are two main categories of residence permits, depending on the scope of their business project.

## 1.1 “Skills and Expertise” residence permit

Foreign nationals wishing to set up or take over an existing company in France may obtain a “Skills and Expertise” residence permit, which is valid for three years on a renewable basis. In this case, the director must present a project for starting up or taking over a company that meets one of the following criteria:

- Investment of at least €300,000 (tangible and intangible assets).
- Creation of at least two jobs.
- Creation of a subsidiary whose parent company has existed for at least two years.

Foreign nationals who are named as the legal representative of an existing company in France can also apply for a “Skills and Expertise” residence permit if their salary is equal to at least three times the statutory national minimum wage (SMIC), i.e. €4,336.14 gross per month as of January 1, 2014.

If the conditions for issuing a “Skills and Expertise” residence permit are not met, they can apply for a “Business Activity” visa, which is valid for one year on a renewable basis.

Where an application for a “Skills and Expertise” residence permit is made abroad, the Consulate has the authority to process the application and decide whether to issue the permit. In cases where foreign nationals already residing in France currently hold a residence permit that does not permit them to conduct commercial or industrial activity, they can apply for a change of status at the *Préfecture* of their place of residence.

- An excerpt of their police record or similar from their country of origin will be required, so arrangements should be made in the home country to obtain this crucial document.
- In the *départements* of Paris, Hauts-de-Seine, Yvelines, Rhône, Haute-Garonne, Isère, Nord and Puy-de-Dôme, prospective company directors must attend the French Immigration and Citizenship Office (OFII) to undergo a mandatory medical examination and receive their residence permit.

Family members of a “Skills and Expertise” residence permit holder are automatically granted a three-year “Private and Family life” residence permit, which enables them to seek paid employment.

## 1.2 “Exceptional Economic Contribution” residence permit

A foreign national who wishes to make an investment in France of over €10 million, or plans to create or save at least 50 jobs, can apply for an “Exceptional Economic Contribution” residence permit, valid for a 10-year period (on a renewable basis). The Prefect where the investment is planned is authorized to review the application.

The Prefect may decide to issue this residence permit even if these numbers are not yet reached if they consider that the applicant’s economic contribution is exceptional due to specific aspects or conditions in the local job market. Spouses are also granted a 10-year residence permit.

## 2. TEMPORARY RESIDENCE PERMITS AUTHORIZING SALARIED EMPLOYMENT

In principle, a work permit is required to engage in salaried employment in France.

If a foreign national plans to stay in France longer than 90 days, the competent authorities issue them a single permit that is valid for both residency and work in France.

Specifically, this applies to the “Expatriate Employee” and “Skills and Expertise” residence permits as well as the “Employee” and “Student” long-stay visas equivalent to a residence permit.

### 2.1 “European Union Blue Card”

This is a residence permit for highly skilled employees who meet the following eligibility criteria:

- Hold a degree certifying at least three years of higher education or have at least five years of professional experience.
- Possess an employment contract lasting at least one year.
- Earn a salary worth at least 1.5 times the average gross salary (i.e. €52,750 gross per year in 2014).

Employment levels have no bearing on the award of this new residence permit, so employers are not required to justify the hiring decision with reference to the local job market, nor are holders obliged to undergo a medical examination.

Once the procedure is complete, the employee receives a renewable three-year residence permit and their family members are given a “Private and Family Life” temporary residence permit valid for the same period.

After 18 months, holders of a “European Union Blue Card” issued by a Member State can apply for a similar permit to secure a highly skilled position in another EU country.

The OFII ‘one-stop shop’ is the competent authority for holders of the “European Union Blue Card”.

### 2.2 “Expatriate Employee” temporary residence permit

This three-year residence permit (renewable subject to certain conditions) is specifically reserved for intra-group transfers. It can be issued either:

- for a secondment (the initial work contract remains in force and the employee is paid by the originating company); or
- for an expatriation (the initial work contract is suspended

for the duration of the assignment in France and a new work contract is signed with the company in France, which pays the employee).

The following conditions must be met to receive this permit: the work contract must have been valid for at least three months; the secondment or expatriation must be to a company in the same group or an organization belonging to the same company; gross monthly salary must be equal to at least 1.5 times the statutory national minimum wage (SMIC), i.e. €2,168.07 as of January 1, 2014.

Employment levels will not determine whether or not holders of temporary “Expatriate Employee” residence permits can be employed. As such, the employer is not obliged to justify the hiring decision with reference to the local job market.

If the “Expatriate Employee” permit holder resides in France continuously for more than six months, family members can apply for the “Private and Family life” temporary residence permit that is valid for three years and automatically enables family members to seek paid employment.

The OFII ‘one-stop shop’ is the competent authority for holders of the “Expatriate Employee” residence permit.

### 2.3 Main long-stay visas equivalent to residence permits authorizing paid employment

For the holders of long-stay visas equivalent to a residence permit, which are valid for up to one year, no residence permit is necessary for the first year of residence in France. After the first year, foreign nationals must apply for the residence permit applicable to their situation. The following types of long-stay visas equivalent to a residence permit are available:

→ **The long-stay visa equivalent to an “Employee” residence permit** is issued to foreign nationals who are hired by a company located in France for a period of one year or more. A work permit application must be filed with the local employment authorities (*Unité territoriale*) where the work is to be performed, and employment levels will have a bearing on the granting of permits. Holders of this type of residence permit must sign an integration contract (*contrat d'accueil et d'intégration* - CAI). This contract is a means by which the French government provides foreign nationals with access to individual rights and French language training.

→ **The long-stay visa equivalent to a “Temporary Worker” residence permit** is issued to employees admitted to work in France for a period of three to 12 months. This applies specifically to employees seconded by a foreign company to provide a particular service at a client company in France. A work permit application must be filed with the local employment authorities (*Unité territoriale*) where the work is to be performed, and employment levels may have a bearing on the granting of permits in certain cases.

→ **The long-stay visa equivalent to a “Research Scientist” residence permit** is issued to foreign nationals conducting research or teaching at a university level. The applicant must possess a hosting agreement issued by a scientific organization or an approved university, certifying their status of scientist and the purpose and length of their stay. Research scientists are exempt from obtaining a separate work permit.

The hosting agreement must be stamped by the French consular authorities in the applicant’s home country.

After the first year in France, the applicant receives a “Research Scientist” temporary residence permit, valid for one to four years. The scientist’s family members receive a “Private and Family Life” temporary residence permit.

→ **The long-stay visa equivalent to a “Student” residence permit** is issued to foreign nationals studying in France who can prove that they are financially self-sufficient (€615 per month). At the end of the first year, for students who continue their studies, the *Préfecture* will issue a multi-year residence permit, for up to four years, covering the remainder of the student’s academic cycle. Foreign nationals with “Student” status are entitled to engage in secondary **paid employment of up to 60% of the legal working year**. No work permit is required but the employer must file a declaration with the *Préfecture* where the student resides.

Furthermore, a student who has a qualification at least equivalent to a Master’s degree can apply for a **temporary residence permit**, valid for 12 months (non-renewable) after their “Student” residence permit has expired. This document enables the holder to seek and perform work related to their training in return for a gross monthly salary of at least 1.5 times the statutory national minimum wage (SMIC) i.e. €2,168.07 as of January 1, 2014.

At the end of this period, and providing they can prove that they are working, they can apply for a change of status through the *Préfecture* to obtain an “Employee” residence permit. Employment levels will not be taken into account provided that the job is commensurate to the employee’s training and the gross monthly salary paid is at least 1.5 times the SMIC.



INTERNATIONAL MOBILITY FOR FOREIGN COMPANY DIRECTORS AND SKILLED EMPLOYEES  
(NON-EU/EEA/SWITZERLAND)

STATUS/ POSITION	VISA AND RESIDENCE PERMIT ISSUED	MAXIMUM PERIOD OF RESIDENCE IN FRANCE	ELIGIBILITY CRITERIA	APPLICATION FILING	REQUIREMENT TO OBTAIN WORK PERMIT	ACCOMPANYING FAMILY
<b>Company director "Exceptional Economic Contribution"</b>	Long- or short-stay visa + "Exceptional Economic Contribution" residence permit	Permanent residence permit: 10 years, renewable	<ul style="list-style-type: none"> <li>→ Must run the company or hold an interest of at least 30%</li> <li>→ Must invest at least €10 million</li> <li>→ Or must create or maintain at least 50 jobs</li> </ul>	At the <i>Préfecture</i> local to the planned investment site	N/A	<b>Yes</b> Spouse receives 10-year residence permit
<b>Company director residing in France</b>	Long-stay visa + "Skills and Expertise" residence permit	Three years, renewable	<ul style="list-style-type: none"> <li>→ Must create and run a company, certain conditions apply (intra-group mobility or creation of two jobs or investment of at least €300,000)</li> <li>→ Must be an existing appointed paid company director</li> <li>→ Must be the representative of the branch or liaison office</li> </ul>	<p><b>Initial application:</b> at the consulate in the applicant's country of residence.</p> <p><b>To change status:</b> at the <i>Préfecture</i> local to the applicant's place of residence.</p>	N/A The applicant is a company director who does not have the status of employee as defined by French employment law.	<b>Yes</b> "Private and Family Life" residence permit issued for three years (renewable). The spouse can freely seek employment.
<b>Company director residing in France</b> (ineligible for a "Skills and Expertise" permit)	Long-stay visa + "Business Activity" residence permit	One year, renewable	<ul style="list-style-type: none"> <li>→ Must create and run a commercial or industrial business</li> <li>→ Must be an appointed company director (Director of a limited liability company, Chairman of simplified limited company, etc.)</li> <li>→ Must be the representative of the branch or liaison office</li> </ul>	<p><b>Initial application:</b> at the consulate in the applicant's country of residence.</p> <p><b>To change status:</b> at the <i>Préfecture</i> local to the applicant's place of residence.</p>	N/A The applicant is a company director who does not have the status of employee as defined by French employment law.	<b>Yes</b> "Visitor" residence permit issued. The spouse must obtain a work permit to seek paid employment.
<b>Company director not residing in France</b>	Schengen short-stay "business trip" visa  Option to obtain a <b>circulation</b> visa	90 days maximum per 180-day period	<ul style="list-style-type: none"> <li>→ Must be the company's legal representative</li> </ul>	<b>Consulate</b> in the applicant's country of residence	N/A The applicant is a company director who does not have the status of employee as defined by French employment law.	<b>No</b>
<b>Employee on intra-group transfer</b>	Long-stay visa + "Expatriate Employee" residence permit	Three years, renewable	<ul style="list-style-type: none"> <li>→ Must be on secondment or expatriation within same business group</li> <li>→ Must be paid gross monthly salary of at least 1.5 times the statutory national minimum wage (SMIC)</li> <li>→ Work contract must be valid for at least three months</li> </ul>	<p><b>Local employment authorities (Unité territoriale)</b> where work is to be performed in France: the employment authorities issue the work permit and send the file to the consulate (through the OFII), or:</p> <p><b>OFII 'One-stop shop' in the départements concerned.</b> The employer forwards all documentation to the OFII which acts as a single point of contact between the <i>Unité territoriale</i>, the company and the Consulate.</p> <p><b>Consulate:</b> issues long-stay visa (filed at same time)</p>	<b>Yes</b> The employer sends the application file to the local employment authorities, which review the application within 10 days.	<b>Yes</b> "Visitor" permit if residence is less than six months. Three-year "Family and Private Life" permit if residence is for more than six months.



## INTERNATIONAL MOBILITY FOR FOREIGN COMPANY DIRECTORS AND SKILLED EMPLOYEES (NON-EU/EEA/SWITZERLAND)

STATUS/ POSITION	VISA AND RESIDENCE PERMIT ISSUED	MAXIMUM PERIOD OF RESIDENCE IN FRANCE	ELIGIBILITY CRITERIA	APPLICATION FILING	REQUIREMENT TO OBTAIN WORK PERMIT	ACCOMPANYING FAMILY
<b>Highly skilled employee (Intra-European transfer)</b>	Long-stay visa + "European Union Blue Card" residence permit	Three years, renewable	<ul style="list-style-type: none"> <li>→ Must hold a degree certifying at least three years of higher education or have at least five years of professional experience</li> <li>→ Must have an employment contract lasting at least one year</li> <li>→ Must earn a salary worth at least 1.5 times the average gross salary (€52,750 gross per year in 2014)</li> </ul>	<b>OFII 'One-stop shop'</b> in the <i>départements</i> concerned or: <b>Local employment authorities (Unité territoriale)</b> where work is to be performed in France	<b>Yes</b>	<b>Yes</b> "Private and Family Life" permit for same duration as holder of the "European Union Blue Card".
<b>Employee (secondment &lt; three months)</b>	Short-stay visa + temporary work permit	90 days maximum	<ul style="list-style-type: none"> <li>→ Must be a salaried employee of the foreign company prior to the secondment</li> <li>→ Must be seconded for an assignment on the foreign company's behalf or to provide a service with a company based in France</li> </ul>	<b>Local employment authorities (Unité territoriale):</b> issue work permit <b>Consulate:</b> issues short-stay visa	<b>Yes</b> The employer sends the application file to the local employment authorities.	<b>No</b>
<b>Employee from outside group (secondment &gt; three months)</b>	Long-stay visa equivalent to a "Temporary Worker" residence permit	Depends on length of assignment: three to 12 months, renewable subject to certain restrictions.	<ul style="list-style-type: none"> <li>→ Must be a salaried employee of the foreign company prior to the secondment</li> <li>→ Must be seconded for an assignment on the foreign company's behalf or to provide a service with a company based in France</li> </ul>	<b>Local employment authorities (Unité territoriale):</b> issue work permit. The employment authorities send the file to the OFII, which forwards it to the consulate. <b>Consulate:</b> issues long-stay visa	<b>Yes</b> The employer sends the application file to the local employment authorities.	<b>No</b> May apply for a "Visitor" visa.

EU: European Union - 28 countries

EEA: European Economic Area - EU + Iceland, Liechtenstein and Norway - 31 countries

Schengen Area: 26 Member States of the EU

Local employment authorities (*Unités territoriales*): foreign labor department of the Regional Directorate for Enterprise, Competition, Consumption and Employment (*Direction régionale des entreprises, de la concurrence, de la consommation, du travail et de l'emploi* - DIRECCTE).

OFII: French Immigration and Citizenship Office (*Office français de l'immigration et de l'intégration*) which serves as 'one-stop shop' in eight *départements* (Paris, Hauts-de-Seine, Yvelines, Rhône, Haute-Garonne, Isère, Nord, and Puy-de-Dôme) for "Expatriate Employee", "European Union Blue Card" and "Skills and Expertise" applicants.

## 3. MAIN ADMISSION PROCEDURES

If you are an employer wishing to send a foreign national to work in France, you must follow an admission procedure, which verifies the enforcement of French employment laws, particularly regarding legislation on working hours, social security contribution payments (in the absence of social security agreements or conventions) and equal opportunities.

### 3.1 OFII 'one-stop shop' for "Expatriate Employee" and "European Blue Card" residence permits in eight *départements*: Paris, Hauts-de-Seine, Yvelines, Rhône, Haute-Garonne, Isère, Nord, and Puy-de-Dôme

A 'one-stop shop' run by the French Office for Immigration and Citizenship (OFII) has been set up for "Expatriate Employee"

and "European Union Blue Card" holders in the following eight *départements*: Paris, Hauts-de-Seine, Yvelines, Rhône, Haute-Garonne, Isère, Nord, and Puy-de-Dôme.

The company's local OFII branch coordinates all the immigration formalities, including forwarding the work permit to the Regional Directorate for Enterprise, Competition, Consumption and Employment (DIRECCTE), informing the company, contacting the Consulate, scheduling the medical examination for the employee and accompanying family upon their arrival in France, and issuing them their residence permits.

Applications by family members of 'one-stop-shop' applicants are processed at the same time as that of the main applicant, with particular regard to the issuing of visas, medical examinations, and the delivery of residence permits.



## APPLYING FOR A WORK PERMIT

The application for a work permit is filed with the foreign labor department of the local employment authorities (*Unité territoriale*). The decision to issue a work permit is made by the local employment authorities once the application has been consulted.

### → CRITERIA FOR THE ISSUE OF A WORK PERMIT

When deciding whether to refuse or accept the work permit application, the local employment authorities assess the following criteria:

- Employment levels in the relevant sector and geographic area, taking into account the specificities of the position being offered and the employer's previous attempts to fill it by recruiting a job seeker, mostly with help from the local *Pôle emploi* (National Employment Office).
- The appropriateness of the foreign applicant's qualifications and experience for the position being offered.
- The employer's adherence to French employment and social security legislation.
- The employee's adherence to any appropriate regulations concerning the profession in question.
- The employment conditions and remuneration must be similar to those provided to other employees in the company (or the profession) for a similar position.
- The salary must be at least equal to the statutory national minimum wage (SMIC).
- Any steps taken by the employer to ensure that the foreign national is able to find decent living accommodation.

### → EMPLOYMENT LEVELS

The authorities may refuse to issue a work permit if they consider that unemployment is too high for a particular sector or geographic area and that the employer has not already searched in the local labor market.

The employment situation is not an issue, however, for employees on an intra-group transfer ("Expatriate Employee" residence permit), holders of a "Skills and Expertise" or "European Blue Card" residence permit, or employees conducting a business activity in a sector in a geographic area experiencing recruitment issues and included in a list established by the authorities (cf. 30 sectors listed by the Ministerial Order of January 18, 2008).

### → APPLICATION FOR A WORK PERMIT

To be made by the employer.

### → DOCUMENTS TO BE SUBMITTED

Several documents must be submitted with the work permit application (see "Compiling an admission file" below).

### → LENGTH OF PROCEDURE

The decision is normally made by the local employment authorities (*Unité territoriale*) within two months of the application being filed. For "Expatriate Employee" and "European Union Blue Card" applications filed at the OFII 'one-stop shop', **this period is reduced to 10 days**. If no reply is received within this time, the application is deemed to have been rejected.

### 3.2 Standard admission procedure

For admission procedures falling outside the scope of the OFII ‘one-stop shop’, it is up to the employer, whether located in France or abroad, to apply for admission with the local employment authorities (*Unité territoriale*) where the work will be performed. The work permit application must be submitted in French at least two months before the employee commences their post. The local employment authorities review the work permit application

The work permit is obtained by filling out a government form (*formulaire CERFA*) that is submitted to the relevant local French Immigration and Citizenship Office (OFII). The OFII then transfers the application file to the French consulate in the employee’s place of residence. The employee then appears at this office to be issued their visa corresponding to the reason for their stay.

Once in France, foreign nationals can begin work immediately and have a maximum of three months in which to submit their application file for a residence permit and attend a medical examination at the OFII.

The employer must pay the OFII a fee in accordance with the length of the employment contract and the employee’s salary.

Depending on the nature and term of the assignment in France, the residence permit issued will be:

→ An “Expatriate Employee” residence permit valid three years for intra-group transfers.

→ A “European Union Blue Card” to hire a highly skilled employee.

→ A long-stay visa equivalent to a “Temporary Worker” residence permit (employment contracts of less than one year) or equivalent to an “Employee” residence permit (employment contracts of one year or more).

### 4. EMPLOYEES SECONDED BY AN EMPLOYER RESIDING OUTSIDE FRANCE (TRANSNATIONAL SECONDMENT)

A foreign company may temporarily assign employees to France in order to provide services for a subcontracting contract or to conduct an operation independently without a service contract.

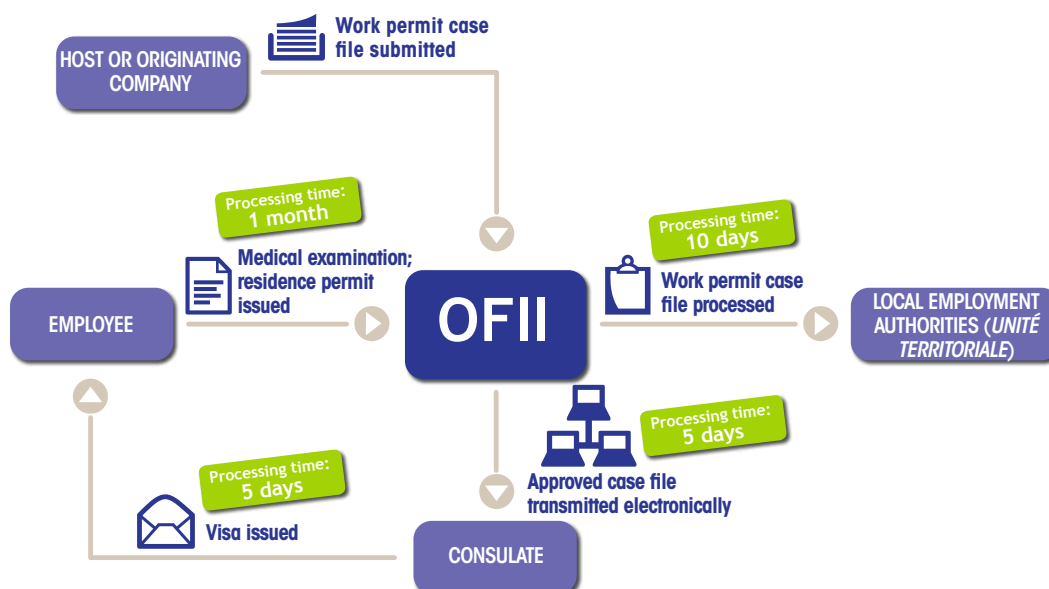
Seconded employees remain under contract with the foreign company before, after and during the term of their secondment in France.

By virtue of this regulation, seconded employees are not employees of the client company, which does not pay their salary. They are subject to employment laws to the same extent as employees in the client company (working hours, minimum wages and payment of salaries, annual leave, health and safety conditions, etc.)

## IN DETAIL

### ARRIVAL OF AN EMPLOYEE AT THE OFII ‘ONE-STOP SHOP’ (“EXPATRIATE EMPLOYEE”, “EUROPEAN UNION BLUE CARD” RESIDENCE PERMITS)

→ In eight *départements*: Paris, Hauts-de-Seine, Yvelines, Rhône, Haute-Garonne, Isère, Nord and Puy-de-Dôme.



The foreign-based company (or its representative) begins the work permit application procedure at the local employment authorities (*Unité territoriale*) where the work is to be performed.

If the secondment is for a period of less than three months, in addition to the short-stay visa (unless special dispensation is granted) a **temporary work permit** (*autorisation provisoire de travail*) is required.

If the secondment is for a period of more than three months, employees must hold a long-stay visa equivalent to a “Temporary Worker” residence permit.

If the assignment is for more than three months, the employer must pay the OFII a fee in accordance with the employee’s salary.

Foreign companies must also make a **mandatory preliminary declaration** to the regional employment inspector in the location where the process is taking place.

Foreign companies that do not have offices in France must register with URSSAF in the Bas-Rhin *département* (*Centre national des firmes étrangères* - CNFE) to enroll their employees and pay social security contributions (unless a special dispensation is granted through a social security agreement and a certificate of secondment is obtained).

## IN DETAIL

### COMPILING AN ADMISSION FILE FOR A FOREIGN EMPLOYEE

Main documents to be submitted by the employer to the local employment authorities (*Unité territoriale*) to support a work permit application for a salaried employee that the employer wishes to recruit or transfer to France:

- Letter of motivation for the recruitment of the employee giving details of the employee’s future position and responsibilities.
- The relevant CERFA form that corresponds to the employment to be carried out in France.
- A valid K-bis document if the employer is a corporate entity (*personne morale*); a valid K document (if the entity is an *entreprise individuelle*), a tradesperson’s card or, failing this, a tax receipt if the employer is an individual (*personne physique*).
- Documents proving the link between the company based in France and the company based abroad in the event of an intra-group transfer.
- A copy of the employee’s passport or national identity card if the employee is resident abroad.
- The employee’s curriculum vitae or any other document that shows the employee’s qualifications and professional experience;

### III. HEALTH COVER AND SOCIAL SECURITY BENEFITS FOR EMPLOYEES IN FRANCE

Employees may opt for continued coverage by the health and social security system in their country of origin if a reciprocal agreement exists between their home country and France.

In the absence of a reciprocal agreement, any salaried employee working in France, irrespective of their nationality, age or type of employment contract, must be registered with the French social security system (principle of territoriality).

#### 1. PRINCIPLE OF TERRITORIALITY: IN THE ABSENCE OF AN INTERNATIONAL AGREEMENT, SOCIAL SECURITY CONTRIBUTIONS ARE PAYABLE TO THE SOCIAL SECURITY SCHEMES IN THE COUNTRY OF EMPLOYMENT

The French social security system is based on the principle of territoriality: foreign employees working in France are, in principle, subject to French health cover and social security legislation, regardless of their nationality or the location of their employer. Foreign employees may however contribute to optional social security schemes in their home countries. As such, the salary and benefits (benefits in kind, expatriation bonuses, etc.) paid to foreign employees are subject to all social security contributions at current rates, payable to the mandatory and supplementary schemes. In return, employees and their families are covered by the French social security system.

where applicable, a copy of the employee’s educational diploma or certificate entitling the employee to carry out the employment in question; and in the event that the exercise of the employment is subject to specific regulatory conditions, proof that these conditions are properly fulfilled.

→ In the event of employment levels being an obstacle, documentary evidence of efforts made to recruit a candidate from the French labor market.

**If the employer is based abroad, the application should also include the following documents:**

- A certificate of employment from the company based abroad or initial employment contract, showing at least three months’ service.
- A certificate of secondment or signed statement of the request for registration with the French social security system.
- Where applicable, a signed statement of the request for registration with the paid leave fund.
- Where applicable, a copy of the letter of mandate addressed to the person established in France in order to carry out administrative procedures on the employee’s behalf.

In exceptional cases, an exemption may be possible from basic retirement insurance (without supplementary retirement benefits) for foreign employees who make a joint request with their employer based in France, or failing this with their host company in France. To become exempt, proof must be supplied of registration with an insurance scheme. The applicant must not have been registered with a mandatory French retirement scheme, or the social security scheme of a Member State bound by EU rules for coordinating social security systems, during the five years prior to the application. This exemption is granted for three years. It may be renewed for the same period.

## 2. INTERNATIONAL AGREEMENTS AND EU REGULATIONS PROVIDE FOR EXEMPTIONS FROM FRENCH SOCIAL SECURITY CONTRIBUTIONS

Nationals of countries that have signed bilateral agreements with France may remain registered with the social security system of their country of origin during their secondment in France.

The length of the secondment is limited by a specific clause in the bilateral agreement, although it can be renewed. At the end of this period, the seconded national must register with the social security system of the host country (in this case, France). They can however continue to contribute to the social security system in their country of origin; this is called making dual contributions.

In practice, the employee must supply proof of their registration in their country of origin to be able to benefit from the application of bilateral social security agreements.

Citizens of the European Union, European Economic Area and Switzerland may also be seconded to other Member States for two-year periods by virtue of EU regulations.

An exemption may be requested in order to extend the term of the secondment if the assignment is expected to exceed two years or run over the full two-year term. Each Member State determines the maximum secondment term it agrees to grant.

At the end of this initial or extended period, the seconded employee must register with the social security system of the country where the paid employment is carried out (in this case, France).

## IV. TAX REGULATIONS FOR EMPLOYEES IN FRANCE

Under certain circumstances, employees who come to work in France benefit from a very generous tax system.

### 1. DETERMINING TAX RESIDENCY

Tax residency is not a matter of choice for the employer or the employee; it depends on legal or reciprocal agreements and treaties. Registration with the French social security system has no bearing on determining tax residency.

A person is considered to be resident in France for tax purposes if one of the following criteria is met:

→ If France is the person's permanent place of residence (household), i.e. the habitual place of residence or that of their family (spouse and children).

→ Where the person has dual permanent residence, if France is the center of their financial and personal interests.

→ Where the person's center of interests cannot be determined, if their primary place of residence is in France (they reside in France for more than 183 days in the same year).

→ In the absence of any other deciding criteria (primary place of residence or no place of residence in either country), if the person holds French nationality.

→ In the event that the person has dual nationality or neither of the two nationalities, the matter is decided by mutual agreement of the tax authorities in the two countries.

Tax residents in France are taxed on the entirety of their income earned from French sources or from other sources, but are also subject to international tax treaties and certain special tax systems such as those for expatriates (cf. section 4.3).

If foreign sources of income are also taxed in the country of origin, double taxation is avoided by application of clauses written into a large number of bilateral tax treaties that France has signed with other countries.

## 2. INCOME TAX SYSTEM FOR TAX RESIDENTS

### 2.1 General

#### Income tax

Salaries (tax category "wages and salaries") are taxable once social security contributions and all other mandatory contributions and business expenses have been deducted. With regard to business expenses, tax residents can choose between a flat deduction of 10% or a deduction corresponding to their actual amount (subject to presentation of supporting documents).

A French resident's income is taxed at progressively higher rates:

#### Tax payable in 2014

2013 Income Bracket (by allowance unit)	Tax Rates in 2014
Income up to €6,011 inclusive:	0%
From €5,963 to €11,991 inclusive:	5.5%
From €11,896 to €26,631 inclusive	14%
From €26,420 to €71,397 inclusive:	30%
From €70,830 to €151,200 inclusive:	41%
More than €151,200:	45%



Income tax is calculated on the basis of the combined incomes of the household, which includes the resident, any spouse, and any dependent children. The effective tax rate is determined on the basis of the size of the household using the family allowance method, whereby the total household income is divided by the number of household units (one unit for each adult, one half-unit for each of the first two children, then one unit for each child thereafter).

Assuming income remains unchanged, the more dependents a household includes, the lower the tax rates it pays.

Other expenses may also be tax-deductible or eligible for tax credits; these include childcare expenses or school fees, expenses for domestic help, and some household equipment costs.

With a view to balancing the government budget, an exceptional tax on high incomes has been introduced that amounts to:

→ 3% of taxable household income between €250,000 and €500,000 for people filing single returns, and between €500,000 and €1,000,000 for joint returns.

→ This rate goes up to 4% for the portion of taxable household income that is higher than €500,000 for single people and €1,000,000 for couples.

### Tax on high earners

For income earned in 2013 and 2014 only, the portion of annual remuneration paid by a company to a director or employee in excess of €1 million is subject to a special tax at the rate of 50%.

This tax applies only to remuneration paid in 2013 and 2014, and the amount of the tax is capped at 5% of the company's turnover for the year in which it is payable.

→ **Example 1:** For a company that pays €1,100,000 in annual remuneration to a director in 2013 and has turnover of €20,000,000, the amount of this special tax will be €50,000:  $(1,100,000 - 1,000,000) / 2$ .

→ **Example 2:** For a company that pays €1,100,000 in annual remuneration to a director in 2013 and has turnover of €600,000, the amount of this special tax will be only €30,000, as the limit of 5% of turnover is applied.

## 2.2 A special exemption scheme for expatriates

The tax system for expatriate personnel is open to any person, regardless of their nationality, coming to work in France and who has not been a tax resident in France during the five calendar years prior to the date they commenced their post. The person must have been called to work for a company in France (regardless of the host company's nationality). To immediately benefit from this exemption, the person must determine their tax residence in France by December 31 of the year following the year during which they commenced their post (i.e. by December 2015 at the latest for a post in France beginning during the course of 2014).

The expatriate exemption scheme applies for up to five years starting in the first full year after expatriates assume their new position.

Beneficiaries of the system receive exemption from:

→ Income tax on any additional remuneration ("expatriation bonuses") directly related to their professional activity, and

→ bonuses for work undertaken abroad in the direct interest and for the exclusive benefit of the company.

Total exemptions are capped at 50% of all remuneration or, alternatively upon request, 20% of taxable income earned for work performed abroad, excluding the expatriation bonus.

At the same time, many mobility-related allowances are fully exempt from income tax, e.g. payments for a reconnaissance trip, furniture storage costs in the country of origin, agency fees incurred by looking for accommodation in France, costs of removal and a return trip at the start and end of the stay in France, schooling costs for any children who are dependent for tax purposes, etc.

Provision is also made in the system for a 50% exemption over a five-year period on income from securities, copyright royalties, and capital gains from transfers of shares and ownership interests from a foreign source.

During the same period, expatriates are only liable to pay the "wealth tax" (*impôt de solidarité sur la fortune* - ISF) on their assets located in France. Thereafter, expatriates must pay ISF on accumulated assets (barring any exemptions) located in France and abroad. ISF is only payable on net taxable assets over €1,300,000.

Social security contributions paid by an employee to a social security scheme in their home country are deducted from taxable income in France, where a social security agreement exists between the two countries permitting an expatriate employee in France to continue to pay into the scheme in their country of origin. This system also allows the contributions paid by expatriates and their foreign company into a supplementary

social security protection scheme and a supplementary retirement scheme to be deducted from taxable income.

### 3. TAXATION FOR NON-TAX RESIDENTS

Employees in France who are not tax residents are only taxed on income from French sources. Remuneration paid in return for work carried out on French soil is taxable in France.

Unless otherwise provided for by a tax treaty, salaries paid to non-residents are subject to tax deduction at source at a rate of up to 20% for the portion of remuneration exceeding €41,327.

Non-resident salaried employees are still required to file an income tax return with the French tax authorities at the *Service des impôts particuliers non-résidents* (tax service for non-resident individuals), and, if necessary, pay any difference between the amount deducted at source and the tax due.

In order to avoid double taxation, tax deducted at source in France usually gives rise to an equivalent tax credit in the country of residence (depending on the tax treaty between France and the country of residence).

Furthermore, most international taxation treaties make provision for temporary secondments, whereby income earned through salaried work in a country is not judged to be taxable in that country if the beneficiary resides there for less than 183 days per year and if their remuneration is paid by or on behalf of an employer who is not resident in that country.

## IN DETAIL

### A WORKING EXAMPLE OF THE TAX SYSTEM WITH REFERENCE TO THE INCOME OF AN EXPATRIATE EMPLOYEE IN FRANCE

A highly skilled employee, employed by a company based in the United States, and who has not been resident in France for tax purposes since January 1, 2009, is seconded by their employer to a company based in France as of January 1, 2014. They regularly travel abroad for professional reasons.

→ Their net annual salary for 2014 amounts to €200,000, including an "expatriation bonus" of €60,000.

→ Their "net comparative salary" in France amounts to €150,000.

→ Their pay corresponding to work undertaken abroad amounts to €33,000.

The following are exempt from income tax for the year 2013:

→ An "expatriation bonus" of up to €50,000, the remainder (€10,000) being taxable in the event that the expatriate employee's taxable income (€140,000), is lower than the "net comparative salary" (€150,000).

→ The employee's pay corresponding to work undertaken abroad, up to a limit of €30,000  $[(200,000 - 60,000 + 10,000) \times 20\%]$ , if the taxpayer has chosen this exemption option.

Total exemption: €80,000, i.e.: €50,000 + €30,000.

If, however, the employee chooses the overall ceiling of 50%, they will benefit from a higher exemption equal to €83,000 (i.e. €50,000 + €33,000), which falls below the ceiling of €100,000 (€200,000 x 50%).





# 4

## BUSINESS TAXES IN FRANCE

<b>I. Corporate tax in line with EU standards</b>	<b>50</b>
<b>II. Ways to repatriate earnings</b>	<b>53</b>
<b>III. Value added tax and customs duty</b>	<b>54</b>
<b>IV. Local taxes paid by companies</b>	<b>54</b>
<b>V. A wide range of tax incentives for investors</b>	<b>58</b>
<b>VI. Special tax system for certain headquarters</b>	<b>61</b>

# 4 BUSINESS TAXES IN FRANCE

A large part of France's corporate tax system is designed to promote business investment, regional development and international expansion. France's efforts to develop a fair tax system are also evident in its policies designed for corporate groups. France has signed bilateral tax treaties with most of the countries it trades with (more than 100 countries) and thus provides foreign investors with outstanding protection against double taxation.

A single gateway operated by the Public Finance Directorate (*Direction générale des finances publiques – DGFIP*) of the French government provides foreign investors with information about tax. The service can be contacted at the address [tax4business@dgfip.finances.gouv.fr](mailto:tax4business@dgfip.finances.gouv.fr) and enables foreign investors to invest in France in a clear and secure legal framework.



## THE TAX4BUSINESSFRANCE SERVICE :

- provides answers to investors' questions about how taxation will be applicable to their cases;
- enables them to seek advance rulings (*rescrits*) from the tax authorities;
- offers multilingual tax-related information directly tailored to their needs; and
- provides access to further explanations in English.

## I. CORPORATE TAX IN LINE WITH EU STANDARDS

### 1. TAXATION BASED ON REALIZED EARNINGS

Any foreign entity doing business for profit in France is liable to pay French tax on its earnings in France (principle of territoriality). This rule applies regardless of the types of entities:

- Subsidiaries
- Branches
- Permanent establishments

If a branch or a permanent establishment is not a separate legal entity, its earnings from activities in France are reconstituted using the financial statements of the foreign company. Each individual tax treaty defines the notion of a permanent establishment as a fixed place of business or a dependent agent (as defined in Article 5 of the OECD Model Tax Convention). One of the most common examples of this in practice is that when a foreign company sends one of its employees to France to

prosper the French market it runs no risk of being considered a permanent establishment in France. But once the employee signs contracts in France on behalf of the foreign company, the company is deemed to have a permanent establishment in France, and is subject to tax on the profit earned by this business in France.

An "advance ruling" procedure (*rescrit*) enables any company already set up in France, or planning to do so, to ask the tax authorities to rule whether or not it has a permanent establishment in France; the authorities will then reply within three months.

### 2. CALCULATING TAXABLE EARNINGS

Income subject to corporate tax (*impôt sur les sociétés – IS*) is calculated by deducting eligible expenses from income.

Income comprises all of the proceeds from the sale of goods and the provision of services.

Deductible expenses are those related to the company's business. They include:

- Depreciation and amortization (excluding goodwill and land)
- Provisions
- Rent for buildings and equipment
- Salaries
- Social security contributions
- Taxes and duties (unless otherwise specified)
- Goods purchased
- Energy consumption
- Advertising
- Financial expenses, etc.

All types of expenditure borne by a business are deductible if they are spent on items the company needs to operate, and providing they are legitimate and justified. However, special rules apply to certain expenses:

→ Up to €3 million of the net financial charges (the difference between financial income and financial charges in the same category) that companies pay which are subject to corporate tax (IS) are fully deductible. For amounts above €3 million, deductible financial charges are capped at 75% as of January 1, 2014. Other rules apply to financial transactions between companies in the same group, specifically with regard to the risks of maximizing intra-subsidiary interest rates or optimizing due to undercapitalizing subsidiaries with the highest debt.

→ When taking out a patent, a patentable invention or a licensed or sub-licensed manufacturing process, whereby any royalties paid qualify for a deduction, provided the license is actually being used and the royalty paid is not excessive.

→ So-called “sumptuary” expenses and private passenger vehicles for which the deductible depreciation allowance and lease payments are capped, depending on the situation, at €18,300 or €9,900 for the least environmentally friendly cars. The thresholds include all taxes (including VAT).

→ As a general rule, all types of fees between companies in the same group are deductible if the transactions are invoiced in line with market prices and actually take place. Amounts invoiced within an international group are subject to international laws on transfer pricing.

### 3. GENEROUS DEPRECIATION RULES

Fixed assets are depreciated on a straight-line basis over their expected useful life. In the case of certain production assets bought new with a minimum three-year depreciation period, acceleration multiples ranging from 1.25 to 2.25 may be applied to the straight-line depreciation rates, depending on the normal useful life of the assets concerned (declining balance scheme).

Equipment and tools used for scientific and technical research can be depreciated on an accelerated declining balance basis. The acceleration multiples in this case range from 1.5 to 2.5.

SMEs that construct or hire a firm to construct an industrial or commercial building for the purposes of operating their business in a rural regeneration area (ZRR) or urban regeneration area (ZRU) prior to January 1, 2015 are eligible for a one-time depreciation equal to 25% of the total cost once construction is completed. The residual value of construction is depreciated

over the normal useful life (the first annuity is added to this one-time depreciation).

### 4. ALLOWABLE PROVISIONS FOR DEPRECIATION

These are allowed if they can be justified and if they relate to clearly identified claims, inventories, securities or tangible and intangible assets. Allowable provisions include provisions for contingencies, work in progress, price increases, annual leave, etc.

### 5. TAX RATES ON COMPANIES

Corporate tax (*impôt sur les sociétés* – IS) rates are as follows:

→ For large companies: standard rate of 33.33% plus, for companies with pre-tax turnover of over €7,630,000, an additional “social contribution” of 1.1 percentage points, i.e. a rate of 34.43%.<sup>1</sup> As of January 1, 2014 and until December 31, 2015 companies with over €250 million in turnover must pay an exceptional contribution equal to 10.7% of the corporate tax due.

→ For small and medium-sized businesses (SMEs): reduced corporate tax rate of 15% up to €38,120 of profits and standard 33.33% rate on the remainder. SMEs are exempt from paying an additional “social contribution”.<sup>2</sup>

→ Proceeds from intellectual property (royalties and capital gains on the transfer of patents, if they have been held for at least two years<sup>3</sup>) are eligible for a reduced rate of 15%. This affects patents, inventions that can be patented and manufacturing processes as well as improvements made to patents and patentable inventions.

→ Permanent establishments located in France that hold equity interests in French and foreign companies are only taxed at a rate of 5% of these companies’ redistributed dividends. Companies are eligible for this reduced tax rate if they own a stake of at least 5% in each company and have owned the securities for at least two years.

→ Capital gains on the sale of shareholdings held for at least two years are totally exempt except for the 12% representing expenses. This exemption no longer applies to transferred securities of companies located in a state considered non-cooperative for tax purposes.

(1) Contribution at rates of 3.3% calculated on the standard corporate tax amount (i.e.  $3.3\% \times 33.33 = 1.1\%$ ), minus a €763,000 rebate. (2) Intended for SMEs with at least 75% of their shares owned, directly or indirectly, by individuals, or for companies satisfying the same conditions with an annual turnover of less than €7,630,000, subject to having fully paid up share capital. (3) If no arm's-length relationship exists (companies in the same group), transfers are not eligible for a reduced rate.

## 6. CARRYING LOSSES FORWARD (OR BACK)

Losses recorded in a given year can be carried forward indefinitely against future profits and, to a lesser degree, can also be carried back against profits made in the previous year.

## 7. GROUPS OF COMPANIES: THE FRENCH TAX SYSTEM PROVIDES FLEXIBLE RULES FOR TAX CONSOLIDATION

Groups of companies are eligible for tax breaks under French law, specifically when the parent company owns a stake of at least 5% in its subsidiaries (cf. section 1.5). However, under the tax consolidation scheme, companies in the same group may opt for overall taxation. This enables groups of companies to offset income and losses recorded in France from their consolidated businesses and eliminate intercompany transactions. Tax credits that apply to one company in the group, for example the research tax credit, can be transferred to the consolidating company that is subject to corporate tax, and thus be deducted from tax to be paid by the group.

The tax consolidation option may apply once the French subsidiaries in the consolidated group are at least 95% owned, directly or indirectly, by a French parent company. The financial years of the parent company and its subsidiaries must also coincide. Groups may choose this option for a five-year period. It automatically ceases to apply if ownership conditions are no longer met.

SMEs can deduct from their income the deficits of their branches or subsidiaries in which they have a direct stake of at least 95%, if the latter are established in a European Union Member State (or in a State which has signed a tax treaty with France containing an administrative assistance clause) and are subject to a tax equivalent to corporate tax. This benefit is bound by the European Union 'de minimis' policy cap (€200,000 for a three-year sliding period).

French subsidiaries owned through a European company (located within the European Union, Norway or Iceland) not subject to corporate tax in France can now be considered part of a consolidated group.

Companies in corporate groups may choose to apply the optional VAT payment consolidation scheme. Only the consolidating company will have to pay the VAT balance on behalf of the group's companies. This balance will be calculated as the difference between taxes owed and any tax credits due on the tax returns filed by the group's members. The parent company must directly or indirectly hold a stake of at least 50% in the subsidiaries' capital or voting rights. As such, the scope of the VAT payment consolidation will not in theory match the scope of tax consolidation in the corporate tax system. This option has been available since January 1, 2014.

## IN DETAIL

### LOSSES CAN BE CARRIED FORWARD INDEFINITELY

Annual losses of up to €1,000,000 (plus 50% of subsequent profits exceeding this figure) may be carried forward.

#### → Example 1:

A company records a loss of €900,000 in the tax year ending in 2014.

In 2015, it makes a profit of €1,500,000.

The company can then deduct the entire loss recorded in 2014, leaving a taxable profit for the tax year 2015 of €600,000.

#### → Example 2:

For the tax year ending in 2014, a company records a loss of €2,000,000.

In 2015, it makes a profit of €1,500,000.

The loss carried forward to 2015 is €1,250,000 [= €1,000,000 + (50% x €500,000)] and the company's taxable profits will be €250,000 (= €1,500,000 - €1,250,000).

The portion of the loss recorded in 2014 that cannot be deducted from the company's 2015 profits, i.e. €750,000 (= €2,000,000 - €1,250,000) can then be carried forward to the subsequent tax years.

## IN DETAIL

### CARRY-BACK RULES

Carry-back rules allow the current year's loss to be offset only against taxable income in the previous year and only up to the profit recorded in the previous tax year or €1,000,000, whichever is smaller. This results in a non-taxable claim against the French Treasury for previously paid taxes. The Treasury reimburses this tax receivable after five years if the company fails to deduct it from their forthcoming corporate tax bills. It may also be used as collateral with credit institutions (Dailly Act).

#### → Example:

In 2014, a company subject to corporate tax records taxable income of €1,500,000. In 2015, it declares a taxable loss of €3,000,000.

Since the offset losses cannot exceed €1,000,000, the company will only be able to carry back €1,000,000. The remaining €2,000,000 (= €3,000,000 - €1,000,000) can be carried forward.

## II. WAYS TO REPATRIATE EARNINGS

Earnings may be repatriated in three ways:

- Transfer or distribution of net profit from branches and subsidiaries.
- Interest on loans and advances granted by the foreign parent company.
- Royalties or management fees.



### THE HOLDING COMPANY SCHEME

Holding companies established in France, and which have held a stake of at least 5% for two years or more in each of its French or foreign subsidiaries, are only taxed at a rate of 5% on their redistributed dividends (cf. section I.5).

This scheme presents considerable advantages because it results in a minimum effective tax rate of 1.67% (5% x 33.3%) on the dividends paid out by their subsidiaries.

Moreover, when securities that have been held for at least two years are transferred, tax is levied on 12% of the net gain (cf. restrictions in section I.5).

Dividends distributed by holding companies are taxed according to the rules explained in section II.2.

Holding companies are also eligible for the tax consolidation scheme.

#### 1. NO TAX OBSTACLES TO THE INVOICING OF INTEREST, ROYALTIES OR MANAGEMENT FEES

The amounts invoiced must be justified and in line with the prices for arm's-length transactions between independent companies. The French authorities may demand evidence that transfer prices are in line with actual market prices.

#### 2. REDUCED RATES OF WITHHOLDING TAX AND EXEMPTIONS

##### 2.1 Dividends paid out to a resident of the European Union (EU)

Dividends distributed to a European parent company are exempted from the withholding tax if its headquarters are located in the European Union and it holds a stake of at least 10% in its French distributing subsidiary.

Since January 1, 2012 the withholding tax rate has been 21% on dividends collected by an individual residing in an EU country, Iceland or Norway.

##### 2.2 Dividends paid out to a resident outside the EU

Most of the tax treaties France has signed with major industrial nations provide for the application of a withholding tax on dividends with a standard rate of 5% for companies (subject to a minimum stake in the subsidiary created in France) or 15% for individuals. The new tax treaties signed by France (with Japan and the United States) provide for no withholding tax to be applied when dividends are paid (subject to specific conditions of stake ownership).

If no tax treaty exists, the withholding tax is 30%.

##### 2.3 Additional corporate tax contribution on dividends distributed by a company established in France

Dividends paid out by a company established in France are subject to an additional contribution of 3%. However, dividends paid out by an SME (as per the European Union definition) or by an entity not subject to corporate tax, dividends paid out as shares, and dividends paid out within consolidated groups (cf. section I.7) are all exempt.

Foreign companies established in France as branches are subject to the 3% contribution due to the sums that cease to be available for operations in France.

##### 2.4 Earnings from securities and royalties

For interest and royalties paid to foreign countries, tax treaties set out rates that vary from 0 to 15%.

##### 2.5 Higher rates for "tax havens"

A 75% withholding tax applies to the distribution of investment income (primarily dividends and interest) from a French source received through financial institutions located in tax havens officially referred to as "Non-Cooperative States or Territories" (NCSTs)<sup>(1)</sup>, regardless of the beneficiary's actual income tax residence.

*(1) List of NCSTs set out in the Ministerial Order of February 12, 2010 and modified by Ministerial Order of April 4, 2012: Botswana, Brunei, Guatemala, the Marshall Islands, Montserrat, Nauru, Niue and the Philippines.*

## III. VALUE ADDED TAX AND CUSTOMS DUTY

### 1. VAT: A NEUTRAL TAX FOR COMPANIES

Value added tax (VAT) is a tax that end-consumers pay on the consumption of goods and services.

When companies are formed, the French tax authorities assign them an EU VAT number.

Companies merely collect the VAT on their own sales and services and deduct the amount of VAT that they have paid on purchases of goods and services. This is reported in a monthly, quarterly or annual statement based on sales and the amount of VAT paid during the previous year. Depending on the size of the company, this declaration is sent to either the corporate tax office (*Service des impôts des entreprises* – SIE) or the large business tax office (*Direction des grandes entreprises* – DGE) before the deadline set by the French tax authorities.

If companies have paid more VAT than they have collected on sales and services, the VAT credit will be refunded to them on request.

Sales of goods outside France are fully exempt from VAT.

France's standard VAT rate on sales of goods and services is 20%, but there are several reduced rates. There is a 10% tax rate on restaurants, hotels, public transport, newspapers and magazines and certain leisure activities. The rate on food, books (including those downloaded online), construction and renovation of social housing and certain agricultural products is 5.5%, while the rate on medications is either 5.5% or 2.1%.

### 2. UNIFORM CUSTOMS REGULATIONS THROUGHOUT THE EU

→ Goods move freely within the European Union:

Customs duty is only charged once when goods enter French territory. Goods entering France to be redispached to another EU Member State are exempt from customs duty and VAT (as VAT is paid in the country where the goods are delivered to end users).

VAT exemption is possible for purchases of goods and the transformation or improvement of such goods that are subject to a VAT suspension scheme or an EU customs transit procedure, where the goods are delivered within the EU (intra-Community supply) or subsequently exported when they exit the procedure. If the goods remain in France, VAT payment can be deferred to a later time.

Companies are not required to complete any administrative formalities for the movement of most types of goods between EU countries. They are only required to file a “declaration of trade in goods” (DEB) form for statistical purposes. Companies delivering or importing goods worth more than €460,000 a year to or from another Member State must file a DEB form each

month. The form provides information about product categories, countries of origin and destination, values and weights.

Computerized customs clearance accelerates formalities and release of goods. Companies may opt for electronic transmission of DEB forms to the customs' data center (CISD) and online filing. The DEB must be filed electronically when the shipments or intakes conducted during the previous calendar year exceed €2,300,000, excluding taxes.

Clearance is through the relevant customs department.

Companies providing services to businesses located in other EU Member States must file an EU VAT return with the French customs authorities if the company in the other Member State has already paid the VAT. This form must be filed online when sales exceed €32,600.

→ Clearance of non-European Union goods:

Imports and exports of goods between EU Member States and other countries require a customs declaration, which must be filed using the Single Administrative Document (SAD). The main items on the SAD are the name of the company, the type of declaration (according to the source of the merchandise), and the type, origin and value of the goods, net of tax.

Invoices and any documents required to claim preferential tariff treatment or for inspection of certain imports (agricultural products, etc.) must also be provided. The SAD information is used to calculate the duties and taxes due. It is also used for statistical purposes to count units of goods.

## IV. LOCAL TAXES PAID BY COMPANIES

### 1. LOCAL ECONOMIC CONTRIBUTION (*CONTRIBUTION ÉCONOMIQUE TERRITORIALE* – CET)

The *contribution économique territoriale* (CET) comprises the corporate property contribution (*cotisation foncière des entreprises* – CFE) and the contribution for value added by businesses (*cotisation sur la valeur ajoutée des entreprises* – CVAE).

This reform means that tax is no longer levied on investments classified as productive, which include machines, tools, movable property and equipment.

The CET is capped at 3% of the company's value added.

At the same time, a network flat tax (*imposition forfaitaire sur les entreprises de réseaux* – IFR) was introduced that only pertains to certain utilities companies (facilities that generate electricity with wind turbines, hydro turbines or from photovoltaic or hydraulic sources; electrical generators; radio transmitters; rail rolling stock; and mainframes for the copper access network). The IFR is payable in addition to the CET and is calculated on the basis of a scale specific to each sector.





## MEASURES TO SIMPLIFY CUSTOMS PROCEDURES

In an effort to simplify administrative and tax procedures, and in order to improve the competitiveness of businesses based in France, the following measures have been adopted:

- A simplified goods collection procedure that allows the operator to continue their customs formalities.
- Paperless incentive measures have led to a fully digitized customs system, electronic payment and automatic reconciliation. These efforts are a vehicle for the authorities to simplify and facilitate customs formalities and make them more secure.
- The ICS (Import Control System) and ECS (Export Control System) have been developed to improve security for goods flows through the transmission of logistics and trade data.
- A national 'one-stop shop' has been set up that liaises with the other government authorities.
- Companies can make a single monthly VAT payment for imports, to be paid on the 25th of the month following the date of import.
- The VAT deposit on bonded imports when using deferred payment facilities has also been phased out.

### 1.1. The corporate property contribution (CFE)

The CFE is assessed annually by the municipalities that set the tax rate for businesses located in their area.

The tax base comprises the rental value of fixed assets subject to the corporate property contribution (buildings and land used for business purposes) that the company occupied at the end of the closing of the financial year N-2, with N being the tax year.

The land registry rental value for industrial businesses is equivalent to 8% of the cost of land, buildings and equipment. The rental value for industrial businesses receives a 30% deduction when calculating the CFE. The rental value of commercial premises and offices is set by the tax authorities.

Facilities intended for photovoltaic-based electricity production (solar panels) are exempt from the CFE.

When a company is created in Year N, the rental value of all the premises, equipment and land the company owns as of December 31 of Year N is eligible for a 50% deduction on taxes paid in Year N+1.

As of January 1, 2014, CFE tax notices have been completely digitized.

### 1.2. The contribution for value added by businesses (CVAE)

The CVAE is assessed on the value added (VA) companies realize during the previous calendar year (January 1 to December 31) or the last 12-month financial year if this does not coincide with the calendar year.

Only companies with annual pre-tax turnover of over €500,000 must pay the CVAE.

The CVAE rate varies between 0.5% and 1.5%; the extent of the reduced rate depends on the company's annual turnover.

The CVAE is calculated based on VA that is capped at either 80% or 85% of turnover depending on whether the company's turnover is under or over €7,600,000.

### 1.3. Exemptions for the CET:

The following are **exempt** from the CET at the discretion of the local authorities:

- Subject to European Union caps on state aid, new companies operating in specific regional zones as well as companies formed to take over ailing businesses (for a period of two to five years only).
- Innovative new companies (*jeunes entreprises innovantes* – JEIs) for seven years after their startup date and for up to €200,000 over three years.
- New and expanded industrial businesses or businesses dedicated to scientific and technical research activities located in certain areas for two to five years, subject to EU caps and approval. Companies do not require approval if they create a minimum number of jobs and meet minimum investment levels.
- Businesses based in an innovation cluster for a period of five years.

Also worth noting is that companies are exempt from the CET<sup>1</sup> in their startup year and that the CFE tax base is reduced by 50% in the second year.

(1) Unless the company is already set up as of January 1 of that year.



## 2. PROPERTY TAX

Companies are subject to property tax on the rental value of land (property tax on unconstructed land) and buildings (property tax on constructed land). Land with buildings or infrastructure in place are included in the constructed land category. The tax base is equal to the land registry rental value (or registered income) minus a standard 50% rebate for buildings or 20% for land.

The same methods used to determine the CFE (see “Working Example”) are applied to assess the land registry rental value for buildings.

The amount of the tax to be paid can be calculated by multiplying the tax base by the rates decided upon by the local authorities (*communes and départements*).

Property tax (*taxe foncière* - TF) is payable by the building or land owner on January 1 each year. As such, a company created after January 1 of year N will not owe property tax for the startup year.

### WORKING EXAMPLE: CALCULATING THE CET

#### → A COMPANY MAKES THE FOLLOWING CAPITAL INVESTMENTS IN THE YEAR ‘N’

Land and buildings (fixed assets subject to the property tax)	€30 million
Production equipment and tools (fixed assets not subject to the property tax)	€70 million
Estimated annual value added (after cap is applied)	€50 million
A local tax rate of 27.26% determined by the local authorities.	

#### → CALCULATING THE CFE:

Rental value (RV) of fixed assets subject to the property tax	N	N+1	N+2
Land and buildings (fixed assets subject to the property contribution)	No CET due	€30 million	€30 million
The RV is 8% of these fixed assets, i.e. 30 x 8%		€2.4 million	€2.4 million
30% deduction of RV for industrial investments		30%	30%
RV after deduction		€1.68 million	€1.68 million
50% reduction in the second year (N+1)		-50%	
RV after reduction		€0.84 million	€1.68 million

No CET is due in the first year (N), while there is a 50% reduction in the tax base of the CFE component in the second year. Production equipment and tools are fully exempt.

CFE due from the company	N	N+1	N+2
Tax base		€840,000	€1,680,000
Rate		27.26%	27.26%
CFE due		€228,984	€457,968

#### → CALCULATING THE CVAE:

CVAE due = €50 million x 1.5% = €750,000 (no reduced rate since the annual turnover is presumed to exceed €50 million).
---

Calculating the CET:	N	N+1	N+2
CFE due		€228,984	€457,968
CVAE due		€750,000	€750,000
CET due		€978,984	€1,207,968

There are a large number of property tax exemptions, which include:

- New professional, industrial and commercial buildings that are partially exempt from property tax on constructed land for the first two years after construction is completed.
- Tools and other equipment and operational material resources for industrial units (excluding property facilities).
- Facilities intended for the production of photovoltaic-based electricity (solar panels). These facilities are also exempt from the CFE (see “Working Example”).
- Companies operating in specific regional zones that are creating a new business, expanding operations or taking over ailing businesses may benefit from temporary exemptions (between two and five years) at the discretion of the local authorities.

→ Buildings owned by companies eligible for the innovative new company (JEI) tax status, which may be exempt at the discretion of the local authorities for a period of seven years. Local authorities may also agree to exempt businesses located in an innovation cluster from property tax.

→ For individuals, new housing units completed as of January 1, 2009 with an overall energy performance level higher than the level required by the legislation in force (minimum exemption period of five years).

## WORKING EXAMPLE: CALCULATING PROPERTY TAX

### → AN INDUSTRIAL COMPANY MAKES AND COMPLETES THE FOLLOWING INVESTMENTS IN 2014

Land	€100,000
Buildings	€600,000
Production equipment	€1,500,000

The tax base is calculated using the rental value of land and buildings only:

Land: 100,000 x 8%	€8,000
Buildings: 600,000 x 8%	€48,000
Hence, the gross rental value	€56,000
Standard 50% rebate	-50%
Net rental value after rebate	€28,000

Tax rate decided by local authorities:

Commune	15.00%
Département	12.41%
Total	27.41%

### → PROPERTY TAX DUE OVER THE THREE FOLLOWING YEARS

	Tax base	Rate	2014	2015	2016	2017
To the commune	€28,000	15.00%	-	€4,200	€4,200	€4,200
To the département	€28,000	12.41%	-	Exemption		€3,475
Total			-	€4,200	€4,200	€7,675

The company is exempt from property tax in 2014 as it is its startup year (assuming the company is created after January 1). The company is also exempt from paying property tax to the département in the two years following the completion of the buildings (assumed in this example to have been completed in 2014).

## V. A WIDE RANGE OF TAX INCENTIVES FOR INVESTORS

### 1. TAX CREDITS

#### 1.1. France's research tax credit is one of the most attractive incentives in the world

Manufacturing, trading and agricultural companies that spend money on research are eligible to receive a tax credit which can then be offset against their corporate tax liability. If they do not owe any tax due to a lack of profits, they will receive the research tax credit (*crédit d'impôt recherche* – CIR) in the form of a cash rebate after a three-year period. SMEs (as defined by the European Union), innovative new companies (JElS), startups and ailing companies qualify for an immediate research tax credit rebate (in Year N+1).

Since 2013, France's public investment bank, Bpifrance, has arranged for SMEs more than three years old that are previous recipients of France's research tax credit to be granted the research tax credit upfront in the year in which expenditure is incurred (in Year N instead of Year N+1). This measure helps SMEs and startups increase their cash flow in the year payments are incurred instead of waiting to file the research tax credit return before being reimbursed later. Other types of companies can still cash their research tax credit at a banking institution if they do not want to hold on to the credit for three years.

To be eligible for the research tax credit, expenditure must be on basic research, applied research (test model of a product, operation or method) or experimental development (use of prototypes or pilot equipment). Companies may request an advance ruling from the tax authorities to see whether their operations qualify for the research tax credit; the tax authorities are then required to respond within three months. As of January 1, the application can be submitted after operations have begun, but at least six months before the research tax credit return is filed (form no. 2069).

The research tax credit amounts to 30% of total annual expenditure on research activities up to €100 million, and 5% of annual expenditure above this level.

Eligible research expenditure includes:

→ Personnel costs (gross salaries and social security contributions) for researchers and research technicians working directly on research, plus an additional 50% of these amounts as flat-rate operating expenses.

→ Gross salaries and social security contributions for junior final-year doctoral and post-doctoral research personnel that are counted in the research tax credit base at 400%<sup>(1)</sup> of their value for the first two years of their first permanent contract. Thereafter, their salaries are recorded as research personnel costs.

<sup>(1)</sup> This percentage includes the flat-rate operating expenses.

→ Depreciation of infrastructure and equipment used directly for research operations, plus an additional 75% as flat-rate operating expenses.

→ Spending on technology watch (up to €60,000 per year).

→ 50% of standardization costs.

→ Depreciation of patents acquired for research purposes.

→ Bonuses and payments relating to patent insurance contracts (up to €60,000 per year).

→ Expenses incurred for the filing, maintenance and protection of patents and plant variety rights (*certificats d'obtention végétale* – COVs). 200% of spending on research contracted out to public-sector research agencies, higher education institutions offering Master's programs, technical centers, accredited public interest foundations in the research sector, scientific partnership foundations and public-sector scientific partnership institutions.

→ Spending on research contracted out to accredited private-sector research agencies, or certified experts, up to triple the total amount of other research expenses eligible for the research tax credit.

If there is an arm's-length relationship between the company placing the order and the subcontracting company, the subcontracting expenses are capped at €10 million. However, if no arm's-length relationship exists (i.e. a group of companies), the subcontracting spending cap is set at €2 million. This €10 million cap is raised to €12 million when these expenses are contracted out to public-sector partners (research institutions, universities, public-service foundations, etc.)

Consultancy fees incurred regarding the research tax credit application process that either exceed €15,000, excluding tax, or 5% of the research tax credit tax base less any government support for R&D are deducted from the research tax credit tax base. These expenses are fully deducted from the research tax credit tax base when they are calculated proportionately to the credit obtained.

For expenditure incurred as of January 1, 2014 SMEs that use innovation expenses for projects to design prototypes, new products or pilot equipment may receive a special innovation tax credit (*crédit d'impôt innovation*) of 20%.

Eligible innovation expenses are capped at €400,000 per year, which means a company can receive a tax credit of up to €80,000 per year within the limits set by the European Union state aid cap for innovative operations. Since January 1, 2014 the research tax credit advance ruling procedure has been expanded to include innovation expenses.

#### 1.2. A tax credit to boost corporate competitiveness and employment

A new competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi* – CICE) was introduced

in 2013. It amounts to 6% of remuneration paid as of January 1, 2014 for all salaries up to 2.5 times the statutory national minimum wage (*salaire minimum interprofessionnel de croissance* – SMIC).

The CICE is not capped and can be offset against corporate tax (IS) a company owes for the year in which the payments were made. The remainder of the tax credit is a government credit that can be used to pay taxes owed over the next three years or reimbursed if it is not spent during that time. Certain companies like SMEs, innovative new companies (JELs) and ailing companies may receive the credit immediately.

The CICE only covers gross pay up to 2.5 times the statutory national minimum wage (SMIC), i.e. €43,361.50 in total per annum as of January 1, 2014 (based on a 35-hour work week). Salaries higher than this threshold are completely excluded from this tax credit.

The CICE credit calculated during the year these salaries are paid and before the tax credit is offset in Year N+1 can be transferred to a lending institution. SMEs will also receive a partial guarantee from Bpifrance to carry out this type of pre-financing at a commercial bank or be able to request pre-financing directly from Bpifrance.

### 1.3. Family tax credit initiative helping employees with children to achieve a better work-family balance

Companies can obtain a tax credit equal to 50% of the cost of child care for children under three years old paid for by the company's employees or 25% of the cost of issuing universal employment service vouchers (*chèques emplois universels*) to make access to personal services easier (child care at home, domestic help, etc.).

The tax credit is capped at €500,000 per company per year. It can be offset against the company's corporate tax liability for the year in which the spending was incurred.

If the tax credit is greater than the tax due for the year in question, the difference is granted as a rebate.

### 1.4. Cinema/audiovisual tax credit to encourage creativity in France

Cinema and audiovisual production companies which pay corporate tax can obtain a tax credit (cinema or audiovisual, as applicable) for their production expenditures. The tax credit is available for projects carried out in France to produce approved feature-length films and audiovisual productions.

The tax credit rate (cinema or audiovisual, as applicable) is calculated for each financial year and amounts to 20% of eligible technical expenses. Eligible expenditure items include: salaries and social security contributions for authors, performance

artists, extras, technicians and manual labor, spending on technical materials, rents for film sets and film-editing expenses. Transport, catering and accommodation expenses incurred in France are also eligible, subject to certain limits. The related productions must be produced primarily in French.

The **cinema** tax credit is capped at €4 million, regardless of the type of production.

The **audiovisual** tax credit (documentaries, fiction, animations) is capped at €1,250 or €1,300 per minute produced and delivered, depending on the type of production.

The tax credit (cinema or audiovisual, as applicable) can be offset against the company's corporate tax liability for the year in which the spending was incurred. If the tax credit is greater than the tax due for the year in question, the difference is granted as a rebate.

### 1.5. Tax credit for video games

Video game development companies subject to corporate tax are entitled to a tax credit for video game development expenses which meet specific criteria and are approved by the National Center for Cinema and Animation (*Centre national du cinéma et de l'image animée* – CNC). To be eligible for the tax credit, games must incur development costs higher than or equal to €150,000, and also contribute to French or European cultural creativity in the video-gaming field, as well as variety and quality.

The tax credit equals 20% of total eligible expenditure, which essentially includes: depreciation of new assets and expenditure for salaried staff directly assigned to create games, copyrights, other costs, overheads and subcontracting up to €1 million. The tax credit is capped for all companies at €3 million per financial year.



### TAX REBATE FOR INTERNATIONAL PRODUCTIONS (TRIP)

→ In order to improve France's investment attractiveness, this tax credit has been extended to cinematographic or audiovisual productions produced by companies based outside France. This new measure ("TRIP") applies to expenditure incurred until December 31, 2016. The tax credit amounts to 20% of expenditure in France, capped at 80% of the film's total production budget. The tax credit is capped at €10 million per film (and not per company).

→ To qualify, films must be approved by the National Center for Cinema and Animation (*Centre national du cinéma et de l'image animée* – CNC), which ensures that films contain elements of French culture, national heritage or landscape.

## 2. TEMPORARY EXEMPTION FROM THE CONTRIBUTION ÉCONOMIQUE TERRITORIALE (CET) AVAILABLE IN AILING REGIONS

In certain designated areas in France (regional aid areas (*zones AFR*), urban enterprise areas (*ZFUs*), employment priority areas (*BERs*), military restructuring areas (*ZRDs*), etc.), local authorities (*communes, départements, régions* and intermunicipal authorities) have the right to grant full or partial temporary exemptions from the *contribution économique territoriale* (CET) to companies that set up or expand their operations or take over ailing businesses. The maximum exemption period is five years.

## 3. TEMPORARY EXEMPTION FROM CORPORATE TAX (IMPÔT SUR LES SOCIÉTÉS – IS) FOR NEW COMPANIES

### 3.1. Companies created before December 31, 2014 located in certain areas may qualify, subject to certain conditions, for a temporary exemption from corporate tax, diminishing over time.

The exemption is 100% for the first 24 months, after which tax is levied on earnings at a rate of 25% in the third year, 50% in the fourth year and 75% in the fifth year.

These exemptions are restricted to newly founded companies that are not more than 50% owned by other companies.

Companies benefiting from these measures may also be exempted at the discretion of the local authorities from paying the CET and/or property tax for a maximum period of two to five years.

Furthermore, companies subject to corporate tax (IS) set up before December 31, 2014 in order to take over an ailing industrial business may also, subject to certain conditions, receive exemption from corporate tax (IS) for the 24 months following the takeover as well as an exemption, at the discretion of the local authorities, from the CET and/or the property tax for a maximum period of two to five years.

A seven-year tax exemption is planned for businesses located in regions classified as military restructuring areas (*ZRDs*) as part of the “defense modernization plan”, which foresees the closure of 83 sites or units between 2009 and 2016. Companies that relocate to employment priority areas (*BERs*) in the Champagne-Ardenne and Midi-Pyrénées regions before December 31, 2014 are also fully exempt from corporate tax for seven years.

### 3.2. Innovative new companies (*jeunes entreprises innovantes - JEIs*) are entitled to generous tax advantages

Specific measures exist to help new companies whose research and development spending accounts for at least 15% of their tax-deductible costs.

The “innovative new companies” tax status grants beneficiaries the following exemptions:

- Full exemption from corporate tax (IS) in the first profitable year and then a partial exemption (50%) in the following profitable year.
- Exemption, at the discretion of the local authorities, solely for innovative new companies created before December 31, 2014, from the CET and/or the property tax for a period of seven years.
- Total tax breaks are capped at €200,000 in any three-year period.
- Furthermore, the salaries paid to these companies’ research personnel are fully exempt from employer social security contributions for four years and then on a diminishing basis for the following four years. These tax exemptions are capped at a monthly gross salary of €6,504 per employee per month for the year 2014. The total exemption for employer social security contributions during that same year is limited to €187,740 per company per year.

These measures are for SMEs created in the last eight years with under 250 employees, turnover of less than €50 million or total assets of less than €43 million that are more than 50% owned by individuals or by companies that meet the same criteria.

Sales of shares in these companies are exempt from capital gains tax if the seller has held the shares for three or more years and if the direct or indirect ownership of the seller, their spouse/partner and their ascendants/descendants has not exceeded 25% of profit and voting rights since the shares were acquired.

These tax and social security measures have been extended to new university companies (*jeunes entreprises universitaires - JEUs*). New university companies are SMEs that are less than eight years old, at least 10% owned, individually or jointly, by current students, Master’s degree postgraduates or postdoctoral students who received their degree within the last five years, or by people working in teaching and research fields and who fund at least 15% of research expenditure.

## VI. SPECIAL TAX SYSTEM FOR CERTAIN HEADQUARTERS

These centers must be set up solely for the provision of specialized services. Headquarters may provide only management, administration, coordination and auditing services, while logistics centers handle only packaging, labeling and distribution.

To be eligible, services must only be provided to companies in the same group and the majority of these must be located abroad. The tax rules are based on a fixed cost-plus formula that is arrived at in agreement with the tax authorities. This agreement eliminates the risk of a change in the cost-plus rate applied by the company during a subsequent tax audit. Tax is assessed at the standard rate on earnings that is derived by applying the agreed cost-plus formula to expenditure incurred by headquarters, logistics centers or R&D coordination centers. The cost-plus rate applied is usually between 6% and 10%; agreements are usually reached for periods of three to five years.

As part of the tax regulations seeking to eliminate expatriation costs, headquarters and logistics centers may pay supplementary remuneration that is fully or partially exempt from personal income tax to their expatriate employees. Companies must apply to the tax authorities to benefit from these measures, which may not be combined with the new scheme for expatriate employees: potential beneficiaries must opt for one or the other.





# 5



## GOVERNMENT SUPPORT FOR BUSINESS



<b>I. Receiving support for investment and job creation</b>	<b>64</b>
<b>II. Financing your investment project</b>	<b>66</b>
<b>III. Receiving funding for training and recruitment</b>	<b>68</b>
<b>IV. Receiving support for innovation, research and development</b>	<b>69</b>
<b>V. Support for environmental investments</b>	<b>71</b>

# 5 GOVERNMENT SUPPORT FOR BUSINESS

A broad and varied framework of support has been set up in France in response to the needs of investors. This support depends on the type of investment project (physical investment, research and development, innovation, training, etc.), its location (priority development areas or non-priority areas) and the type of company conducting the project (large company, mid-size company or SME). The creation of Bpifrance, France's public investment bank, in 2013 consolidated this array of state aid and financing to help companies, particularly those with fewer than 5,000 employees, to expand in France and increase their exports.

Support from the French authorities comes in various forms:

- Subsidized or interest-free loans
- Grants for physical investment projects and R&D
- Reduced real estate costs
- Tax exemptions
- Exemptions from employer social security contributions
- Tax credits
- Covering certain expenses (e.g. training costs for new employees, etc.)
- Government guarantees
- Equity investments

Support can be provided at national level and/or local level.

## IN DETAIL

### IFA ASSISTANCE

The Invest in France Agency helps foreign investors to ascertain which forms of government support their projects may be eligible to receive and to prepare their applications. The IFA can also act as an intermediary between foreign businesses and any French government body (ministries, local authorities, etc.) that can facilitate their investments in France.

## I. RECEIVING SUPPORT FOR INVESTMENT AND JOB CREATION

A variety of financial incentives for business investment and job creation are administered by central government, local authorities and government agencies.

### I. AVAILABLE SUPPORT

Support is provided in many different forms, for either investment outlays (buildings, land and equipment) over three years, or the cost of job creation arising from the investment (estimated salaries and social security contributions over two years).

Each form of support is subject to specific eligibility conditions. The Invest in France Agency can help investors identify which support applies to their particular investment project. Investment projects receiving aid are required to remain in the same region for five years (large companies) or three years (SMEs).

### 1.1 Cumulative limits on state aid for EU regional aid areas

In accordance with regional aid areas (*aides à finalité régionale* - AFR) in France approved by the European Commission for the period from 2007 to June 2014, the limit on state aid ranges from 10 to 50% of the investment for large business, and from 20 to 70% for SMEs. The maximum total amount of support for productive investment and job creation is calculated in accordance with the location of projects and the size of the companies receiving support.

→ Outside regional aid areas, the maximum amount of state aid that companies may obtain is €200,000 over three years (large companies), or 20% (mid-size companies) or 30% (SMEs) of eligible investment costs.

→ Within regional aid areas, state aid for investment and job creation is limited to 15% (large companies), 25% (mid-size companies) or 35% (SMEs) of eligible investment costs.

 IN DETAIL

## ASSESSING THE SIZE OF A COMPANY (Excluding the agri-food sector)

### → 1. EU REGULATORY DEFINITION OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)<sup>1</sup>

→ **Medium-sized enterprises** satisfy all of the following criteria: fewer than 250 employees, annual turnover under €50 million or total balance sheet assets of under €43 million and free of any controlling interest (25% of equity or voting rights) by a large company.

→ **Small enterprises** have fewer than 50 employees and annual turnover or total balance sheet assets of under €10 million. They are also independent of any large company.

Calculation of employee numbers, turnover and total balance sheet assets must factor in all the businesses in which the company has a direct or indirect interest exceeding 25%. Employee and finance thresholds must be exceeded in two consecutive financial years for the company to gain or lose SME status.

### → 2. DEFINITION OF A MID-SIZE COMPANY<sup>2</sup>

Mid-size companies are companies that have:

- between 250 and 5,000 employees;
- total balance sheet assets of under €2 billion;
- turnover that remains below €1.5 billion.

Under EU regulations on state aid, mid-size companies are subject to the same rules as large companies (except in the agri-food sector), yet they are eligible for the measures designed for them under French law.

### → 3. EU REGULATORY DEFINITION OF A LARGE COMPANY

EU regulations on state aid stipulate that a large company is an enterprise that does not meet the aforementioned criteria for SMEs.

## + FOR MORE INFORMATION

<sup>1</sup>European Commission recommendation of May 6, 2003 concerning the definition of micro, small and medium-sized enterprises.

<sup>2</sup>Definition as per the French government Economic Modernization Act of August 4, 2008.

## AVAILABLE SUPPORT

SUPPORT	TERMS AND CONDITIONS
<b>Grants for industry and services</b> ( <i>Prime d'aménagement du territoire – PAT</i> )	<b>Only in regional aid areas (zones AFR) – Investment grant from the Ministry responsible for regional development</b> Amount: Up to €15,000 per permanent job created, maintained or preserved Investment and job creation conditions apply
<b>Interest-free loans for industry</b> ( <i>aide à la réindustrialisation</i> )	<b>Interest-free repayable advance from the Ministry responsible for the Economy</b>
<b>Corporate tax exemptions</b>	<b>Corporate tax exemptions, diminishing over a period of five to seven years</b> For investments in certain areas (employment priority areas (BERs) or military restructuring areas (ZRDs))
<b>Support for acquisitions of tangible fixed assets, provided by local authorities</b>	<b>Grants and interest-free loans</b> Terms and conditions determined by local authorities
<b>Support for real estate investments, provided by local authorities</b>	<b>Grants, interest-free loans, reduced purchase prices for real estate (land and/or buildings)</b> Terms and conditions determined by local authorities → <b>SMEs:</b> 10% of the market value of the property, or 20% of the market value up to €200,000 over three years. → <b>Large companies:</b> 10% of market value up to €200,000 over three years.
<b>Real estate rent support</b>	<b>Reduced rental costs for land or buildings</b> Up to €200,000 over three years
<b>Exemption from the local economic contribution (CET)</b>	<b>Only in regional aid areas (zones AFR) – Partial and total exemption</b> The duration (from two to five years) and amount of the exemptions are at the discretion of the local authorities ( <i>communes, départements and régions</i> )

→ For investments in France's overseas regions (French Guiana, Guadeloupe, Martinique, Réunion and Mayotte), state aid is limited to between 50% and 80% of eligible investment costs.

## 1.2 EU regional aid areas as of July 1, 2014

The current regulations governing regional aid areas expire in June 2014. New guidelines and areas will take effect on July 1, 2014 and remain in force until 2020.

→ SMEs and companies established in France's overseas regions (French Guiana, Guadeloupe, Martinique, Réunion and Mayotte) are eligible for investment and job creation support for all types of investments, including site creations and expansions of existing operations, up to a maximum threshold that varies by region between 45% and 70% of the eligible investment.

Large companies may be eligible for state aid for investment and job creation in regional aid areas, at the maximum rate of eligible investment costs, for the following operations:

- Initial investments creating new economic activities.
- Diversification of an establishment's operations, provided that its new operations are different from those previously carried out (subject to notification to the European Commission).
- New innovations in processes.

If an investment project exceeds €50 million, government intervention must be reduced to comply with EU rules (see "In detail" about large projects).

## II. FINANCING YOUR INVESTMENT PROJECT

### FINANCIAL SUPPORT

#### France's Public Investment Bank (Bpifrance)

Bpifrance assists companies from the start-up phase through to stock market listing, offering support ranging from loans to equity capital. With offices in each region of France, Bpifrance offers companies financing solutions for every step of their development:

- Providing support for companies' initial investment requirements: seed funding, guarantees and innovation.
- Providing support for SME growth throughout France: venture capital and growth capital, leveraged build-ups, co-financing and guarantees.
- Boosting the development and international expansion of mid-size companies (ETIs): growth capital and business transfers, co-financing, export credits and assistance.
- Helping large companies expand their reach and stabilize their capital: business transfers, co-funding, export credits and assistance.

## IN DETAIL

### LARGE PROJECTS

A large project is defined as having eligible costs in excess of €50 million. It is implemented over a period of up to three years by a single business or several businesses which constitute an economically indivisible whole.

- Member States are required to inform the European Commission of support they provide for physical investment where the investment exceeds €50 million.
- Member States are required to notify the European Commission

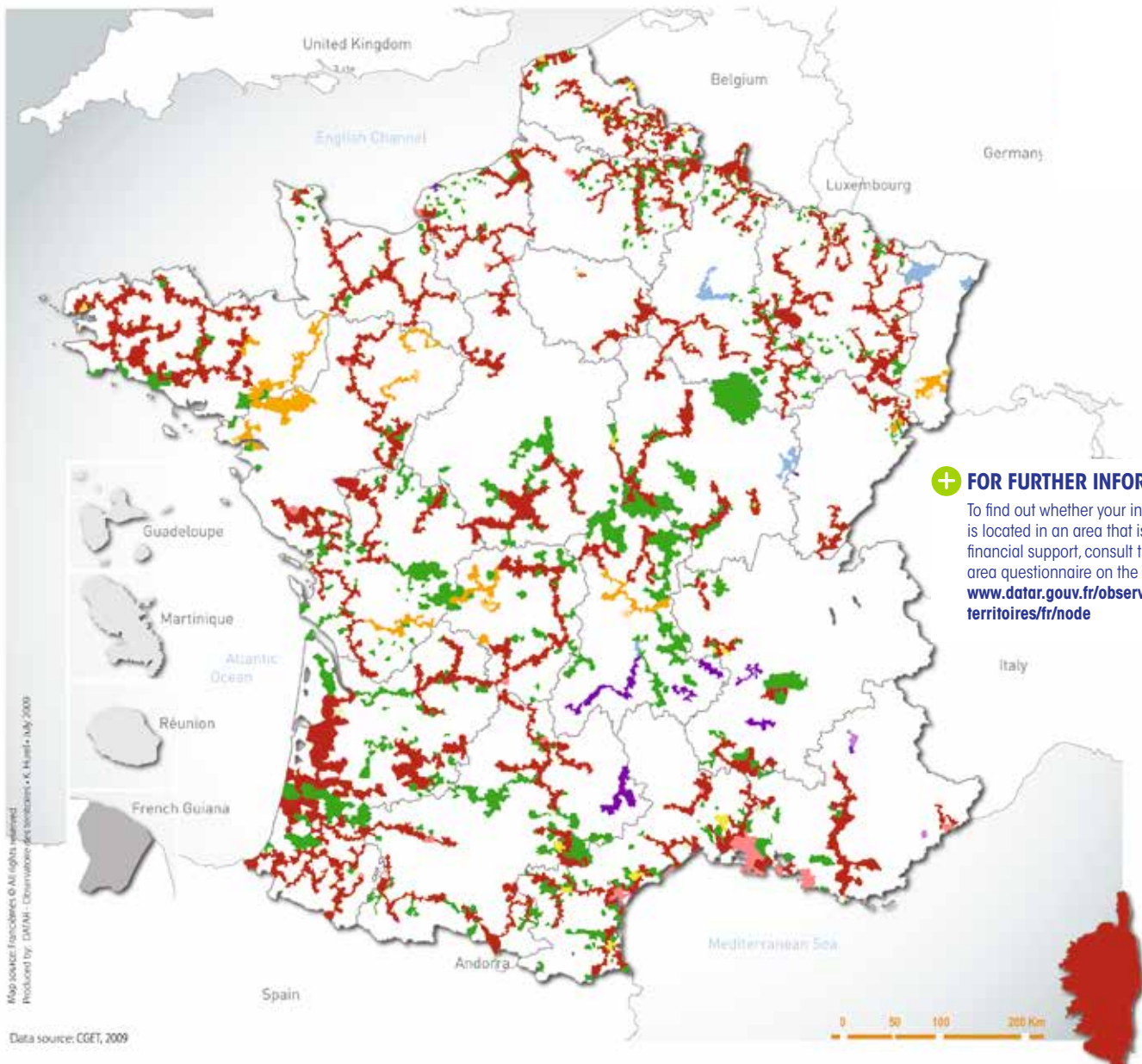
of aid exceeding **€11.25 million in areas where the aid ceiling is 15%, and exceeding €7.5 million where the ceiling is 10%**. In these instances, authorization is required from the European Commission prior to receiving any state aid.

Large investment projects in areas eligible for regional aid are subject to automatic reductions in permitted support in accordance with the size of the projects, as shown below:

SIZE OF INVESTMENT	ADJUSTED AID CEILING	CEILING IN REDUCED REGIONAL AID AREAS (Zones AFR réduites)	CEILING IN NORMAL REGIONAL AID AREAS (Zones AFR normales)
LESS THAN €50 MILLION	100% of ceiling	10%	15%
€50 TO €100 MILLION	50% of ceiling	5%	7.5%
OVER €100 MILLION	34% of ceiling	3.4%	5.1%

## MAP OF REGIONAL AID AREAS

(Decree of July 27, 2009 modifying decree n°2007-792 of May 7, 2009)



**+** **FOR FURTHER INFORMATION:** —  
To find out whether your investment project is located in an area that is eligible for financial support, consult the geographical area questionnaire on the DATAR website: [www.datar.gouv.fr/observatoire-des-territoires/fr/node](http://www.datar.gouv.fr/observatoire-des-territoires/fr/node)

Map source: Franceries © All rights reserved. Produced by: DATAR - Observatoire des territoires • K. Huert • July 2009

Data source: CGET, 2009

<p><b>Permanent areas [2007-2013] not limited to SMEs</b></p> <p><b>Normal rate</b> Rate of aid for large companies: 15% Rate of aid for medium companies: 25% Rate of aid for small companies: 35%</p> <p><b>Reduced rate</b> Rate of aid for large companies: 10% Rate of aid for medium companies: 20% Rate of aid for small companies: 30%</p> <p>Area eligibility: Partial  Total </p>	<p><b>Permanent areas [2007-2013] limited to SMEs</b></p> <p><b>Normal rate</b> Rate of aid for medium companies: 25% Rate of aid for small companies: 35%</p> <p><b>Reduced rate</b> Rate of aid for medium companies: 20% Rate of aid for small companies: 30%</p> <p>Area eligibility: Partial  Total </p>
<p><b>Transitional areas [2007-2008]</b> Rate of aid for large companies: 10% Rate of aid for medium companies: 20% Rate of aid for small companies: 30%</p> <p>Area eligibility: Partial  Total </p>	<p><b>Overseas French territories totally eligible [2007-2013] not limited to SMEs</b></p> <p><b>Normal rate:</b> Rate of aid for large companies: 50% Rate of aid for medium companies: 60% Rate of aid for small companies: 70%</p> <p><b>Increased rate:</b> Rate of aid for large companies: 60% Rate of aid for medium companies: 70% Rate of aid for small companies: 80%</p> <p>Area eligibility: Total </p>



## Banks

All foreign companies can access banking services in France (and thus open bank accounts and obtain financing) either directly or through an establishment or subsidiary in France, provided that they have sufficient collateral.

Companies can also reach out to investors to obtain seed funding, growth capital and financing during a downturn.

## III. RECEIVING FUNDING FOR TRAINING AND RECRUITMENT

The French government has developed a variety of instruments to provide financial incentives for businesses to create jobs and train employees.

### 1. FUNDING FOR JOB CREATION

(See summary of employment-related support below)

### 2. FUNDING FOR EMPLOYEE TRAINING

Enhancing workforce skills is a key priority in France and this is reflected in a variety of programs to support business training initiatives.

These programs can partly cover costs including payments to training leaders, travel expenses for training leaders and employees being trained, other overheads, depreciation of training equipment, related consultancy fees and the time taken off work by employees being trained.

The level of funding depends of the type of training and the size and location of the business.

To benefit from maximum allowable levels of support for their training programs, companies of all sizes may take advantage of the various forms of aid described below.

## IN DETAIL

### TRAINING AID RATES

	LARGE COMPANIES*	SMEs
<b>TARGETED TRAINING:</b> Training with direct application to the employee's tasks and developing skills not transferable to other businesses or other types of work. An increase of 10 percentage points is awarded when the training is provided to disadvantaged or disabled employees.	25%	35%
<b>GENERAL TRAINING:</b> Training not limited to applications in the employee's current or planned position, instead developing skills that are in large part useable in other businesses or positions and thus significantly enhancing the recipient's employability. An increase of 10 percentage points is awarded when the training is provided to disadvantaged or disabled employees.	50%	70%

\*As per European Union definition

## SUMMARY OF EMPLOYMENT-RELATED SUPPORT

RECRUITMENT SUPPORT	DESCRIPTION
<b>COMPETITIVENESS AND EMPLOYMENT TAX CREDIT (CICE)</b>	Corporate tax credit equal to 6% of the gross annual payroll for all salaries up to 2.5 times the statutory national minimum wage (SMIC).
<b>REDUCED EMPLOYER SOCIAL SECURITY CONTRIBUTIONS</b>	"Fillon" reduction: reduced employer social security contributions for salaries up to 1.6 times the statutory national minimum wage (SMIC). Exemption from employer social security contributions, for five or seven years, for investments in employment priority areas (BERs), military restructuring areas (ZRDs) and urban enterprise areas (ZFU). Subsidized employment contracts: integration contracts, apprenticeship contracts and professional training contracts.
<b>SUBSIDIES AND REPAYABLE ADVANCES</b>	→ Subsidized employment contracts (integration contracts, apprenticeship contracts, professional training contracts and work-study contracts). → Minimum wage integration contracts ( <i>contrats d'avenir</i> ). → Employment funding granted by local authorities.

→ Aid from local authorities (particularly Regional Councils).

→ The National Employment Fund (*Fonds national pour l'emploi* - FNE) intended for companies experiencing financial hardship whose employees have urgent training needs. The competent local employment authority (*Unité territoriale*) may provide support for a variety of initiatives:

- Training initiatives providing between 50 and 1,200 hours of theoretical and practical training.
- Initiatives helping employees adapt to a new position requiring the equivalent of at least 120 hours in lost work time.

→ European funding channeled through regions: The European Social Fund and European Regional Development Fund may cover a portion of operating expenses relating to training, salary expenses for employees participating, and ancillary expenses. The initiatives can be co-funded by government support of up to 50%.

→ Tax credit for spending on management training in SMEs: This applies to individual entrepreneurs, company directors and board members. The tax credit is limited to 40 hours of training per year. Depending on circumstances, it may be offset against personal income or corporate tax.

→ EDEC professional development contracts: Businesses can also call on their professional and inter-professional organizations to receive technical and financial support covering 25% to 80% of training expenses.

→ Companies can also receive training support for future employees through the *Pôle Emploi* (National Employment Office) and the professional development joint collection agency (*organisme paritaire collecteur agréé* - OPCA). The pre-hiring training initiative (*action de formation préalable à l'embauche* - AFPE) and operational hiring program (*programme opérationnel d'embauche* - POE) are training subsidies employers receive once the employee they choose to hire has been fully trained (subject to certain conditions):

- Support of up to €5 net/hour for internal training, up to €2,000 per employee.
- Support of up to €8 net/hour for external training, up to €3,200 per employee.

The professional development joint collection agency (*organisme paritaire collecteur agréé* - OPCA) to which the company contributes can add to this funding to cover all or part of training costs.

Where the amount of support granted to a company exceeds €2 million, the European Commission must be notified.

## IV. RECEIVING SUPPORT FOR INNOVATION, RESEARCH AND DEVELOPMENT

France has a very favorable environment to incite companies to conduct R&D operations and increase their innovation capacity.

Government support for innovation, research and development in the private sector is chiefly provided by France's research tax credit. This is calculated at 30% of annual research expenditure on R&D operations carried out in France. Since 2013, this research tax credit has been extended to encompass innovation spending by SMEs of up to €400,000. Furthermore, the "innovative new company" (JEI) status enables eligible companies to receive special benefits to encourage their development in France (tax relief, social security contribution exemptions, and exemptions on capital gains from equity transfers).

In addition to this very attractive tax environment, the French authorities have created state funding tools for R&D projects within the EU framework which are administered by various ministries (notably the ministries for the economy, industry, research and ecology) and public-sector organizations, including Bpifrance, France's public investment bank, and the National Research Agency (*Agence nationale de la recherche*). Regional and local authorities can also provide additional support in this area.

The array of available support finances corporate R&D programs throughout France.

### 1. AID FOR R&D AVAILABLE THROUGHOUT FRANCE

Subsidies may cover a portion of R&D expenditure, including related payroll expenses, equipment procurement, expenses for contracted research, intellectual property and patent rights, as well as overheads.

The level of support depends on the stage of R&D underway, which may concern basic research, applied research or experimental development. Government contributions to large companies conducting shared experimental R&D projects may cover up to 40% of the total cost.

### 2. EXISTING GOVERNMENT SUPPORT FOR R&D PROJECTS

To benefit from maximum permitted levels of support for their research and development programs, businesses may take advantage of the various forms of aid described below:

→ Regional development grants for research, development and innovation (*Prime d'aménagement du territoire* - PAT) can be as much as €15,000 for each job created or involved in the R&D project (or €25,000 per job in the case of a cooperative project). They are available for R&D projects leading to the net creation of at least 20 permanent jobs or eligible expenditure of at least €7.5 million.



IN DETAIL

R&D PROJECT AID RATES

		COMPANIES WITH 250 OR MORE EMPLOYEES	MEDIUM-SIZED ENTERPRISES	SMALL ENTERPRISES - SMEs WITH MAX. 50 EMPLOYEES
FUNDING FOR R&D PROJECTS	Basic research	100%	100%	100%
	Applied research	50%	60%	70%
	Applied research involving cross-border cooperation between companies with the participation of at least one SME or research body	65%	75%	80%
	Experimental development	25%	35%	45%
	Experimental development involving cross-border cooperation between businesses with the participation of at least one SME or research body	40%	50%	60%
FUNDING FOR TECHNICAL FEASIBILITY STUDIES	Preparatory studies for applied research	65%	75%	
	Preparatory studies for experimental development	40%	50%	

→ Grants from the Ministry responsible for industry (Company competitiveness fund; R&D strategic line for international projects with high value added).

→ Bpifrance support for SMEs and mid-size companies is in the form of grants, repayable advances or assistance towards the recruitment of R&D personnel.

→ National Research Agency (*Agence nationale de la recherche*) assistance supports basic and applied research, public-private partnerships and dissemination of public research results to business. It operates on the basis of calls for proposals.

→ Local-authority support for R&D projects may be in the form of grants, interest-free loans and advances, or loans and advances at rates below the bond-market average, and interest subsidies setting rates at between zero and the bond-market average.

→ Support from the ADEME (French Environment and Energy Management Agency) for R&D projects, in particular for R&D project feasibility studies.

→ Support for innovation in service-sector processes and organization may be available from local authorities and the DATAR. Limits are 15% of related spending for large companies, which can only benefit if they are working with an SME, 25% for medium-sized enterprises and 35% for small enterprises.

Funding is available from the French government's €35 billion "National Investment Program", which focuses largely on research and development. These funds are administered by various bodies (Bpifrance, ADEME, etc.) and may be awarded through calls for projects in support of programs of excellence in the form of grants, repayable advances and equity or quasi-equity investments. For further information about current calls for projects, please visit: <http://investissement-avenir.gouvernement.fr>

 IN DETAIL

## AID FOR RESEARCH AND DEVELOPMENT IN INNOVATION CLUSTERS

Innovation clusters bring together entities from the industrial, scientific and public-sector communities working in the same region. They are a source of innovation as their proximity encourages the spread of information and skills, thereby facilitating the emergence of more innovative projects. They also boost France's investment attractiveness given the international profile generated by such a concentration of stakeholders.

Businesses participating in one of France's innovation clusters and conducting an R&D project approved by that cluster may be eligible to receive subsidies from public organizations supporting R&D. Limits on subsidies for an experimental development project are raised from 25% to 40% when the project is conducted within an innovation cluster.

## SUBSIDIZED R&D EMPLOYMENT CONTRACTS

CIFRE (*Conventions industrielles de formation par la recherche*) contracts offer post-graduate students an opportunity to prepare their doctorate in the workplace, which receives an annual fixed

grant of €14,000. These contracts are administered by the National Association for Technical Research (*Association nationale de la recherche technique*).

## V. SUPPORT FOR ENVIRONMENTAL INVESTMENTS

The French authorities may award grants to companies for investments that protect the environment. These subsidies may cover up to 50% of expenditure for large companies and 60% for SMEs. In principle, the amount of support is calculated according to the additional investment costs arising from environmental protection. Depending on the measure being claimed, any profits or operating costs associated with the additional investments may have to be deducted from this base.

Eligible investments are expenditure on property, plants and equipment to reduce pollution, noise, odors, and to protect the environment. Consideration may also be given to expenses relating to technology transfers through operating licenses and the acquisition of expertise, patented or otherwise.

The level of funding depends on the type of investment for environmental protection:

→ SMEs may receive funding of either 10% or 15% over a three-year period to support investments that comply with EU standards in advance.

→ Companies may also receive decision-making aid (pre-diagnostic, diagnostic and project study) for a range of areas, including waste, air pollution, noise control, energy efficiency, renewable energies, polluted sites and soils, transport.

→ All businesses may receive support depending on the size of the business of between 35% and 55% of investments which exceed applicable EU standards.

→ Three types of investments may benefit from higher rates: energy saving investments, combined heat and electricity generation and investment in renewable energy may benefit from investment support.

→ Investments in renewable energy sufficient to supply an entire community may benefit from aid covering up to 50% of total spending.

Government agencies and other public bodies able to provide support for environmental investments include the French Agency for the Environment and Energy (*Agence de l'environnement et de la maîtrise de l'énergie* - ADEME), the French Water Agency (*Agence de l'eau*), and guarantee funds for investments in energy savings and renewables (FOGIME and FIDEME).





# APPENDICES



<b>Glossary</b>	<b>74</b>
<b>Useful Contacts</b>	<b>76</b>
<b>The IFA Network</b>	<b>78</b>
<b>International Services Groups (ISGs)</b>	<b>80</b>

# GLOSSARY

Below is a list of French terms that foreign companies are likely to encounter when locating their business operations in France, followed by a brief explanation in English. Readers should be aware that the technical terms in English serve only as a guideline and do not necessarily correspond entirely to the same concepts as the French terms. For further information, please contact the IFA.

## A

**Activité partielle** → Short-time working

**Activité professionnelle commerciale, artisanale, industrielle** → Commercial, entrepreneurial or industrial activity

**Activité professionnelle salariée** → Salaried employment

**Aides à finalité régionale** → Regional aid

**Autorisation provisoire de travail** → Temporary work permit

**Autorisation / Homologation / Validation** → Permission / Ratification / Approval

## B

**Bail commercial** → Commercial lease

**Bail professionnel** → Professional lease

**Bureau de liaison** → Liaison office

## C

**Carte de séjour mention « commerçant »** → “Business Activity” residence permit

**Carte de séjour mention « salarié en mission »** → “Expatriate Employee” residence permit

**Carte de séjour mention « scientifique »** → “Research Scientist” residence permit

**Carte de séjour mention « compétences et talents »** → “Skills and Expertise” residence permit

**Carte de résident pour « contribution économique exceptionnelle »** → “Exceptional Economic Contribution” residence permit

**Carte de séjour mention « carte bleue européenne »** → “European Blue Card” residence permit

**Cadre dirigeant** → Senior executive

**Cadre / Non cadre** → *Cadres* belong to a separate classification of employees under French employment law for the purposes of collective agreements and other employee rights.

**Cadre de haut niveau** → Highly skilled employee

**Centre des impôts** → Tax office

**Centre d'affaires** → Business center

**Changement de statut** → Change of status

**Code du Travail** → French Labor Code (employment laws)

**Comité d'entreprise** → Works council

**Commune** → City or municipal authorities

**Contrat à durée indéterminée (CDI)** → Permanent contract

**Contrat à durée déterminée (CDD)** → Fixed-term contract

**Conseil d'administration** → Board of directors

**Conseil de surveillance** → Supervisory board

**Contribution économique territoriale (CET)** → Local economic contribution

**Convention collective** → Sector-specific collective agreement on labor relations

**Convention fiscale** → Tax agreement

**Convention de sécurité sociale** → Social security agreement

**Crédit d'impôt recherche** → Research tax credit

## D

**Déclaration unique d'embauche** → Employee hiring form

**Décret** → Decree

**Département** → For administrative and political purposes, France is divided into 27 *régions* and 101 *départements* (broadly equivalent to a county in English-speaking countries). *Départements* are further subdivided into *communes*.

**Détachement / salarié détaché** → Secondment / seconded employee

**Direction régionale des entreprises, de la concurrence, de la consommation, du travail et de l'emploi - DIRECCTE** → Regional Directorate for Enterprise, Competition, Consumption and Employment

**Dirigeant** → Company director (Chairman, CEO, Chief Executive, Managing Director, etc.)

## E

**Entreprise individuelle** → Sole proprietorship

**Entreprise de taille intermédiaire (ETI)** → Mid-size company

**Entreprise Unipersonnelle à Responsabilité Limitée (EURL)** → Single-shareholder limited liability company

**Expatriation / Expatrié** →  
Expatriation / Expatriate

**Extrait K-bis** → Company  
registration certificate

## F

**Forfaits jours** → Flat-rate  
agreement (days worked  
per month/year)

## G

**Gérant** → Company director  
(of a limited liability  
company, e.g. SARL)

**Greffe du tribunal de  
commerce** → Commercial  
Court Registry

**Groupement d'intérêt  
économique (GIE)** →  
Economic interest grouping  
(business consortium)

## I

**Impatrié** → Tax status  
granted to expatriate  
employees in France, subject  
to certain conditions

**Impôt sur les plus-values** →  
Capital gains tax

**Impôt sur les sociétés (IS)** →  
Corporate tax

**Impôt de solidarité sur la  
fortune (ISF)** → Wealth tax

**Inspection du Travail** →  
Labor Inspectorate

**Installation classée (IC)** →  
Registered facility (aka  
"classified installation" in  
France)

## L

**Livraison  
intracommunautaire** →  
Intra-Community supply

## M

**Mairie** → Municipal offices

**Mandataire social** →  
Company director (lead  
director authorized to  
represent the company)

## O

**Office Français de  
l'Immigration et de  
l'Intégration (OFII)** →  
French Office for Immigration  
and Citizenship

## P

**Personne morale** →  
Corporate entity

**Personne physique** →  
Private individual

**Plan social** → Layoff plan /  
redundancy plan

**Pôle Emploi** → National  
Employment Office

**Prestation de service** →  
Service provision

**Procédure d'introduction** →  
Admission procedure

**Préfecture** → The office of  
the Prefect, who is the local  
representative of national  
government in each French  
*région/département*.

**Prime à l'aménagement du  
territoire (PAT)** →  
Development grant

**Prud'hommes** → Labor or  
employment tribunal

## R

**Récépissé** → Receipt

**Région** → See entry for  
"département"

**Registre du commerce  
et des sociétés (RCS)** →  
Company Register

**Résidence fiscale** → Tax  
residence

## S

**Salaire minimum  
interprofessionnel  
de croissance (SMIC)** →  
Statutory national minimum  
wage

**Salarié** → Employee

**Sécurité sociale** → Social  
security

**Service des impôts  
des entreprises (SIE)** →  
Corporate tax office

**Société anonyme (SA)** →  
Public limited company (PLC)

**Société à responsabilité  
limitée (SARL)** → Limited  
liability company (LLC) /  
Private limited company  
(Ltd.)

**Société civile** → Non-trading  
partnership (e.g. real estate  
or medical services)

**Société en commandite  
par actions** → Limited  
partnership

**Société en nom collectif** →  
General partnership

**Société par actions  
simplifiée (SAS)** → Simplified  
limited company

**Stagiaire** → Intern / Trainee

**Statuts de société** →  
Company articles

## T

**Taxe d'habitation** →  
Housing tax

**Taxe foncière** →  
Property tax

**Taxe sur la valeur ajoutée**  
→ Value-added tax

**Taxe sur les très hauts  
revenus** → Tax on high  
earners

**Travailleur temporaire** →  
Temporary worker

## V

**Visa de circulation** →  
Circulation visa

**Visa court séjour / Visa  
de long séjour** → Short-stay  
visa / Long-stay visa

**Visa de long séjour valant  
titre de séjour** → Long-stay  
visa equivalent to a  
residence permit

**Voyageur de commerce,  
représentant ou placier  
(VRP)** → Business traveler,  
representative or travelling  
salesperson (special legal  
status)

# USEFUL CONTACTS

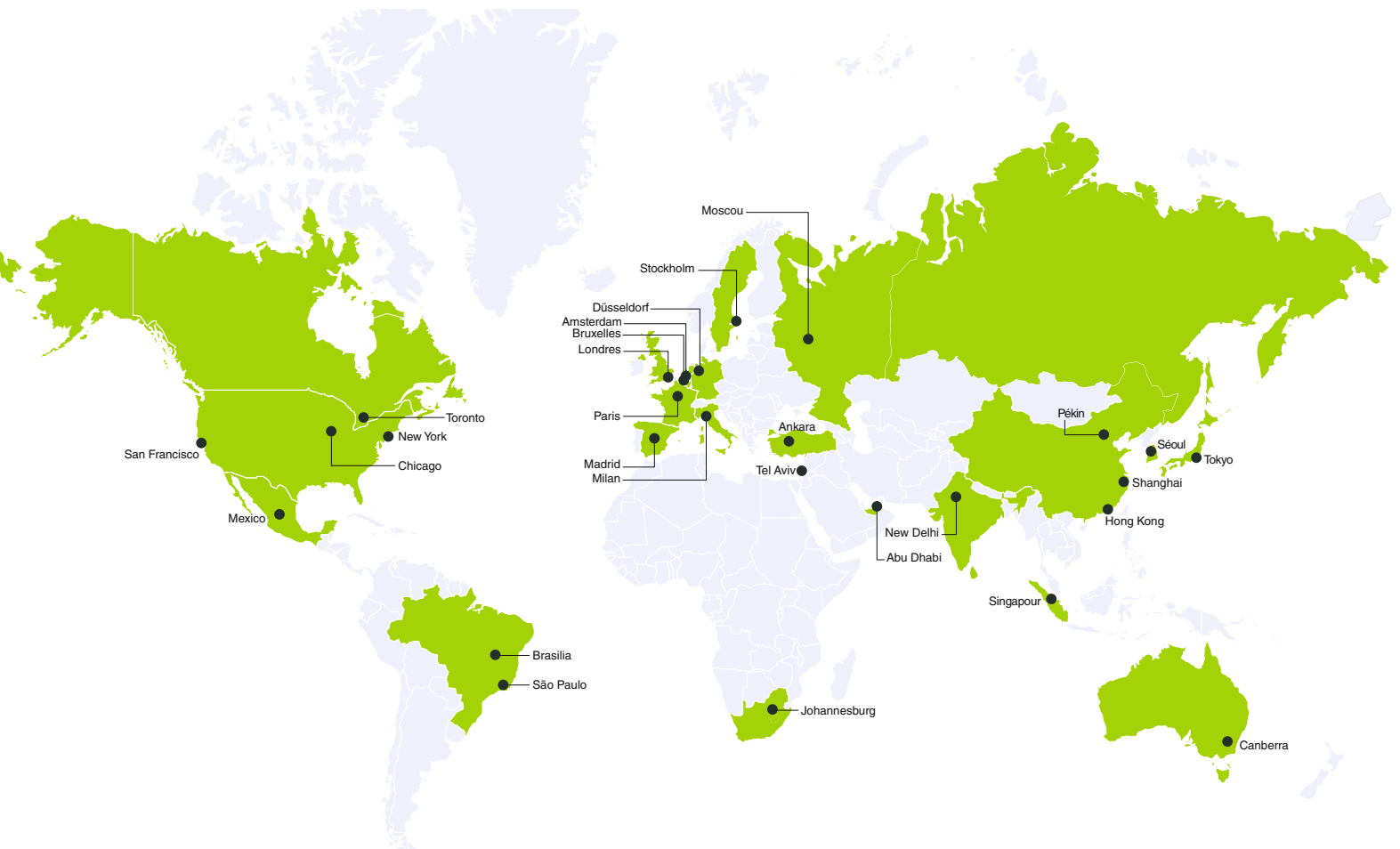
NAME	LINKS
<b>Administration douanière</b> (Customs authorities)	<a href="http://www.douane.gouv.fr">www.douane.gouv.fr</a>
<b>Agence de l'environnement et de la maîtrise de l'énergie (ADEME)</b> French Environment and Energy Management Agency. Government agency responsible for the application of environment, energy and sustainable development policy. The ADEME helps finance projects in five sectors (waste management, land preservation, energy conservation/renewable energy sources, air pollution and noise pollution) and assists efforts towards sustainable development.	<a href="http://www.ademe.fr">www.ademe.fr</a>
<b>Ambassades et consulats français à l'étranger</b> (French Embassies and Consulates)	<a href="http://www.mfe.org/index.php/Annuaire/Ambassades-et-consulats-francais-a-l-etranger">www.mfe.org/index.php/Annuaire/Ambassades-et-consulats-francais-a-l-etranger</a>
<b>Autorité de la concurrence</b> Competition Authority – rules on anti-competitive practices and must be notified of large concentrations between undertakings.	<a href="http://www.autoritedelaconcurrence.fr">www.autoritedelaconcurrence.fr</a>
<b>Autorité des marchés financiers (AMF)</b> Financial Market Authority – financial regulations	<a href="http://www.amf-france.org">www.amf-france.org</a>
<b>Bpifrance</b> Public investment bank responsible for providing tailored financial support (loans, equity capital etc.) to companies at each stage of their development, from the start-up phase through to stock market listing.	<a href="http://www.bpifrance.fr">www.bpifrance.fr</a>
<b>Chambre de commerce et de l'industrie</b> Chambers of Commerce and Industry. Information on setting up a business (examples of articles of incorporation) plus general advice concerning legal and tax issues.	<a href="http://www.cci.fr">www.cci.fr</a>
<b>Centre de formalités des entreprises (CFE)</b> Business Formalities Center. CFEs provide a one-stop service for companies, enabling them to file a single document to register the establishment, modification or cessation of their business activity. In general, CFEs are either chambers of commerce and industry or the local Commercial Court Registry.	<a href="http://www.annuaire-cfe.insee.fr/AnnuaireCFE/jsp/Controleur.jsp">www.annuaire-cfe.insee.fr/AnnuaireCFE/jsp/Controleur.jsp</a> <a href="http://www.cfenet.cci.fr">www.cfenet.cci.fr</a> <a href="http://www.infogreffe.fr/infogreffe/index.jsp">www.infogreffe.fr/infogreffe/index.jsp</a> <a href="http://www.guichet-entreprises.fr">www.guichet-entreprises.fr</a>
<b>Centre de liaison européen des organismes de Sécurité sociale (CLEISS)</b> Center of European and International Liaisons for Social Security. Acts as a liaison body between French social security organizations and those in other countries, with regard to international regulations and social security agreements.	<a href="http://www.cleiss.fr">www.cleiss.fr</a>
<b>Centre national des firmes étrangères (CNFE)</b> National Center for Foreign Firms. For foreign companies without a permanent establishment in France employing personnel.	<a href="http://www.strasbourg.urssaf.fr">www.strasbourg.urssaf.fr</a>
<b>Commission nationale de l'informatique et des libertés (CNIL)</b> French Data Protection Authority. The CNIL checks that the law is respected through audits of computer data processing. "Sensitive" data processing is referred to the CNIL for authorization. The CNIL audits public use of individuals' national identification numbers and receives declarations regarding the processing of other data.	<a href="http://www.cnil.fr">www.cnil.fr</a>
<b>Délégation interministérielle à l'aménagement du territoire et à l'attractivité régionale (DATAR) / Commissariat général à l'égalité des territoires (CGET)</b> Interministerial Delegation for Regional Development and Economic Attractiveness, becoming the Commission for Regional Equality. Department of the Prime Minister's office which works with the Ministry responsible for regional development. The DATAR is jointly responsible, with the DGCS, for France's innovation clusters. The DATAR is also responsible for PAT grants which encourage businesses and job creation.	<a href="http://www.datar.gouv.fr">www.datar.gouv.fr</a>
<b>Direction générale de la compétitivité, de l'industrie et des services (DGCIS)</b> The Directorate for Competitiveness, Industry and Services is responsible for the <i>aide à la réindustrialisation</i> (ARI) business development loan scheme. It is jointly responsible, with the DATAR, for France's innovation clusters.	<a href="http://www.industrie.gouv.fr/dgcis/index.php">www.industrie.gouv.fr/dgcis/index.php</a>
<b>Direction générale de la consommation, concurrence et de la répression des fraudes (DGCCRF)</b> Directorate for Competition Policy, Consumer Affairs and the Prevention of Fraud. Responsible for the regulation and proper functioning of markets.	<a href="http://www.economie.gouv.fr/dgccrf">www.economie.gouv.fr/dgccrf</a>



NAME	LINKS
<b>Direction générale des finances publiques (DGFIP)</b> Public Finances Directorate. Tax authorities. Single gateway for foreign investors.	<a href="http://www.impots.gouv.fr">www.impots.gouv.fr</a> <a href="mailto:tax4business@dgfip.finances.gouv.fr">tax4business@dgfip.finances.gouv.fr</a>
<b>Direction générale du Trésor (DG Trésor)</b> Treasury Directorate. Receives declarations of foreign investment; authorizes investment in sensitive sectors.	<a href="http://www.tresor.economie.gouv.fr">www.tresor.economie.gouv.fr</a>
<b>Directions régionales des entreprises, de la concurrence, de la consommation du travail et de l'emploi (DIRECCTE)</b> Regional Directorates for Enterprise, Competition, Consumption and Employment. Local units ( <i>unités territoriales</i> ) within each DIRECCTE issue work permits (foreign labor department), among other responsibilities.	<a href="http://www.direccte.gouv.fr">www.direccte.gouv.fr</a>
<b>Directions régionales de l'environnement, de l'aménagement et du logement (DREAL)</b> Regional Directorate for the Environment, Development and Housing – responsible for regulated facilities.	<a href="http://www.developpement-durable.gouv.fr/liste-des-21-DREAL">www.developpement-durable.gouv.fr/liste-des-21-DREAL</a>
<b>Fonds stratégique d'investissement (FSI)</b> Strategic investment fund (state-funded venture capital).	<a href="http://www.fonds-fsi.fr">www.fonds-fsi.fr</a>
<b>Greffe des tribunaux de commerce</b> Commercial Court Registry. Business startups (documents to be submitted with the articles), corporate takeovers.	<a href="http://www.greffes.com/fr/formalites/guide-des-formalites">www.greffes.com/fr/formalites/guide-des-formalites</a>
<b>Institut national de la propriété intellectuelle (INPI)</b> French Patent and Trademark Office. Government body that helps companies to protect their patents, trademarks, and design rights. Provides information on intellectual property rights and companies.	<a href="http://www.inpi.fr">www.inpi.fr</a>
<b>Ministère de l'éducation nationale, de l'enseignement supérieur et de la recherche</b> Ministry for Primary, Secondary and Higher Education and Research.	<a href="http://www.education.gouv.fr">www.education.gouv.fr</a> <a href="http://www.recherche.gouv.fr">www.recherche.gouv.fr</a>
<b>Ministère de l'économie, du redressement productif et du numérique</b> Ministry for the Economy, Industrial Renewal and Digital Affairs.	<a href="http://www.economie.gouv.fr">www.economie.gouv.fr</a>
<b>Ministère de l'écologie, du développement durable et de l'énergie</b> Ministry for Ecology, Sustainable Development and Energy. Regulations concerning construction, demolition and renovation permits.	<a href="http://www.developpement-durable.gouv.fr">www.developpement-durable.gouv.fr</a>
<b>Ministère du travail, de l'emploi et du dialogue social</b> Ministry for Labour, Employment and Industrial Relations. Procedures for hiring foreign salaried employees, addresses of regional employment offices, practical information on French employment law.	<a href="http://www.travail-emploi.gouv.fr">www.travail-emploi.gouv.fr</a>
<b>Office français de l'immigration et de l'intégration (OFII)</b> French Immigration and Citizenship Office. Responsible for the reception in France of legal immigrants. "One-stop service" for employees and directors transferred within a group (trial underway in three départements).	<a href="http://www.ofii.fr">www.ofii.fr</a> <a href="http://www.immigration-professionnelle.gouv.fr">www.immigration-professionnelle.gouv.fr</a>
<b>Pôle Emploi</b> National Employment Office – places the unemployed into work and administers benefits.	<a href="http://www.pole-emploi.org">www.pole-emploi.org</a>
<b>Portail de l'administration française</b> French government portal.	<a href="http://www.service-public.fr">www.service-public.fr</a>
<b>Préfecture de police de Paris</b> Paris Police Headquarters. Issuing and renewing residence permits for foreign nationals residing in Paris.	<a href="http://www.prefecture-police-paris.interieur.gouv.fr">www.prefecture-police-paris.interieur.gouv.fr</a>
<b>Union de recouvrement des cotisations de sécurité sociale et d'allocations familiales (URSSAF)</b> Agency responsible for collecting social security contributions.	<a href="http://www.urssaf.fr">www.urssaf.fr</a>
<b>Union européenne</b> European Union	<a href="http://www.europa.eu">www.europa.eu</a>

# THE IFA NETWORK

With over 150 personnel working in 27 locations around the world, the IFA has a presence in most major business capitals. Where the IFA does not have a country office, economic missions based at the French Embassy or Consulate work on behalf of the IFA to promote France's economic attractiveness and detect foreign investment projects.



## EUROPE

### IFA FRANCE

Paris  
**Serge Boscher**,  
Managing Director  
71-77 boulevard Saint-Jacques  
75680 Paris Cedex 14  
Tel: + 33 1 4487 17 17  
info@investinfrance.org  
www.investinfrance.org

### IFA GERMANY, AUSTRIA, SWITZERLAND

Düsseldorf  
**Didier Boulogne**, Director  
Französische Botschaft  
Martin Luther Platz 26  
D-40212 Düsseldorf  
Tel: +49 (0) 211 54 22 67 0  
didier.boulogne@investinfrance.org

### IFA BELGIUM, LUXEMBOURG

Brussels  
**Frédérique Lefevre**, Director  
475, avenue Louise  
B-1050 Bruxelles  
Tel: +32 2 646 59 40  
frederique.lefevre@investinfrance.org

### IFA NETHERLANDS

Amsterdam  
**Frédérique Lefevre**, Director  
French Embassy  
Stadionweg 137  
1077 SL Amsterdam  
Tel: +31 (0) 20 662 20 39  
frederique.lefevre@investinfrance.org

### IFA SPAIN, PORTUGAL

Madrid  
**Géraldine Filippi**, Director  
Embajada de Francia  
Marqués de la Ensenada, 10  
4ª Planta  
E-28004 Madrid  
Tel: +34 91 8377 850  
geraldine.filippi@investinfrance.org

### IFA UNITED KINGDOM, IRELAND

London  
**Caroline Laporte**, Director  
Haymarket House  
28/29 Haymarket  
London SW1Y 4RX  
Tel: +44 (0) 20 7024 3672  
caroline.laporte@investinfrance.org

### IFA ITALY

Milan  
**Hervé Pottier**, Director  
Ambasciata di Francia  
Via Cusani, 10  
I-20121 Milano  
Tel: +39 02 72 02 25 43  
herve.pottier@investinfrance.org

### IFA SCANDINAVIA

Stockholm  
**Gilles Debuire**, Director  
French Embassy  
Kungsgatan 58  
S-11122 Stockholm  
Tel: +46 8 545 850 40  
gilles.debuire@investinfrance.org

## ASIA

### Pascal Gondrand, Director

### IFA CHINA, HONG KONG, TAIWAN

Beijing  
**Pascal Gondrand**, Director  
Ambassade de France en Chine  
N° 60, Tianzhuo, Liangmaqiao,  
3<sup>rd</sup> diplomatic zone,  
Chaoyang District, Beijing 100600  
Tel: +86 (0) 10 8531 2342  
pascal.gondrand@investinfrance.org

### Shanghai

**Sébastien Carbon**, Director  
Suite 202  
Hai Tong Securities Building  
689, Guang Dong Lu  
Shanghai  
Tel: +86 (21) 6135 2040  
sebastien.carbon@investinfrance.org

### Hong Kong & Taiwan

**Elias Rock**, Director  
25/F, Admiralty Center, Tower II  
18 Hourcourt Road  
GPO Box N° 24 21 Hong Kong  
Tel: + (852) 3752 91 70  
elias.rock@investinfrance.org

### IFA SOUTH KOREA

Seoul  
**Pascale Buch**, Director  
Samheug Building  
8<sup>th</sup> Fl 705-9 Yeoksam-Dong  
Kangnam-Ku  
135 - 711 Seoul  
Tel: +822 564 0419  
pascale.buch@dgtrésor.gouv.fr

### IFA INDIA

New Delhi  
**Dominique Frachon**, Director  
2/50 E Shantipath Chanakyapuri  
110 021 New Delhi  
Tel: +91 11 2419 6300  
dominique.frachon@investinfrance.org

### IFA JAPAN

Tokyo  
**Christophe Grignon**, Director  
4-11-44 Minami-Azabu  
Minato-ku  
Tokyo 106-8514  
Tel: +81 3 5798 6140  
christophe.grignon@investinfrance.org

### IFA SINGAPORE

Singapore  
**Hubert Testard**, Director  
Ambassade de France  
101-103 Cluny Park Road  
Suite 3750  
259595 Singapore  
Tel: +65 68 80 78 78  
hubert.testard@dgtrésor.gouv.fr

### IFA RUSSIA

Moscow  
**Daniel Maitre**, Director  
**Jérôme Clausen**, Project  
Director  
Bolchaïa lakimanka 45  
119049 Moscou  
Tel: +7 (495) 937 24 00  
daniel.maitre@dgtrésor.gouv.fr  
jerome.clausen@investinfrance.org

### IFA TURKEY

Ankara  
**Pierre Coste**, Director  
Consulat de France  
B.P. n° 1  
Iran Caddesi, Karum Is Merkezi  
n° 21,  
Asansör E, n° 444, Kat.6,  
Kavaklidere  
06680 Ankara  
Tel: (90 312) 428 31 75  
pierre.coste@dgtrésor.gouv.fr  
**Jean-Luc Viette**,  
Project Director  
Istiklal cad. 142  
Odakule 10<sup>e</sup> étage  
BP 46 - 34430 Beyoglu  
Istanbul  
Tel: +90212251 98 77  
jean-luc.viette@dgtrésor.gouv.fr

## MIDDLE EAST

### IFA UNITED ARAB EMIRATES

Dubai  
**Jacques de Lajugie**, Director  
Embassy of France in the UAE  
Al Habtoor Business Tower, 24th  
floor, Marina  
Po Box 3314 - Dubai  
Tel: +971 (0) 4 408 49 52  
jacques.de-lajugie@diplomatie.gouv.fr

### IFA ISRAEL

Tel Aviv  
**Pierre Mourlevat**, Director  
7 Havakuk HaNavi  
63505 Tel Aviv  
Tel: +972 (0) 3 546 65 35  
pierre.mourlevat@dgtrésor.gouv.fr

## NORTH AMERICA

### Philippe Vergniaux, Director

### IFA UNITED STATES New York

**Philippe Parfait**, Director  
1700 Broadway  
Suite 3000  
NY 10019  
Tel: +1 (212) 757 93 40  
philippe.parfait@investinfrance.org

### Chicago

**Michel Gilbert**, Director  
French Embassy  
205 North Michigan Avenue  
Suite 3750  
Chicago, IL 60601  
Tel: +1 312 628 1054  
michel.gilbert@investinfrance.org

### San Francisco

**Stéphane Lecoq**, Director  
88 Kearny Street  
Suite 700  
San Francisco, CA 94108  
Tel: +1 415 781 0986  
stephane.lecoq@investinfrance.org

### IFA CANADA

Toronto  
**Jean-Pierre Novak**, Director  
154 University St., suite 400  
Toronto ON M5H 3Y9  
Tel: +1 416 977 12 57  
jean-pierre.novak@investinfrance.org

## SOUTH AMERICA

### IFA BRAZIL

Brasilia  
**Antoine Chéry**, Director  
S.E.S. Avenida das Nações  
Lote 04 - Quadra 801  
70404-900 Brasilia DF  
Tel: +55 61 312 92 47  
antoine.chery@dgtrésor.gouv.fr

### François Removille, Project Director

Av. Paulista, 1842  
Torre Norte, 14<sup>e</sup> Andar  
01310-923, São Paulo - SP  
Tel: (55 11) 33 71 54 00  
francois.removille@investinfrance.org

## IFA Correspondents

### SOUTH AFRICA

Inanda Greens Business Park  
Augusta House  
54 Wierda Road West  
Wierda Valley  
Sandton  
2196 Johannesburg  
Tel: +27 11 303 71 50  
dominique.lebastard@dgtrésor.gouv.fr

### AUSTRALIA

6 Perth Avenue  
ACT 2600  
Canberra Yarralumla  
Tel: +61 (0)2 6216 0116  
agnes.espagne@dgtrésor.gouv.fr

### MEXICO

La Fontaine 32  
Col. Polanco  
11560  
Mexico - D.F.  
Tel: (00 52) (55) 91 71 98 89  
emilio.pirtz@dgtrésor.gouv.fr

# INTERNATIONAL SERVICES GROUPS (ISGs): CROSS FUNCTIONAL ACCESS TO GLOBAL MARKETS

## WHAT IS AN ISG?

ISGs are specialized country platforms (organized according to specific business and service lines) that ensure the highest level of assistance to our foreign clients, as well as French clients who have an international presence.

Our ISGs are dedicated to two core objectives:

- Working alongside French companies on their development in foreign markets.
- Helping foreign companies expand or set up international branches in the French market.

## ISGs TEAMS ARE:

- Experienced professionals who are highly aware of the different environments they face while being well versed in the language and customs of their countries. As such, they are able to provide precise, tailored assistance for all company needs: auditing, accounting, legal, fiscal, employment expertise, and financial consultancy.
- These teams provide advice and assistance to foreign companies regarding potential differences between their home environments and the French business landscape, and vice versa.
- Closely linked via extensive networks to the countries they work with.

These ISGs are backed by a global network covering more than 150 countries, as well as the African Cluster which is linked to France.

## + FOR FURTHER INFORMATION

---

Contact ISG: Gabriel Attias, Partner – [gattias@deloitte.fr](mailto:gattias@deloitte.fr) or [Desks@deloitte.fr](mailto:Desks@deloitte.fr) – Tel. : + 33 (1) 58 37 91 28



**OUR ISG<sub>s</sub> BASED IN FRANCE**

- Austria/Germany
- Belgium
- Brazil
- Canada
- CIS
- China
- India
- Italy
- Japan
- Middle East
- Spain
- UK/Ireland
- United States

**FRENCH ISG<sub>s</sub> ABROAD**

- Australia
- Belgium
- CIS
- Central Europe
- China
- Italy
- Japan
- Latin America
- Scandinavian operations
- Spain
- United States

Disclaimer: This document presents the basic rules that apply to international companies locating their business in France. For practical purposes, this document presents a general overview and basic information about legal, tax and labor issues to facilitate company decision-making. The information herein is not comprehensive and the IFA cannot be held liable for any omissions or errors. Investors are advised to use the services of professional consultants for guidance on individual cases. The intellectual property rights to this document are protected and belong exclusively to The Invest in France Agency. No part of this document may be reproduced for commercial purposes without the permission of the IFA.

The IFA would like to thank its partner Deloitte.

Publication Director: Serge Boscher, Managing Director. Chief Editor: Julie Cannesan, Promotions Director.

Production and Copy: Sandrine Coquelard, Fatia Bouteiller, Sabrina Losio, Raffaella Silvetti, Matthieu Toret.

English Language Editor and Coordinator: David Williams. Editorial Coordination: Alexandra Chabut.

Design and production:  agence@spherepublique.com – January 2014.





# DOING BUSINESS IN FRANCE

The Invest in France Agency (IFA) is the national agency responsible for promoting and facilitating international investment in France.

It also coordinates initiatives to promote France's economic attractiveness.

The IFA network operates worldwide, with offices in France as well as in North and South America, Europe, the Middle East and Asia. In France, the IFA works in partnership with regional economic development agencies to offer international investors outstanding business opportunities and customized services.

For further information, please visit:  
[www.investinfrance.org](http://www.investinfrance.org)

In France, Deloitte calls on diversified expertise to meet the challenges of its clients of all sizes from all industries - major multinationals, local micro-companies and medium-sized enterprises. With the expertise of its 7,950 professionals and partners in more than 200 offices, Deloitte is a leading player in audit and risk services, consulting, financial advisory services, accounting (In Extenso) and tax & legal (Taj law firm, a member of Deloitte Touche Tohmatsu Limited).



Invest in France Agency  
77, boulevard Saint-Jacques  
75680 Paris Cedex 14 France  
[info@investinfrance.org](mailto:info@investinfrance.org)  
[www.investinfrance.org](http://www.investinfrance.org)  
Tel. : +33 1 44 87 17 17  
Fax: +33 1 40 74 73 27