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International Tax

# France Tax Alert

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## Amended Finance Law for 2014 passed


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The French national assembly adopted the Amended Finance Law for 2014 on 23 July 2014. The law now must be reviewed by the Constitutional Court; should the court invalidate any measures, the president will sign the law without those measures and the law will be published in the official gazette to enter into force.

The main measures relating to companies are summarized below.

### One-year extension of exceptional surtax

The standard corporate income tax rate in France is 33.33%, in addition to which a 3.3% social surcharge applies to the amount of corporate income tax liability exceeding EUR 763,000. For taxpayers with turnover exceeding EUR 250 million (on a standalone or a tax group basis), an exceptional 5% surtax was introduced in 2011 and increased to 10.7% for fiscal years ending on or after 31 December 2013, resulting in an overall effective corporate income tax rate of 38% for the largest companies. The surtax is temporary and initially was set to apply only to fiscal years ending on or before 30 December 2015.

The Amended Finance Law extends the exceptional surtax to apply up to fiscal years ending on or before 30 December 2016. For fiscal years closing after that date, the overall effective corporate income tax rate should fall to 34.43% (including the 3.3% social surcharge, but excluding the 3% surtax that applies on dividend distributions).

### Changes to apprenticeship tax

Enterprises in France are subject to an apprenticeship tax of 0.5% on the amount of their salaries and wages paid (as well as a levy on payroll) to fund vocational training of employees. Companies that employ apprentices are entitled to a tax credit (paid to the company). To further encourage the hiring of apprentices, the Amended Finance Law replaces the credit granted to certain enterprises with more than 250 employees with a reduction in the amount of apprenticeship tax due.

## Increased penalty for failure to provide accounting documents

The 2014 Finance Law approved in December 2013 introduced an obligation for large companies to provide analytical accounting documentation (also known as "cost-accounting") during a tax audit. In addition, companies drawing up consolidated accounts must disclose them upon a request from the French tax authorities during an audit. The law also included a penalty equal to 5% of turnover if a company failed to comply with the two reporting requirements, but the Constitutional Court invalidated this provision, so it was abolished. As a result, only a minimum fine of EUR 1,500 applies for failure to provide the analytical accounting or consolidated accounts. The same fine applies for failure to provide accounting files in dematerialized format by companies that maintain computerized accounting systems.

The Amended Finance Law now provides for a penalty for failure to comply with each obligation. The law modifies the relevant provision of the tax code to impose a fine of EUR 5,000 or, if higher, a penalty amounting to 10% of the additional tax liability reassessed and borne by the taxpayer for failure to furnish the required e-file. The EUR 1,500 fine is increased to EUR 20,000 for failure to provide the analytical accounting or consolidated accounts to the tax authorities. These new measures will apply only to future tax audits (i.e. for reassessment notices issued after the Amended Finance Law becomes effective).

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