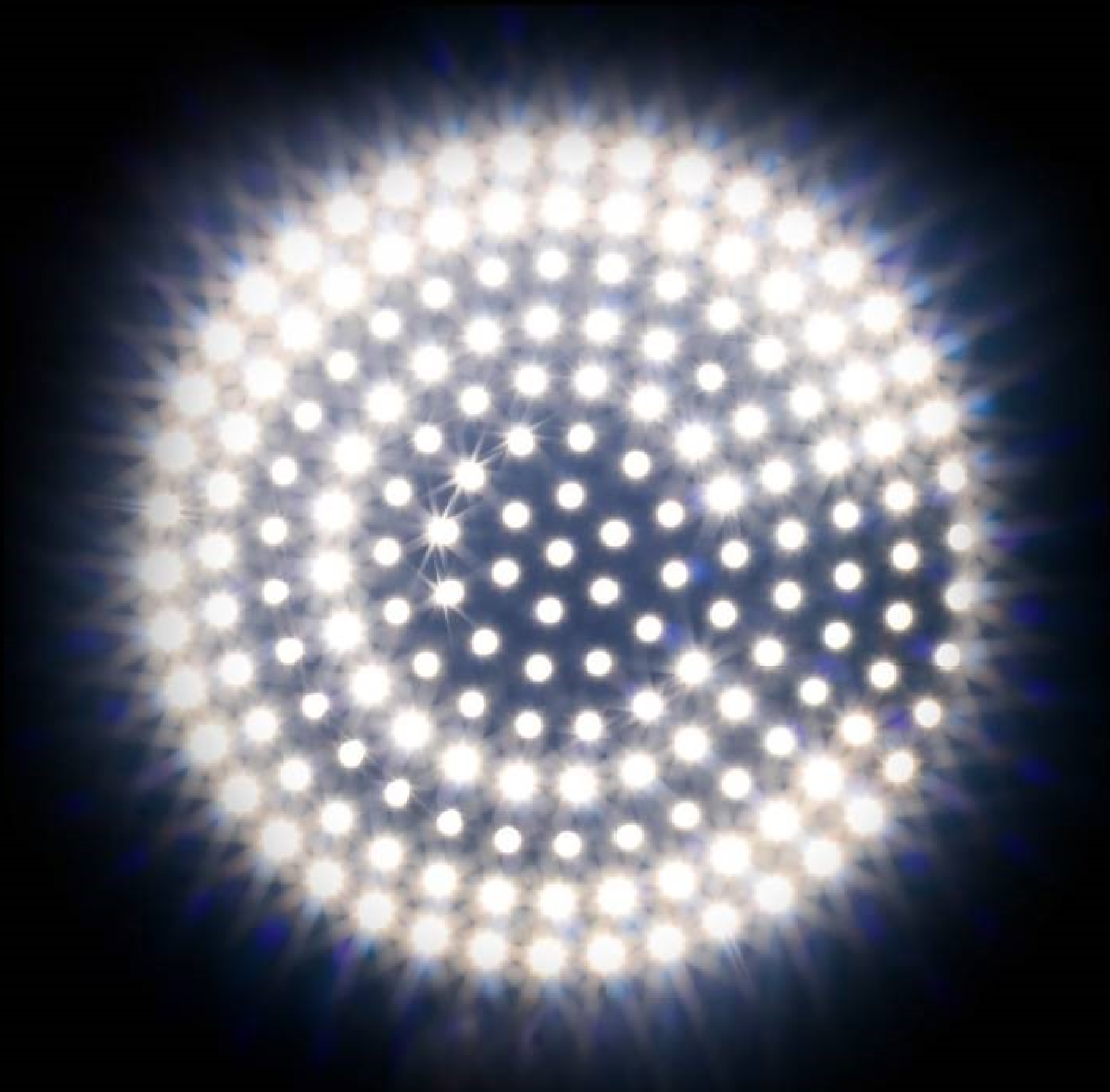

Taxation and Investment in France 2017

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1.0 Investment climate

1.1 Business environment

France is a republic governed by a constitution. The president is the head of state and is elected for a five-year term. There is a bicameral parliament, comprised of the National Assembly and Senate, who are elected every five years. The president, who is elected by popular vote for a term of five years, appoints a prime minister.

As an EU member state, France is required to comply with all EU directives and regulations and it follows EU regulations on trade treaties, import regulations, customs duties, agricultural agreements, import quotas, rules of origin and other trade regulations. The EU has a single external tariff and a single market within its external borders. Restrictions apply on imports and exports in some areas such as dual-use technology, protected species and some sensitive products from emerging economies. Companies operating in France have access to a tariff-free market of consumers through the country's membership of the EU and free trade with Iceland, Liechtenstein, Norway and Switzerland through other agreements. Trade also is governed by the rules of the World Trade Organization (WTO).

EU member states

Austria	Estonia	Italy	Portugal
Belgium	Finland	Latvia	Romania
Bulgaria	France	Lithuania	Slovakia
Croatia	Germany	Luxembourg	Slovenia
Cyprus	Greece	Malta	Spain
Czech Republic	Hungary	Netherlands	Sweden
Denmark	Ireland	Poland	United Kingdom*

EU candidate countries

Albania	Montenegro	Serbia	Turkey
Macedonia			

European Economic Area (EEA) member states

EU member states	Iceland	Liechtenstein	Norway

* In a referendum on 23 June 2016, the UK electorate voted to leave the EU, but the UK will remain an EU member state until a secession agreement is concluded with the EU.

France also is a member of the Organization for Economic Cooperation and Development (OECD).

OECD member countries

Australia	France	Korea (ROK)	Slovakia
Austria	Germany	Latvia	Slovenia
Belgium	Greece	Luxembourg	Spain
Canada	Hungary	Mexico	Sweden
Chile	Iceland	Netherlands	Switzerland
Czech Republic	Ireland	New Zealand	Turkey
Denmark	Israel	Norway	United Kingdom
Estonia	Italy	Poland	United States

Finland	Japan	Portugal	
Enhanced engagement countries			
Brazil	India	Indonesia	South Africa
China			
OECD accession candidate countries			
Colombia	Costa Rica	Lithuania	

France's overall economic structure is comparable to that of most other advanced OECD economies, with a small and diminishing primary sector and services that contribute nearly two-thirds of gross value added.

France's strongest manufacturing sectors include motor vehicles, pharmaceuticals, transport equipment and aerospace (civil and military) and services. While the services sector is large, the agricultural sector's share of economic activity has fallen over the past few decades.

France's largest export markets are Germany, Italy, Belgium, Spain, the UK, the US, the Netherlands and China. Major exports are vehicles, aeronautical and space products, pharmaceuticals, car equipment and steel products. Germany is the largest source of imports, followed by China, Belgium, Italy, the US, Spain, the UK and the Netherlands. The leading imports are crude oil and natural gas, computers and information technology equipment, and equipment for the automobile industry.

Price controls

Although the government can impose price controls after consultation with the Competition Council, it exercises this power sparingly. The government regulates some prices in quasi-monopolized sectors (e.g. electricity, gas and rail transport) or where price competition is restricted by legal or regulatory limits.

Intellectual property

France is a party to the main international conventions governing the protection of patents, trademarks, copyrights and other forms of intellectual property, ensuring full legal recognition. Normal forms of legal redress are available through the courts. The National Industrial Property Institute (INPI) handles applications for all types of intellectual property protection. The INPI grants patents on the basis of novelty; it does not conduct or require detailed research, leaving the courts as the ultimate arbiter of a patent.

International patent protection may be obtained through the European Patent Treaty or through an international patent based on the Patent Co-operation Treaty. Applications can be made through INPI. EU-wide trademark and design protection can be obtained via the Office for Harmonization in the Internal Market (Trademarks and Designs) in Spain.

French copyright legislation adheres to internationally agreed terms and conditions. The Intellectual Property Code, much of which includes EU requirements, provides basic copyright protection for literary or artistic expressions of an idea or concept, for audiovisual works, performing artists and original computer software that results from the author's personal, creative and intellectual work.

Copyright protection lasts for 70 years from the death of an author. The work of performing artists is protected for 70 years. A breach of an author's property or ethical rights is deemed copyright infringement. The author or a person with title to exploit the work has the right to have all infringing objects seized and to bring court action for infringement.

The 1992 Intellectual Property Code and subsequent amendments cover all forms of intellectual property. French protection for patents may last up to 20 years, but a utility certificate can be obtained for a six-year period for products with a short life. Trademarks are protected for 10 years in the first instance, although rights may be extended indefinitely by successive renewals.

Licensing

The licensing of foreign technology is widespread. France does not restrict the entry or export of technology, unless national security is at stake or restrictions have been agreed under EU rules on trade in dual-use technology.

French companies may enter into any form of licensing arrangement with foreigners. Arrangements may cover product and process technology, as well as marketing, sales and other operations. There are no legal restrictions on the countries to which licenses may be granted but relevant EU rules apply. These include rules on technology transfer agreements and general competition law principles that preclude market sharing and abuse of a dominant position.

Registration is compulsory if one of the parties is not French. Income from licensing agreements must be declared annually by 31 March of the following year and must be broken down into five categories: (1) purchase, sale or concession of patents; (2) purchase, sale or concession of trademarks, designs and models; (3) transfer of know-how and computer software; (4) scientific, technical and economic research, and engineering services; and (5) technical assistance, business organization and management operations.

Tie-in clauses (compelling licensees to purchase certain supplies) are legal only if technological necessity can be proved.

1.2 Currency

France is part of the Eurozone and uses the Euro (EUR) as its currency.

Countries participating in the Economic and Monetary Union

Austria	France	Latvia	Portugal
Belgium	Germany	Lithuania	Slovakia
Cyprus	Greece	Luxembourg	Slovenia
Estonia	Ireland	Malta	Spain
Finland	Italy	Netherlands	

1.3 Banking and financing

The banking sector resembles that of many other European countries in that domestic players dominate retail banking. Foreign banks, however, are major players in wholesale banking and securities trading alongside French banks. French banks have been expanding into Asia, Central and Eastern Europe, and the US.

Paris is the main financial center.

1.4 Foreign investment

The French government welcomes foreign investment in most industries, especially when it creates jobs, contributes new technology or increases exports, but it can be sensitive to takeovers in defense or public services. Foreign companies are permitted to set up their business activities in France, although declarations are required for certain investments.

Both domestic and foreign firms may need approval to invest in certain businesses, including oil refining, supermarkets, service stations and cinemas. Certain professions are open only to French nationals, nationals of other countries within the European Economic Area (EEA) and certain other countries. This includes Switzerland and sometimes includes countries with which France has a reciprocal agreement.

The European Commission closely monitors incentives (also known as state aid) for compatibility with EU competition rules. All but the smallest incentive schemes require the Commission's approval. When a company negotiates incentives, it must determine whether the incentives are subject to prior approval or subsequent investigation by the EU. In general, investors may benefit from up to EUR 200,000 of incentives over a three-year period without infringing EU rules or having to notify the European Commission.

Substantial foreign investment is welcomed, although many incentives are available only to small and medium-sized enterprises (SMEs). Most forms of foreign investment in France do not need prior government approval; prior approval is required only to take over or invest in strategic sectors, such as national defense or public health. Where notification to the Ministry of the Economy, Industry and Employment (MINEFE) is required, it must be done in writing and must include details of any shareholder with more than a 5% stake in the case of an acquisition of a stake in a listed company.

Notification also is required for investments in-kind in the form of loans, financial guarantees or technical assistance. Notification is not necessary if the target company already is part of the company's group; however, a 50% threshold applies in determining what constitutes an existing investment or a group company. No approval is required to participate in a capital increase if the percentage shareholding does not change. However, notification is required when a foreign investment is wound up. These notification requirements apply in addition to any required notification to the Financial Markets Authority when investing in a listed company.

1.5 Tax incentives

Investment incentives focus on employment to protect existing jobs, create new posts and promote hiring from categories of the unemployed who have difficulty finding employment. However, projects to promote the environment and sustainable development and to narrow economic and social gaps between different parts of the country also are priorities.

The two main tax incentives for companies in France are the research and development (R&D) tax credit and the competitiveness and employment tax credit.

R&D tax credit

French corporations that incur R&D expenses during the year may benefit from a tax credit against corporate income tax that corresponds to 30% of actual R&D expenditure for expenses up to EUR 100 million and 5% for expenses exceeding EUR 100 million. The tax credit (but not costs) is deductible from corporate income tax for that year and the following three years. Any credit remaining after this period is reimbursed immediately for new businesses during the first five years, and after three years for other businesses. The research does not have to be carried out in France; it may be carried out in another EEA country provided the total expenditure is part of the company's tax base.

Certain activities deemed particularly desirable are eligible for accelerated depreciation. Some types of expenditure qualify for depreciation over 12 months.

Competitiveness and employment tax credit

The competitiveness and employment tax credit (CICE) is calculated on the portion of the gross payroll not exceeding 2.5 times the national minimum wage (i.e. EUR 44,408 for the 2017 calendar year).

The rate of the CICE is 7% of the total amount paid as from 1 January 2017. Payment of the CICE can be offset against the corporate income tax liability for three years, with any excess reimbursed by the French tax authorities (as in the case of the R&D tax credit). SMEs can benefit from an immediate refund of excess CICE on an annual basis.

The CICE must be used for specific purposes stated in the law (mainly investment, research, innovation, training, recruitment, etc.) and not to increase dividend distributions or the salary package of employees carrying on managerial functions.

1.6 Exchange controls

France does not impose foreign exchange control restrictions on companies or individuals. French banks may lend freely in both Euro and foreign currencies. Reporting requirements apply to some transactions to detect money laundering and tax evasion, and to comply with rules on data collection for balance-of-payments statistics.

Capital movements, exchange operations and transfers between French residents and nonresidents may be made through any credit establishment. These institutions send monthly reports to the central bank for balance-of-payments purposes.

Banks normally are responsible for balance-of-payments reporting of corporate transactions. However, companies with annual transactions in excess of EUR 30 million in a single balance-of-payments category must report directly to the central bank.

Companies must report their transactions with nonresidents to customs for EU statistical purposes (via the Intrastat declaration). The frequency and level of detail depend on the annual volume of transactions, but the reporting obligation starts at EUR 150,000 per 12-month period. Individuals transferring more than EUR 10,000 out of France (e.g. in cash or securities) without using a financial intermediary must report the transaction to the central bank or customs. Individuals also are required to report the existence of foreign bank accounts to the tax authorities.

Additional information must be supplied when making or liquidating an investment (including a property investment) exceeding EUR 15 million. These rules apply to investment in France and investment by a French company outside the country. France does not have any restrictions on Euro or other currency holdings held locally by nonresidents, but for statistical purposes, financial intermediaries must report loans exceeding EUR 50 million.

2.0 Setting up a business

2.1 Principal forms of business entity

The company form most frequently used by large companies in France is the joint stock company (*société anonyme – SA*); the SA is compulsory for companies engaged in the finance or insurance industries. Smaller firms, particularly sales subsidiaries, often use the limited liability form (*société à responsabilité limitée* – SARL). An SARL with a sole shareholder is known as an *entreprise unipersonnelle à responsabilité limitée* (EURL). A subsidiary SA or an SARL is the usual form of business organization for a foreign investment.

The *Societas Europaea* or SE company form also is available. The SE is designed to enable companies to operate across the EU with a single legal structure, to facilitate mergers and create flexibility for companies wanting to move their head office from one EU state to another. Companies from two or more EU member states are permitted to merge to form an SE or create an SE holding company or branch. A company may convert an existing firm to SE status without liquidating. One advantage of an SE is that it is possible to move headquarters to another EU member state with minimal formalities.

Businesses also can establish as a European Economic Interest Grouping (EEIG). Companies (even non-EU companies, if the vehicle is a subsidiary in an EU country) that want to start working with a French company but do not want to commit to a formal joint venture, may set up an EEIG. The grouping functions much like a partnership in that the income is taxed in the hands of the member companies. At least two of the companies involved must be from different EU member states The EEIG differs from other corporate forms in that it must be registered with the Tribunal of Commerce; all other company forms (and branches) are registered with the *Centre Formalités Enterprises* (CFE).

Undertakings for collective investment in transferable securities take the form of either open-end investment companies (SICAVs) or unit trusts. A SICAV is a public limited company whose purpose is the management of a portfolio of financial instruments and deposits. However, this status is ruled by the monetary and financial code and entails several dispensations with regard to the commercial code.

Formalities for setting up a company

An SA must have at least seven shareholders. An SARL must have a minimum of two shareholders and a maximum of 100. SARLs may not issue securities to the public but they may issue bearer bonds. Transfers of their shares are limited.

The *société par actions simplifiée* (SAS) form combines the legal status of a corporation with the flexibility of a partnership. One person may form an SAS but there is no limit on the total number of shareholders. As with an SA, the maximum life of an SAS is 99 years. An SAS may not issue debt or equity to the public. The basic registration procedures are essentially the same as for an SA.

Many of the formalities associated with setting up a company can be done electronically.

Forms of entity

Requirements for a joint stock company (SA) and limited liability company (SARL)

Capital: *SA*: Minimum of EUR 37,000. Only 50% of a cash contribution must be fully paid up. If capital falls below the minimum, the company must make restoration payments within one year or face dissolution. Capital must be fully paid up within five years. Firms must set aside 5% of annual distributable profits in a legal reserve until the reserve equals 10% of capital. Contributions in-kind (tangible or intangible assets) must be valued by a court-appointed assessor and approved by a founders' assembly for a publicly listed firm; for nonpublic firms, each founder must approve the valuation of the court-appointed assessor. Contributions in-kind do not carry voting rights for their approval in listed companies but can in other companies. *SARL*: The amount of the capital is set in the bylaws. Contributions may be in cash or in kind, but capital must be subscribed in full at the time the company is formed and it must be fully paid up within five years.

Founders, shareholders: *SA*: There must be at least seven founders/shareholders. There are no restrictions on nationality or residence. *SARL*: It is possible to have an SARL with a sole shareholder (an EURL), but there can be no more than 100.

Board of directors / management: *SA*: There are two approaches: a conventional board to which management reports, or a two-tiered structure of a supervisory board and a management committee. The board must have at least three and a maximum of 18 members. All board members must be shareholders. There are no restrictions on nationality or residence. No more than one-third of the board may be older than 70. For a conventional board structure, the board must elect a chairman, a general manager and up to five general-manager delegates. A single general manager is sufficient if the company's capital is less than EUR 150,000. The same person may not be the general manager of more than one company. The general manager has full authority to run the day-to-day business and to represent the company.

Where there is a supervisory board and a management committee, the supervisory board appoints the members of the management committee. They may not be members of the supervisory board and do not need to be shareholders.

Employees are entitled to board representation (of up to two members) where they hold more than 3% of the company's shares either directly or indirectly (e.g. through the pension fund). The company has the option to include up to four board members representing employees (five for a listed company), which should be reflected in the company's bylaws. Additionally, employees representing board members are given non-voting status and generally complement board membership. Their number may not exceed one-third of the membership of the board. Where there are two or more employee representatives, one must represent managers. Apart from these representatives, no more than one-third of the board may be company employees.

*SARL***:** An SARL is run by a manager who may be appointed under the company's articles or elected by the shareholders.

Labor representation in management: *Both*: In companies with more than 50 employees, workers elect a works council, which has comprehensive rights to be kept up to date on company operations. Companies may choose to allow staff representation on the board.

Taxes and fees: *Both*: In principle, contributions to capital in exchange for newly issued shares are exempt from capital duty. Capital duty may be levied only on a contribution to capital (consisting of real estate or a going concern) of a company subject to French corporate income tax by a contributor who is not subject to French corporate income tax (unless the contributing company undertakes to retain the shares received in exchange for at least three years).

Capital increases (in exchange for newly issued shares corresponding to the value of the contribution) would trigger capital duty (i.e. EUR 375 or EUR 500 if the capital value after the contribution is at least EUR 225,000) if the contributor is subject to French corporate income tax. If the contributor is not subject to French corporate income tax (and regardless of whether it pays French personal tax) and the contribution consists of real estate or a going concern, registration tax is levied unless the contributor commits to hold the shares for three years.

Types of share: *Both*: Shares may be registered or bearer but ownership of bearer shares must be recorded. Nonresidents may hold shares through nominee accounts. Shares must be registered if so required in the company's bylaws or if shares are not fully paid up or are held in reserve in exchange for convertible bonds. Nonvoting shares are prohibited (except for preferred shares, which are subject to certain legal limits). However, registered shares that are entirely paid up and have been held for more than two years may be granted double voting rights and limited to shareholders of EU nationality. There is no minimum nominal value. Shares with no par value are permitted.

Control. *SA*: Shareholders representing 5% of the capital may sue in commercial court for the removal of contested auditors, obtain written replies to their questions and propose board resolutions. The trigger threshold is lower for larger companies: 4% for companies with share capital of EUR 750,000 to EUR 4.5 million; 3% for companies with share capital of EUR 4.5 million to EUR 7.5 million; 2% for companies with share capital of EUR 7.5 million to EUR 15 million; and 1% for companies with share capital exceeding EUR 15 million. *SARL*: Shareholders can bring certain claims to court (e.g. claim for the removal of the manager, etc.) and consult certain documents (financial statements, minutes of the shareholders' meetings, etc.) related to the last three financial years. Twice per year, shareholders that are not managers can address written questions to the managers on issues that may adversely impact the continuance of the business. Shareholders representing at least 10% of the share capital may ask the court to designate an expert that will issue a report on certain specific acts of management.

Branch of a foreign corporation

A foreign company can set up a branch in France. A branch generally is not eligible for tax breaks and the head office is exposed to unlimited liability for the debts of the branch office. Branches are taxed on their French income even if the income also is taxed as part of the worldwide corporate income of the head office.

To form a branch in France, two copies of the articles of association and the statutes of the head office must be submitted to the commercial court in whose jurisdiction the branch will be located, together with proof of their having been published in an official gazette or equivalent publication in the home country. The manager of the branch must certify that these are the actual bylaws. Translations of the documents must be attached and the branch manager must certify their accuracy. A copy of the office lease must be attached.

These documents must be filed at the business registration center (CFE) along with the other documents required for company formation. The CFE handles the formalities, including notifying the tax authorities. All documents must be filed within 15 days of the branch’s opening. A foreigner’s business permit is required for most non-OECD nationals.

A liaison office is another way to test the business environment in France. A liaison office may hire staff but it may not engage in commercial activities. The head office must issue and pay all invoices. The liaison office is not liable for tax since it has no income but it must pay payroll taxes (social security) for local staff. A declaration of existence must be filed with the CFE.

2.2 Regulation of business

Mergers and acquisitions

EU and French authorities share supervision of mergers, with the EU generally having authority for larger combinations and those that affect several EU countries.

Mergers with a Community dimension fall within the competence of the EU Commission and need to be reported under Council Regulation (EC) No. 139/2004. The EU has jurisdiction over mergers in two situations:

1. Where the combined aggregate worldwide turnover of all of the undertakings concerned is more than EUR 5 billion and the aggregate EU-wide turnover of each of at least two of the undertakings is more than EUR 250 million, unless each of the undertakings concerned achieves more than two-thirds of its aggregate EU-wide turnover in a single member state; and
2. Where the aggregate global turnover of the companies concerned exceeds EUR 2.5 billion for all businesses involved, aggregate global turnover in each of at least three member states is more than EUR 100 million, aggregate turnover in each of these three member states of at least two undertakings is more than EUR 25 million and aggregate EU-wide turnover of each of at least two of the undertakings is more than EUR 100 million, unless each achieves more than two-thirds of its aggregate EU-wide turnover within one and the same state.

If a merger would not normally fall under the jurisdiction of the European Commission, the affected companies may ask the Commission to review it if they otherwise would be obliged to notify three or more member states. The Commission proceeds as a “one-stop shop” only if none of the relevant member states objects within 15 days.

The European Commission has 25 days after a merger is reported to approve the transaction or open a procedure. If it decides to open a procedure, it must issue a ruling within 90 days. The Commission can choose to refer the merger to France’s Competition Council (CC) to determine whether the effect will primarily be in France. The decision serves as official notification to the French government.

French legislation on mergers is contained in the Code of Commerce. Companies must notify MINEFE, which notifies the CC, of any merger or joint venture involving companies that meet one of the following criteria: (1) combined total worldwide turnover exceeding EUR 150 million, and (2) combined turnover in France exceeding EUR 50 million on the part of at least two of the companies concerned. Companies failing to file notification of a merger that meets the criteria can be fined up to 5% of French turnover; individuals may be fined up to EUR 1.5 million.

The CC has two months after notification to issue its opinion. Failure to respond by the end of that period may be taken as consent. However, the CC may decide to carry out an in-depth investigation. It then has an additional two months to render a decision.

Mergers may be carried out under domestic law on tax-neutral terms. Further, France has implemented the EU merger directive into its domestic law, which facilitates mergers between companies in different EU member states.

An SA or SAS can be involved in an EU cross-border merger. The legal framework aims to facilitate the cooperation and restructuring of the group by transferring to the company resulting from the merger all the assets and liabilities of the companies being acquired (by acquisition or formation of a new company). The French implementing regulations apply to mergers of limited companies having their registered office, central administration or principal place of business in France, and where at least two of the companies involved are governed by the laws of different member states.

Monopolies and restraint of trade

Although there is no legal definition of market dominance, companies are prohibited from abusing a dominant market position in France or establishing a merger that would put them in a dominant market position. In addition, firms or groups of firms may not restrict the normal functioning of the market (case law holds that the action in concert has to be determined in every case). Abuse of a customer's or supplier's economic dependence, e.g. through a refusal to sell, tie-in arrangements, discriminatory sales terms or abusive termination, also is prohibited. Concerted action and agreements are illegal if their effect is to limit market access or supply.

2.3 Accounting, filing and auditing requirements

All SAs must publish annual financial data and deposit two copies of the approved balance sheet and profit and loss (P&L) statement with the local commercial court within seven months of the end of the financial year and within one month of approval of the accounts. A listed SA must publish its annual balance sheet, P&L statement, quarterly sales figures for each branch of activity and a semi-annual provisional balance sheet. Subsidiaries of these companies with a balance sheet of EUR 3 million or more, or portfolios of EUR 300,000 or more, are individually subject to these disclosure requirements.

All SAs must have at least one statutory auditor registered in France. Two statutory auditors are required for a company (listed or unlisted) with consolidated accounts. The auditor is appointed for a six-year term at a general shareholders' meeting and may be re-appointed. The local commercial court may appoint a special auditor to prepare reports on specific transactions (e.g. non-cash contributions to a company's capital or acquisition of a shareholder's assets).

The French accounting system is based on French GAAP. As a member of the EU, French law is in accordance with European Commission (EC) Regulation No. 1606/2002, which requires the application of IFRS in the preparation of consolidated financial statements of listed companies.

3.0 Business taxation

3.1 Overview

Tax in France is levied at both the national and local levels of government. The primary taxes imposed on companies are the corporate income tax, social surcharge, withholding taxes, business tax, value added tax (VAT), registration duties and social contributions. A 30% branch profits tax is imposed on the profits of branches of non-EU entities, although the tax can be reduced or eliminated under an applicable tax treaty. France provides for a participation exemption for dividends and capital gains. There are transfer pricing, controlled foreign company and thin capitalization regimes.

France has implemented the EU directives, such as the parent-subsidiary, interest and royalties, and merger directives. France had also implemented the savings directive which required the exchange of information between tax administrations when interest payments were made in one EU member state to an individual resident in another member state. The directive was repealed from 1 January 2016 to coincide with the introduction of the common reporting standard (CRS) within the EU through the implementation of a new directive on the mandatory exchange of information.

The parliament is responsible for passing laws (that are proposed by the government or parliament itself). However, a law must be signed by the President before it can enter into force; the law is then published in the Official Gazette. The tax authority, the *Direction Générale des Finances Publiques* (DGFiP), is responsible for the enforcement and collection of tax.

France Quick Tax Facts for Companies

Standard corporate income tax rate	33⅓%, reducing to 28% over the period 2017 to 2020 (plus a 3.3% social surcharge in certain circumstances)
Branch tax rate	33⅓%, reducing to 28% over the period 2017 to 2020 (plus a 3.3% social surcharge in certain circumstances)
Distribution tax	3% (on certain actual and deemed distributions)
Capital gains tax rate	4.56%/19%/33⅓%, reducing to 28% over the period 2017 to 2020 (plus a 3.3% social surcharge in certain circumstances)
Basis	Territorial
Participation exemption	Yes
Loss relief	
• Carryforward	Indefinite (but limit on amount offset)
• Carryback	One year (but limited to EUR 1 million)
Double taxation relief	No (but most tax treaties provide for a tax credit mechanism)
Tax consolidation	Yes
Transfer pricing rules	Yes
Thin capitalization/interest restriction rules	Yes
Controlled foreign company rules	Yes
Tax year	Calendar year or other fiscal year
Advance payment of tax	Yes

Return due date	Before 3 May of the year following the calendar year or within three months of the year end for a non-calendar financial year
Withholding tax	
• Dividends	0%/30%
• Interest	0%
• Royalties	33⅓%
• Branch remittance tax	30% (for branches of non-EU entities)
Financial transactions tax	Varies
Bank levy	0.222% on minimum equity
Apprenticeship tax	0.68%
Transfer tax (sale of shares)	0.1%/3%/5%/5.09%–5.80%
Real estate tax	3%
Payroll tax	4.25%/8.5%/13.6%/20%
Territorial economic contribution	Varies
VAT	20% (standard rate)/2.1%, 5.5%, 10% (reduced rates)

3.2 Residence

A company is resident for tax purposes if it is incorporated in or has its place of effective management in France.

3.3 Taxable income and rates

France operates a territorial tax system. Corporation tax is payable annually on all profits generated in France by companies and other legal entities. Residents and nonresidents are taxable in France on profits allocable to a French business and on French-source income. Foreign-source income of French residents generally is not subject to French tax (and foreign-source losses may not be deducted).

The corporate tax rate for most companies is 33⅓%

The Finance Bill for 2017 contains provisions for the progressive reduction of the corporate income tax rate from the current 33⅓% rate to 28% over the period 2017 to 2020 in accordance with the provisional timetable below. The existing 15% reduced tax rate will be maintained for companies whose turnover does not exceed EUR 7.63 million, but only for the first EUR 38,120 of taxable income, and in 2019 will be extended to apply to small and medium-sized enterprises (SMEs).

To qualify as an SME, a company must employ fewer than 250 persons and have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

Year	Provisional timetable for introduction of 28% corporate income tax rate
2017	28% rate will apply only to SMEs with turnover of less than EUR 50 million, but only on the first EUR 75,000 of taxable income
2018	28% rate will apply to the first EUR 500,000 of profits for all companies
2019	28% rate will be extended to apply to all profits of companies with annual turnover of less than EUR 1 billion (the threshold will be determined at the level of a tax-consolidated group, where applicable), and for companies with annual turnover of more than EUR 1 billion, but only for the first EUR 500,000 of profit
2020	28% will become the standard corporate income tax rate

A company can be subject to a reduced corporate tax rate of 15% on the first EUR 38,120 of taxable income and at the standard rate on any excess if it meets the following requirements:

- It is subject to corporate tax;
- Its turnover with respect to the fiscal year does not exceed EUR 7.63 million (EUR 50 million for fiscal years open as from 1 January 2019); and
- At least 75% of the entity is held by individuals or other companies that meet the above requirement.

A 3.3% social surcharge equal to the tax assessed on taxable profits (whether the standard corporate rate or a reduced rate) applies only when the global corporate income tax liability exceeds EUR 763,000.

For FY 2016, the maximum effective corporate income tax rate was 34.43% (33⅓% standard corporate income rate, plus 3.3% social surcharge). A temporary exceptional surtax of 10.7% applied only to fiscal years ended on or before 30 December 2016.

A 3% surtax is levied on dividend distributions and deemed dividends paid by French entities subject to corporate income tax, other than SMEs. Dividends paid by collective investment funds, such as SICAVs, fall outside the scope of the surtax but dividends paid out of the profits of permanent establishments of non-EU entities are subject to the tax. The 3% surtax does not apply to distributions made on or after 1 January 2017 by French subsidiaries to their parent company, irrespective of the parent company's country of residence, provided, amongst other conditions, that a 95% ownership requirement is met. Prior to 1 January 2017, the exemption applied only to distributions made within a tax consolidated group but the amended Finance Bill for 2016 extended the scope of the exemption.

Special rules apply to certain types of entity and income (e.g. public bodies, income from agriculture, investment income, etc.).

Taxable income defined

Corporate income tax assessments are based on the profits shown in the company's tax returns, which are detailed equivalents of the company's annual financial statements. To arrive at taxable profits, the profits shown in the financial statements are adjusted for exempt income, disallowed expenditure, losses carried forward and special deductions. The taxable income of both resident and nonresident companies comprises total income from normal business activities in France, including dividends, interest, rents, royalties and capital gains. For resident companies and under the territoriality principle, foreign-source income generally is not subject to tax in France (and foreign-source losses may not be deducted).

The tax treatment of dividends depends on whether the company paying the dividends is a subsidiary of the recipient. If the participation exemption does not apply, dividends from a French company are taxed at the standard corporate tax rate.

A participation exemption applies to dividends where the recipient owns at least 5% of the shares by value of the distributing entity and retains the shares for at least 24 months. For distributions made before 3 February 2016, the recipient also was required to own shares with an entitlement to 5% of the voting rights but this requirement was removed by the amended Finance Bill for 2016. The Bill itself does not provide a specific effective date for the removal of the requirement but the provisions can be deemed to be invoked as from 3 February 2016, the date of release of the official administrative guidelines abolishing the 5% of voting rights ownership condition.

The participation exemption regime and exemption for dividends paid to EU parent companies apply to the bare owners of shares. The participation exemption regime also is available for parent companies owning at least 2.5% of the shares by value and 5% by vote if at least one qualifying non-profit entity controls the parent. The parent will need to satisfy the ownership requirements for five years and not for two years.

If the participation exemption applies, the dividends are 95% exempt, resulting in a maximum effective tax rate of 1.72% (5% x 34.43%). However, if an entity is merged shortly after making a distribution and the merger is within two years of its acquisition, the parent company must choose between having the distribution within the scope of the participation exemption and taking a deduction for the loss on the shares of the distributing entity (see below for a discussion of the participation exemption as it applies to capital gains).

For financial years starting on or after 1 January 2016, dividends paid within a tax consolidated group are subject to tax on 1% of their amount, corresponding to the deemed taxable expenses.

The 1% deemed expenses applies to dividends received by companies who are members of a tax consolidation, when such dividends are paid by: 1) French companies within the same tax group (i.e. intragroup dividends) or 2) EU or European Economic Area (EEA) companies that have concluded a tax treaty with France, provided that the dividend paying company satisfies the criteria to be a member of a French tax group, i.e.:

- Is subject to corporate income tax in its country of residence equivalent to the French corporate income tax;
- Is 95% directly or indirectly held by the French head of the tax consolidated group; and
- Has a 12-month fiscal year, which runs concurrently with the fiscal year of the members of the French tax group.

The deemed expenses on which tax is levied remains 5% for all other dividend distributions.

In addition and in line with amendments made to the EU parent-subsidiary directive, the French Tax Code now excludes from the French participation exemption regime distributed profits that are deductible from the distributing subsidiary's taxable income.

Dividends derived from profits of a subsidiary, which, as a consequence of its activities, benefits from a special tax status (e.g. dividends paid by a real estate investment company), are excluded from the participation exemption regime. The exclusion is based on a list of such types of company.

A safe harbor clause is provided whereby the participation exemption applies to dividends received from companies located in noncooperative states and territories (NCSTs) if the recipient company can demonstrate that the distributing entity carries on real activities that are neither designed to locate profits in such states and territories for tax fraud purposes, nor result in doing so.

Deductions

Normal business expenses are deductible in calculating taxable income. Allowable expenses generally are those incurred for the purpose of the business and that can be verified.

Allowable expenses include interest and royalties; management fees paid to a foreign parent; salaries, wages and holiday benefits for low-income employees; repairs and maintenance costs; most taxes (e.g. business, payroll, property and land taxes, but not the company car tax); social security charges; amounts paid into a company's mandatory employee profit-sharing fund; consulting fees and research costs (within certain limits); and contributions to philanthropic, cultural, scientific and research organizations. Extra deductions are allowed for the entertainment expenses of top management. Contributions to an employee's savings or share purchase plan are deductible up to ceilings that vary depending on the type of plan and the employee's salary. Provisions made for service to customers and write-offs of machinery and inventory also are deductible, although ceilings may apply to these deductions.

As noted above under "Tax incentives," French corporations that incur R&D expenses during the year may benefit from a tax credit against corporate income tax that corresponds to 30% of actual R&D expenditure for expenses up to EUR 100 million and 5% for expenses exceeding EUR 100 million. The tax credit is deductible from corporate income tax for that year and the following three years. Any credit remaining after this period is reimbursed immediately for new businesses during the first five years and after three years for others. An immediate refund of any excess credit also is granted to young innovative companies and certain other (SMEs).

Depreciation

French tax law includes a strict definition of permissible depreciation. Straight-line depreciation normally is used; it is applied by dividing the expenditure by the estimated number of years of use for an asset.

Application of the declining-balance method is restricted to certain types of business property, including machinery incorporated into industrial-maintenance equipment; water and air purification systems; security and safety equipment; medical or social installations; office machinery; research equipment; hotels and hotel-related equipment; warehousing facilities; industrial buildings with a useful life of fewer than 15 years; and road vehicles used for mass transit. The declining-balance method may not be used for any product with a useful life of less than three years and only for new assets (not for second hand assets).

Under the declining-balance method, applicable straight-line rates are multiplied by 1.25 if the useful life of the asset is three to four years; by 1.75 if it is five to six years; and by 2.25 if it is longer than six years. For energy-saving equipment and investment in renewable energy, the coefficients are 2, 2.5 and 3. The coefficients are 1.5, 2 and 2.5 for purchases for R&D purposes (as part of the stimulus package, depreciation rates have been adjusted to enable quicker depreciation).

The annual depreciation charge may be applied until the last year of the asset's useful life, when the remaining depreciable value may be written off. Companies may switch between the double-declining and straight-line bases of depreciation at their discretion until depreciation under the former method is equal to depreciation under the latter. From that date, companies must use the straight-line basis. Whichever method is used, companies must take depreciation at least up to the amount that would be arrived at on a straight-line basis.

Certain activities are eligible for accelerated depreciation. Some types of expenditure qualify for depreciation over 12 months.

The law on growth and economic activity (also called the "Macron law") provided for an "additional depreciation" mechanism whereby companies subject to corporate income tax are entitled to an additional deduction from their taxable income, equal to 40% of the original cost (excluding financial expenses) of eligible assets that are used for the company's business and that are acquired or manufactured by the company between 15 April 2015 and 14 April 2016. The relevant assets must be eligible for depreciation under the declining-balance method and must fall within certain specified categories (e.g. specialized equipment for industrial, manufacturing or processing operations, facilities used for water purification and air quality improvement, tools for scientific or technical research activities etc.). Assets used by the company via a finance lease or lease with purchase option are also eligible. The extra deduction is spread over the normal useful life of the asset on a straight-line basis.

Subsequent legislation has extended the scope of the enhanced depreciation regime as follows:

- The Digital Republic Law adopted in October 2016 extends the 40% additional depreciation mechanism to qualifying assets acquired or manufactured until 14 April 2017 and broadened the scope to include certain computer equipment to be used for a computer "rack" and extend the benefit to coinvestments in optic fiber installations, thus allowing the owner and the holder of the right to use such equipment to split the deduction.
- The amended Finance Bill for 2015 extended the mechanism to apply to certain specific materials (e.g. optic fiber installations and equipment acquired between 1 January and 31 December 2016; natural gas or bio-methane trucks acquired between 1 January and 31 December 2016 and ski lift installations acquired between 15 April 2015 and 31 December 2016).
- The amended Finance Bill for 2016 further extends the scope of the exceptional depreciation regime to qualifying goods ordered before 15 April 2017, provided the order is accompanied by the payment of at least 10% of the total price and the actual acquisition takes place within 24 months of the order.
- The Finance Bill for 2017 further extends the scope of the exceptional depreciation regime to specific vehicles acquired between 1 January 2016 and 31 December 2017.

A special amortization allowance over five years also is granted for subscriptions made by companies in the share capital of innovative SMEs. The effective date for this measure will be set by a special decree.

Losses

Ordinary losses generally may be carried forward indefinitely, but may be offset against taxable profit of a given year only up to an amount equal to EUR 1 million, plus 50% of the taxable result in excess of the EUR 1 million threshold. Under certain conditions, losses also may be carried back to the previous year but only up to an amount of EUR 1 million.

Capital losses on the sale of shares qualifying for the participation exemption may be offset only against capital gains of the same nature. Additional limitations apply to the deduction of a capital loss on the sale of shares between related parties.

In addition to the above limitations, the right to carry forward losses can be challenged if there is a change in the tax regime or a significant change in the company's actual business. Losses may not be transferred to another company unless a ruling has been requested from the French tax authorities and certain commitments are respected.

3.4 Capital gains taxation

Capital gains derived by companies are taxed at the normal corporate rate of 33⅓% (reduced to 28% over the period 2017 to 2020, as applicable (see 3.3 above), plus the 3.3% social surcharge. As with dividends, a participation exemption applies to capital gains arising from the sales of shares that form part of a substantial investment if the shares have been held for 24 months. The taxable basis is 12% of the gross amount of the capital gain realized (i.e. the gain is 88% exempt), resulting in an effective maximum rate of 4.13% (assuming a 33⅓% standard corporate income tax rate).

Long-term capital gains on the sale of shares in real estate companies are taxed at a 19% rate, increased by the 3.3% corporate tax surcharge (see 3.3 above), when applicable.

3.5 Double taxation relief

Unilateral relief

French domestic law generally does not provide for a credit for foreign taxes. Income subject to foreign tax that is not exempt from French tax under the territoriality principle is taxable net of foreign tax paid. However, most tax treaties provide for a tax credit mechanism that generally corresponds to the withholding tax paid in the source country, but capped at the French tax actually due on the net income. The portion of the credit exceeding the cap is forfeited.

Tax treaties

France has a broad tax treaty network covering more than 100 countries. Treaties generally provide for relief from double taxation on all types of income; limit the taxation by one country of companies resident in the other; and protect companies resident in one country from discriminatory taxation in the other. France's treaties generally are based on the OECD model treaty and contain OECD compliant exchange of information provisions.

To obtain reduced withholding tax rates under a French treaty, a treaty resident generally must provide the payer of the French-source income with specific French tax forms before payment is made (Form 5000 usually is stamped by the foreign tax authorities, along with Form 5001, 5002 or 5003, depending on the nature of the income).

France Tax Treaty Network

Albania	Ethiopia	Lithuania	Russia
Algeria	Finland	Luxembourg	Saudi Arabia
Andorra	French Polynesia	Macedonia	Senegal
Argentina	Gabon	Madagascar	Serbia
Armenia	Georgia	Malawi	Singapore
Australia	Germany	Malaysia	Slovakia
Austria	Ghana	Mali	Slovenia
Azerbaijan	Greece	Malta	South Africa
Bahrain	Guinea	Mauritania	Spain
Bangladesh	Hong Kong	Mauritius	Sri Lanka
Belarus	Hungary	Mexico	St. Maarten
Belgium	Iceland	Moldova	St. Pierre & Miquelon
Benin	India	Monaco	Sweden
Bolivia	Indonesia	Mongolia	Switzerland
Bosnia-Herzegovina	Iran	Montenegro	Syria

Botswana	Ireland	Morocco	Taiwan
Brazil	Israel	Namibia	Thailand
Bulgaria	Italy	Netherlands	Togo
Burkina Faso	Ivory Coast	New Caledonia	Trinidad & Tobago
Cameroon	Jamaica	New Zealand	Tunisia
Canada	Japan	Niger	Turkey
Central African Republic	Jordan	Nigeria	Turkmenistan
Chile	Kazakhstan	Norway	Ukraine
China	Kenya	Oman	United Arab Emirates
Congo (Rep.)	Korea (ROK)	Pakistan	United Kingdom
Croatia	Kosovo	Panama	United States
Cyprus	Kuwait	Philippines	Uzbekistan
Czech Republic	Kyrgyzstan	Poland	Venezuela
Ecuador	Latvia	Portugal	Vietnam
Egypt	Lebanon	Qatar	Zambia
Estonia	Libya	Romania	Zimbabwe

3.6 Anti-avoidance rules

Transfer pricing

Under France's transfer pricing rules, an indirect transfer of profits is presumed where the French tax authorities can prove that a transaction was not conducted at arm's length or under equitable conditions between a taxable French entity and a foreign affiliate. A presumption may arise that the parties are operating in a dependent or controlled manner.

Prices between controlled parties must be the same prices that would have been agreed upon between unrelated parties in a comparable transaction and under comparable circumstances. Otherwise, the French company bears the risks of adjustments and withholding taxes on the profits presumed to have been transferred.

The French tax authorities bear the burden of proof when making an adjustment, unless it can be demonstrated that the foreign company enjoys beneficial tax treatment (i.e. when taxation is lower than 50% of the French corporate tax rate). The French company still may demonstrate otherwise.

Companies with turnover or gross assets of at least EUR 50 million must maintain contemporaneous transfer pricing documentation. Additionally, the French tax procedure code indirectly requires a taxpayer to have transfer pricing documentation available in the event of an audit and/or adjustment.

Country-by-country (CbC) reporting

The Finance Law for 2016 implements CbC reporting as a consequence of the OECD BEPS report on Action 13. The precise data to be included for French CbC reporting purposes will be specified by decree but should include economic, accounting and tax information for groups within the scope of the measure, and information on the activities and locations of group entities.

French companies subject to the reporting requirements will include companies which fulfill all of the following conditions:

- Prepare consolidated accounts;
- Hold or control, directly or indirectly, subsidiaries located abroad, or that have branches located abroad;
- Have annual consolidated group revenue of at least EUR 750 million; and

- Are not owned by another French entity already within the scope of the provision or a foreign entity within the scope of a similar provision under its local legislation.

Subject to certain conditions, a French subsidiary of a foreign group will also be subject to French CbC reporting when held by a foreign company not established in an "effectively transparent country" as listed in a further ministerial ruling. A future decree will provide more details, including on the format of the CbC.

The annual CbC report has to be filed with the French tax authorities within 12 months after a group's fiscal year end. Failure to comply with the CbC requirements will trigger penalties capped at EUR 100,000.

CbC provisions will apply to open fiscal years from January 2016.

Restrictions on tax deduction for financial expenses

Rates of interest paid by French corporate taxpayers to related parties are deemed to be arm's length if they do not exceed an index corresponding to the average annual floating rate applied by banks to two-year loans granted to businesses. If the interest rate exceeds that index (2.15% and 2.03% for the fiscal years corresponding to calendar years 2015 and 2016 respectively), the taxpayer will have to demonstrate that it would have paid a similar or higher rate to a bank in a comparable situation.

An interest deduction also may be disallowed where the interest payment exceeds certain limits. Interest paid to related parties will not be fully deductible if it simultaneously exceeds the following thresholds: (1) a related party debt-to-equity ratio of 1.5:1; (2) 25% of adjusted current profits (i.e. pretax operating and financial profits, increased by items such as intragroup interest and depreciation) for the year; and (3) interest income received from related parties (if the company uses the funds to finance other affiliated companies). Interest is deductible up to the amount corresponding to the highest of the above ratios/thresholds, with the possibility of carrying forward the nondeductible amount within certain limits (reduced by 5% each year as from the second year), unless the company can demonstrate that its own total debt-to-share capital ratio does not exceed the worldwide group's third party debt-to-share capital ratio.

The scope of the thin capitalization rules has been extended in certain circumstances to loans granted by a third party entity but guaranteed by a related company.

In addition, an antiabuse rule disallows interest expenses related to the leveraged acquisition of French related parties that become part of the acquiring company's French tax consolidated group.

Acquisition-related expenses are fully deductible only where the shareholding actually is managed from France. The burden of proof is on the taxpayer to demonstrate that decisions on share-related transactions are made in France and control of the subsidiary's management is effectively undertaken from France. Failing that, a portion of the interest expenses relating to the acquisition will be disallowed each year in an amount corresponding to the ratio between the acquisition price and the average of the overall company's indebtedness for the fiscal year concerned. This will apply until the end of the eighth fiscal year following the acquisition. The interest disallowance does not apply to situations in which:

- The value of the shares held by a company does not exceed EUR 1 million; or
- The French company demonstrates that the indebtedness ratio of the group is at least equal to its own; or
- The French company demonstrates that the loan was aimed at financing assets other than the shares.

Finance charges incurred by companies liable to corporate income tax are capped at 75% of their net amount on the portion of the charges that remain deductible after application of the other more specific restriction rules described above. To the extent that a company's finance charges exceed the 75% cap, they are forfeited, i.e. there is no carryforward of the excess. However, the interest cap will not apply when the total finance charges incurred (including charges disallowed under other limitation mechanisms) are below EUR 3 million (the threshold is increased in the case of a tax consolidated group).

Controlled foreign companies

The CFC rules apply to resident companies that directly or indirectly hold a participation of more than 50% in a foreign legal entity or permanent establishment that is established or constituted in a country with an effective rate of taxation that is at least 50% lower than that of France (i.e. the actual tax paid compared to the French tax that would be due on the income calculated under French GAAP). Companies subject to the CFC rules are assessed to tax in France on a pro rata amount of the income received, or deemed received, from such entity or permanent establishment. EU companies are outside the scope of the CFC rules (unless the structure was put in place to avoid tax). Under certain circumstances, the CFC rules also may not apply to a CFC that is outside the EU.

An antiabuse provision reduces the participation threshold to 5% where more than 50% of the shares in the foreign entity are owned by French companies or by foreign entities directly or indirectly controlled by a French company.

Dividends, interest, royalties and payments for services made to companies located in an NCST may be subject to a 75% withholding tax. The amended Finance Bill for 2016 allows the reduction of the 75% withholding tax rate for dividends under certain conditions (see 4.1 below).

Dividends received from entities located in NCSTs cannot benefit from the participation exemption unless it can be evidenced that the dividend paying entity carries on real activities that are neither designed to locate profits in such states and territories for tax fraud purposes, nor result in doing so.

Anti-hybrid rules

Under the anti-hybrid rule, interest paid by a French entity on a loan granted by an affiliated French or nonresident company is nondeductible for French corporate income tax purposes if the borrower is unable to show that the interest is subject to tax at the level of the recipient company at a rate equal to at least 25% of the tax that would have been due under the normal French rules. If the lender is not domiciled or established in France, the tax payable on the interest it receives must be equal to at least 25% of the corporate tax liability that would have been due in France had the company been domiciled or established in France.

The burden of proof of this minimum taxation is on the French borrower, who, upon a request from the tax authorities, would need to show that the interest it intends to treat as a tax-deductible expense is subject to such minimum taxation at the level of the lending company. Companies should ensure that they have adequate documentation prepared.

In addition, the French participation exemption regime does not apply to distributed profits that are deductible from the distributing subsidiary's taxable income (in accordance with the EU parent-subsidiary directive).

Special anti-avoidance rule

A general antiabuse rule in the amended EU parent-subsidiary directive implemented into French domestic law denies the withholding tax exemption on dividends paid by French companies to certain EU entities and disallows the benefits of the domestic participation exemption on dividends paid to French parent companies if these dividend payments result from an arrangement, the main purpose of which is to obtain a tax advantage that is contrary to the object or purpose of the directive and the arrangement is not genuine.

General anti-avoidance rule

The French tax authorities have the general power to disregard or recast all transactions, arrangements or legal acts that qualify as an abuse of law. This antiavoidance rule concerns every act that is fictitious or that, while attempting to benefit from a literal interpretation of legal dispositions or decisions as opposed to their drafter's purposes, would not be executed or entered into for a purpose other than avoiding French tax.

BEPS

The French government generally supports the OECD BEPS initiative. The following table summarizes the steps France has taken to implement the BEPS recommendations:

Action	Implementation
VAT on business to customers digital services (Action 1)	The EU VAT directive applies and is already implemented into domestic law.
Hybrids (Action 2)	Action 2 is implemented through domestic initiatives (an anti-hybrid rule for interest payments) and implementation of part of the amended EU parent-subsidiary directive.

	The de minimis clause of the amended EU parent-subsidiary directive has been transposed into domestic legislation by the Amended Finance Bill for 2016.
CFCs (Action 3)	The CFC rules are not expected to be amended.
Interest deductions (Action 4)	The tax code already includes various interest deduction limitation rules. It is not yet known when or whether the legislation will be amended.
Harmful tax practices (Action 5)	Informal discussions have taken place with respect to patent boxes. As a result, the French authorities may eventually have to modify the existing regime.
Prevent treaty abuse (Action 6)	France already has antiabuse clauses in some tax treaties. It is expected that more will be added either through bilateral treaties or the multilateral instrument. France is likely to follow the PPT.
Permanent establishment status (Action 7)	This is likely to be implemented as part of the multilateral instrument.
Transfer pricing (Actions 8-10)	The transfer pricing rules refer to the OECD guidelines, so the new recommendations are applicable immediately. No new laws are anticipated.
Disclosure of aggressive tax planning (Action 12)	The Constitutional Court previously rejected an attempt to introduce a rule in line with the recommendations of Action 12, but members of parliament may re-propose a measure.
Transfer pricing documentation (Action 13)	Existing rules are in line with the Action 13 recommendations and are widely used in practice. The legislation may be updated in future to require further information from businesses. The threshold for having to submit simplified transfer pricing documentation on an annual basis was lowered as from 2016, with all groups with at least one entity (not necessarily resident in France) with turnover/total assets exceeding EUR 50 million being required to file.
CbC reporting (Action 13)	CbC reporting has been introduced for open fiscal years from January 2016 for companies whose consolidated turnover exceeds EUR 750 million. France is one of the countries that signed a multilateral competent authority agreement for the automatic exchange of CbC reports.
Dispute resolution (Action 14)	France is one of the countries committed to binding arbitration.

3.7 Administration

Tax year

The tax year generally is the 12-month calendar year, although a taxpayer may choose a different year-end date and the tax year can be shorter or longer in certain cases.

Filing and payment

Companies operating in France are required to make advance payments of their annual corporate taxes in quarterly installments, due on 15 March, 15 June, 15 September and 15 December. An amount equivalent to 8⅓% of the previous year's earnings is payable for each of the four advance payments. A 5% flat rate surcharge is levied on late payments, plus interest of 0.4% per month.

Companies that posted losses in the previous year are not required to make advance payments and those forecasting lower profits may apply for a reduction or suspension of prepayments. New companies need not make advance payments in their first year of operation.

The final calculation and settlement of tax for the year must be made by 30 April of the year following the calendar year or within three months of the year end for a non-calendar financial year.

Late payment and late filing are subject to a 10% penalty. If additional tax is payable as a result of a reassessment of tax, interest is charged at 0.4% per month (4.8% per year). Special penalties can apply in the case of bad faith or abuse of law.

CbC reporting requirements, introduced as a consequence of the OECD BEPS report on Action 13, apply to open fiscal years from January 2016 (see 3.6 above).

Consolidated returns

The French tax code contains an optional tax consolidation regime, whereby French group companies may file a consolidated return. Consolidation allows the companies to aggregate the profits and losses realized by the individual group companies in determining a tax consolidated result (intragroup transactions are neutralized). The parent company then pays tax on behalf of the group.

To qualify for consolidation: (1) the head of the group must be a French company that is not at least 95% owned by another French company subject to corporate income tax; (2) the other members must be subject to French corporate income tax; and (3) the French parent must hold at least 95% of the share capital of the subsidiary (directly or indirectly) through other companies that are members of the same consolidated tax group. Following a decision of the Court of Justice of the European Union, French subsidiaries that are 95% indirectly held through an EU resident company (or a company resident in an EEA country that has signed a treaty with France containing an administrative assistance clause (e.g. Iceland and Norway)) can be part of the group.

However, groups can be consolidated either vertically (the traditional interpretation) or horizontally, as recent EU case law prompted a modification to French legislation that now permits French sister companies having a common EU parent company to form a horizontally consolidated group.

Although France allows the filing of a consolidated return with the aggregation of profits and losses, there are no provisions allowing for the actual surrender or transfer of losses between group companies.

Statute of limitations

The standard statute of limitations for corporate income tax purposes expires at the end of the third year following the year in which tax is due. The three-year period is extended to 10 years in certain cases (e.g. no return is filed in respect of activities carried out in France) or failure to disclose income from entities located in tax privileged countries. The French Treasury has four years from the issue of a collection notice to collect the taxes.

Tax authorities

The DGFiP is the French unified tax administration. The DGFiP is responsible for designing, developing and drafting tax bills and regulations. It also is responsible for the tax base and assessment operations, the issue of tax assessment notices and ensuring that all taxpayers comply with their tax obligations. The DGFiP conducts audits, and examines tax returns and expenditure receipts.

The Large Enterprises Directorate (DGE) is responsible for large companies whose turnover or gross assets exceed EUR 400 million. Large foreign companies that meet those requirements and have a permanent establishment in France fall within the scope of the DGE. This service also deals with companies that are members of a consolidated group when at least one member meets the above requirements.

Rulings

Rulings are increasingly becoming a regular practice. A special ruling procedure exists to confirm whether a foreign entity has a permanent establishment in France.

3.8 Other taxes on business

Financial transaction tax

A financial transaction tax applies to the following transactions:

- Purchases of shares of publicly traded companies with head offices situated in France, whose market capitalization exceeds EUR 1 billion, are taxed at a rate of 0.3% on the value of the transaction as from 1 January 2017 (increased from 0.2%). The Finance Bill for 2017 also extends the scope of the tax to qualifying intraday transactions as from 1 January 2018.
- High-frequency trading operations of securities performed by enterprises established in France are taxed at a rate of 0.01% on the amount of cancelled or modified orders above a certain ceiling.
- Purchases by French residents of credit default swaps on bonds issued by an EU member state that are not hedged by an underlying state bond or any other commitment of the same value, are taxed at a rate of 0.01% on the amount of the contract covered by credit default swaps. A number of exemptions are available, including for stock lending and market making activities.

Bank levy

A bank levy is payable by banks and financial institutions conducting specific high-risk activities who are subject to bank capital requirements under the monetary and financial code. The tax is payable by French resident companies and French branches of companies resident outside the EEA at 0.222% for calendar year 2017 on their minimum equity as prescribed under the code.

The tax is being progressively phased out, as the EU Single Resolution Fund, with an overlapping purpose, is being introduced. The systemic risk tax is scheduled to be phased out completely by 1 January 2019.

Apprenticeship tax and job training levy

The central government imposes an apprenticeship tax at 0.68% on the amount of salaries and wages paid and a levy on payroll to fund job training, with the amount of the levies depending on the size and type of company. These taxes are deductible for corporate income tax purposes.

Payroll tax

Corporations not subject to VAT, or whose turnover was at least 90% exempt from VAT in the preceding year, must pay a payroll tax. Banks and insurance companies are the main groups affected. The rates are 4.25% on individual salaries up to EUR 7,713; 8.5% on the portion of the salary between EUR 7,713 and EUR 15,401; 13.6% on the portion of the salary between EUR 15,401 and EUR 152,122, and 20% on the excess over EUR 152,122. The payroll tax is deductible for corporate income tax purposes.

4.0 Withholding taxes

4.1 Dividends

Dividends paid by a French company to a nonresident (company or individual) are subject to a final withholding tax of 30% calculated on the gross amount. If the dividends are paid to a person located in a noncooperative state and territory (NCST, a country included on a list issued by the French tax authorities), the rate is increased to 75%. The amended Finance Bill for 2016 allows a reduction of the 75% withholding tax rate provided the taxpayer can demonstrate that the dividend distribution was not made for the purpose of avoiding or evading French tax.

The withholding tax may be reduced or eliminated under an applicable tax treaty or the EU parent-subsidiary directive. Under the directive, dividends paid by a French corporation to a qualifying EU parent company are exempt from withholding tax if the parent holds at least 10% (5% in certain cases) of the shares of the French distributing company and has held that participation for at least two years (or intends to do so, with the appointment of a French tax representative). It also is necessary that the parties do not have any artificial arrangements in place for tax avoidance purposes. Dividends received from entities located in NCSTs cannot benefit from the participation exemption, unless it can be evidenced that the dividend paying entity carries on real activities that are neither designed to locate profits in such states and territories for tax fraud purposes, nor result in doing so.

A withholding tax exemption applies to dividends paid to certain EU or non-EU companies (except collective investment funds). This exemption applies to recipients of dividends located in the EU or in a non-EU country which has signed an administrative assistance agreement with France. The foreign parent must be in a loss position and in the process of liquidation at the time of the dividend distribution.

The domestic withholding tax exemption for dividends paid to EU companies is extended to companies located in the EEA. The parent company must hold 5% of the shares of the French payer and be unable to offset the corresponding tax credit (i.e. equivalent to the French domestic withholding tax) in its home country.

A general antiabuse rule in the amended EU parent-subsidiary directive implemented into French domestic law denies the withholding tax exemption on dividends paid by French companies to certain EU entities and disallows the benefits of the domestic participation exemption on dividends paid to French parent companies if these dividend payments result from an arrangement, the main purpose of which is to obtain a tax advantage that is contrary to the object or purpose of the directive and the arrangement is not genuine.

4.2 Interest

Interest payments made to a nonresident (company or individual) generally are exempt from withholding tax in France unless the payment is made to an entity or individual located in an NCST, in which case a 75% withholding tax applies.

Interest paid to a French resident is subject to corporate or personal income tax at the appropriate progressive income tax rate, depending on whether the recipient is a company or an individual.

4.3 Royalties

Royalties, commissions, consultancy fees and fees for services performed or used in France paid to a nonresident (company or individual) are subject to a domestic withholding tax of 33⅓%.This tax may be reduced or eliminated by an applicable tax treaty or where the EU interest and royalties directive applies to the payments. Where the payment is made to an entity or individual located in an NCST, a 75% withholding tax applies.

Royalties and fees paid to companies or individuals resident in France are not subject to withholding tax.

4.4 Branch remittance tax

The profits earned by a branch of a foreign company are deemed to be distributed to non-French shareholders and subject to a 30% branch tax. The branch tax is not due, however, if the foreign company is located in the EU and is subject to income tax with no possibility of opting out or of being exempt and the income is taxable in the relevant EU member state.

Many of France's tax treaties reduce the 30% withholding tax on branch profits. Under French law, the branch tax also can be reduced if the taxpayer demonstrates that the total income actually distributed to the foreign head office within the 12 months following the taxable year is less than the branch's net distributable profits and/or if part of the distribution made by the head office benefited French residents. In such a case, a claim must be filed with the tax authorities to obtain a partial or total repayment of the branch tax previously paid.

4.5 Wage tax/social security contributions

Social security contributions payable by the employer vary depending on the size and type of business and the location and amount to approximately 50% of gross pay for the employer. The employee also must pay social security contributions and surcharges, which are deducted at source from salary payments, with contributions of approximately 20% of salary.

5.0 Indirect taxes

5.1 Value added tax

VAT is levied on the supply of goods and services made within France, and on imports, except for those that are specifically exempt. VAT generally is payable by all manufacturers, wholesalers and retailers and by most service and transport businesses.

There are four VAT rates in France: a standard rate of 20%; two reduced rates of 5.5% (applicable to most food products for human consumption and other items) and 10% (applicable to takeaway foods and some pharmaceuticals); and one super-reduced rate of 2.1% that applies to some periodicals and medicines reimbursed by the social security system. Certain transactions are exempt or zero-rated.

Entities subject to VAT must register with the tax authorities. There is no turnover threshold.

VAT returns may need to be filed monthly, quarterly or annually, depending on the type of activities and other factors.

There is no VAT grouping mechanism in France; however, an optional consolidation regime allowing companies in the same group to consolidate their VAT payments is available to affiliated French companies connected by 50% ownership links that file monthly VAT returns, provided certain other conditions are satisfied. Under the regime, each member of the group files a VAT return on a stand-alone basis but the parent company of the group then may combine the returns into a consolidated monthly return and either pay the net amount of VAT due or claim a refund on behalf of the group.

5.2 Capital tax

Capital duty is levied only on a contribution to capital (consisting of real estate or a going concern) of a company subject to French corporate income tax by a contributor that is not subject to French corporate income tax (unless the contributing company undertakes to retain the shares received in exchange for at least three years).

Capital increases (in exchange for newly issued shares corresponding to the value of the contribution) trigger a capital duty of EUR 375 or EUR 500 if the capital value after the contribution is at least EUR 225,000, if the contributor is subject to French corporate income tax. If the contributor is not subject to French corporate income tax (and regardless of whether it pays French personal tax) and the contribution consists of real estate or a going concern, a registration tax is levied unless the contributor commits to hold the shares for three years.

Upon dissolution, a company pays a "*droit de partage*" equal to 2.5% of a company's net worth if the net worth is distributed pro rata to the shareholders.

Amounts paid to a shareholder exceeding its pro rata rights in the distribution are taxed as a sale. For share transfers, see under "Transfer tax," below.

5.3 Real estate tax

All French and foreign legal entities that directly or indirectly own real property in France are subject to an annual tax equal to 3% of the fair market value of the property (as determined on 1 January of the relevant year). Trusts and investment funds also are subject to the 3% tax.

See also below under "Transfer tax" and "Other taxes."

5.4 Transfer tax

The sale of real property is subject to a transfer tax at a maximum rate of 5.09% to 5.8%.

The sale of shares of an SARL or SNC (*société en nom collectif* or commercial partnership) is subject to a transfer tax equal to 3% of the sales price, decreased by a tax allowance that is equal, for each share, to EUR 23,000 divided by the total number of shares.

The sale of shares of an SA, SAS or SCA, however, is subject to a flat rate tax of 0.1% of the sales price.

A 5% rate applies if the company whose shares are transferred is a real estate company (i.e. more than 50% of the fair market value of the company's assets are comprised of French real property or real property rights).

Sales of a French going concern, a French clientele/customer list or leasehold rights are subject to transfer tax at a rate of 3% where the sale price is between EUR 23,000 and EUR 200,000 and 5% on the excess over EUR 200,000.

The same tax applies to the sale of intellectual property rights (other than patents) that are exploited in France.

5.5 Stamp duty

Stamp duties apply but they are nominal.

5.6 Customs and excise duties

Customs duty is imposed on goods imported into France from countries outside the EU upon their release for free circulation. The duty is based on the common customs tariff applicable in all EU member states.

Excise duties and environmental tax are due on certain goods (e.g. petroleum oils) at the time of release for consumption into France (i.e. at the time of the importation into France or release from a customs or excise suspension regime).

5.7 Environmental taxes

A general tax on polluting activities is levied on the storage and elimination of waste, the emission of polluting substances, the use or delivery of lubricating oils, washing powder and extraction materials, the issue of printed and graphic papers, and the home use of fuel. The rate and basis of computation of the tax vary depending on the category of pollutants.

An annual form must be submitted in April following the year for which the tax is due. In most cases, the tax must be paid in three installments and a final payment. Nonresident companies that are subject to the general tax on polluting activities must appoint a tax representative in France to fulfill the compliance obligations.

5.8 Other taxes

Territorial economic contribution (CET)

The CET is levied on resident and nonresident companies operating a French business. The CET has two components: the CFE (*contribution foncière des entreprises*), a real property tax and the CVAE (*cotisation sur la valeur ajoutée des enterprises*), a tax calculated on the adjusted gross receipts of the French business.

The CFE is an annual local tax payable by all companies that operate a business in France on a regular basis, unless a special exemption regime applies. The tax is based on the rental value of a company's tangible fixed assets which are utilized in its business. The CVAE is an annual local tax payable by companies whose turnover exceeds EUR 152,500. In theory, a flat rate of 1.5% applies. However, tax relief is granted to companies whose turnover does not exceed EUR 50 million. In practice, CVAE is not charged on companies whose turnover is less than EUR 500,000. The amount of CVAE and CET is capped at 3% of the added value generated during the fiscal year.

6.0 Taxes on individuals

France Quick Tax Facts for Individuals	
Income tax rate	Progressive to 45%
Additional contribution for high remuneration	3%/4%
Capital gains tax rate (other than real estate)	Progressive to 45%
Capital gains tax rate (real estate)	19%
Basis	Worldwide income (if resident in France)
Double taxation relief	No (but most tax treaties provide for a tax credit mechanism)
Tax year	Calendar year
Return due date	18 May (extensions when filed electronically)
Withholding tax	
• Dividends	21%/30%
• Interest	0%
• Royalties	33⅓%
Net wealth tax	0.5% to 1.5%
Social security	20% (approximate)
Inheritance/gift tax	5% to 45%
Real property tax	Varies
VAT	20% (standard rate)/2.1%, 5.5%, 10% (reduced rates)

6.1 Residence

An individual is considered to be resident in France if he/she meets any of the following criteria:

- The individual's home or principal abode is in France;
- The individual's principal place of residence is in France;
- The individual carries on his/her profession, occupation or employment in France (unless the activities in France are of secondary importance); or
- The individual's center of economic interests is in France.

6.2 Taxable income and rates

An individual resident in France (whether a French or foreign individual) is subject to French income tax on his/her worldwide income. An individual who is not resident in France is taxed only on his/her French-source income and on capital gains derived from the disposal of certain French assets.

Taxable income

For personal income tax purposes, taxable income is the aggregate of net income or profits in specified categories. These are income from employment, business income, professional income, investment income, real estate income and capital gains. Taxable compensation paid by an employer includes all benefits-in-kind, such as the private use of a company car and company provided housing.

Employment income includes wages and salaries (usually computed on a cash basis) and all allowances and benefits-in-kind. Benefits-in-kind normally are taxed at their fair market value.

Foreign individuals who come to France and become tax residents of France are exempt from income tax on the following:

- Remuneration components linked to their assignment in France (or, for individuals directly hired from abroad by a French company, a maximum of 30% of their remuneration), subject to caps and conditions;
- The part of the remuneration relating to a professional activity carried out abroad and 50% of certain foreign-source passive income (e.g. dividends, interest, etc.); and
- 50% of capital gains on the disposal of foreign shares.

Retirement pensions normally are taxable in full, subject to a 10% abatement (capped at a set amount published by the tax authorities). Certain social security benefits (i.e. those paid on absence from work due to illness, parental leave, work injuries etc.) are taxable, but others are not.

Business profits of individuals generally are computed in the same way as those for companies.

Dividends received from French companies are included in taxable income (with some exceptions). Interest derived from most sources is taxable.

Taxable capital gains include gains from the sale of movable property, land and buildings (but not bonds or the taxpayer's principal residence).

Capital gains derived by an individual from the disposal of a business are taxed as part of his/her business income. Nonbusiness gains are taxed as ordinary income.

Capital gains from the disposal of movable assets (e.g. securities, bonds, shares etc.) are taxed as ordinary income at progressive rates ranging from 0% to 45%. In addition, special social security surcharges apply for French residents, amounting to approximately 15.5%. Gains are eligible for "taper" relief that increases in line with the length of time for which the assets are held. Capital gains from the disposal of immovable property are taxed at the special flat rate of 19%, plus special social security surcharges.

Certain exemptions are available. For example, capital gains derived from the disposal of real estate or any rights relating to real estate are tax exempt when the sale price is less than EUR 15,000.

As a general rule, income is aggregated to determine a net taxable base to which progressive tax rates are applied, although certain types of income and capital gains are taxed at flat rates.

Deductions and reliefs

Various deductions are allowed in calculating taxable income. All expenses connected with generating income are deductible unless reimbursed by the taxpayer's employer or otherwise. A taxpayer may opt to deduct all documented expenses or take a flat rate deduction.

French and foreign mandatory social security contributions generally are deductible from gross remuneration and a 10% deduction is applied to the net taxable remuneration up to an annual maximum (EUR 12,183 for 2016). The 10% deduction is intended to cover an employee's professional expenses. Where actual expenses are greater than the 10% deduction, they may be claimed instead. Tax deductions also are available for a variety of activities and transactions, including various forms of retirement planning, investment in local business start-ups and borrowing to finance a new company, interest on loans to finance the transfer of a family business to other family members and for the purchase or medium-term lease of an environmentally friendly car.

There are deductions for school-age children. A tax credit of 50% of the cost of outside childcare may be deducted for children younger than age six. Other deductible expenses, within limits, include alimony and support for dependents (children and parents), charitable donations and costs of residence in a long-term care home, including for dependents. There are tax incentives for borrowers purchasing their first home and tax credits for investment in home improvements. Deductions can be taken for the effect of inflation on property transactions. Other deductions include certain investment and legal costs. Losses from the rental of real property, as well as mortgage interest payments, generally are deductible from overall taxable income, although there are ceilings depending on the type of investment.

Foreign executives working in France may receive special exemptions, and different treatment of allowances may apply. The tax authorities take a generous approach to deductions for expatriates because they want to make France attractive for foreign investment. Individuals and their employers can maximize the use of the existing deductions.

Rates

Personal income tax rates in France are progressive, ranging from 14% to 45% (plus special social security surcharges for French residents, amounting to a maximum of 15.5%). In 2017, the rates for income earned in 2016 apply as follows:

- 14% on the portion of income between EUR 9,710 and EUR 26,818;
- 30% on the portion of income between EUR 26,818 and EUR 71,898;
- 41% on the portion of income between EUR 71,898 and EUR 152,260; and
- 45% on the portion exceeding EUR 152,260.

The amount of income tax payable depends, in part, on the number of dependents because French income tax is calculated using the “family quotient” system. Under this system, the total taxable income of the family is divided into a number of units, and the tax applicable to a single unit is multiplied by the total number of units to yield the total amount of tax payable. A couple (regardless of whether they are married or in a civil partnership) without dependent children must calculate the tax due on two incomes (two units). A couple with two children pays tax equal to that due on three incomes (three units), since each of the first two children is counted as one-half of a unit.

Rates applicable to individuals not resident in France are similar to the progressive rates for resident individuals. However, nonresident individuals also can be subject to withholding tax (at rates ranging from 0% to 20%) on their employment income, a portion of which can be credited against the income tax due under the progressive rates.

Dividends paid to a resident are taxed as ordinary income at the progressive rates, although resident individuals are entitled to an allowance equal to 40% of the net dividends received. A compulsory 21% withholding tax is imposed on dividends, which is treated as an advance payment of the final liability on the income.

Interest paid to a resident individual is taxed as ordinary income at the progressive rates. A compulsory 24% withholding tax is imposed on interest, which is treated as an advance payment of the final liability on the income.

Capital gains on investment income (i.e. gains from the sale of shares or securities) are taxed at progressive rates as described above for both residents and nonresidents (plus special social security surcharges of 15.5% for residents). Gains are eligible for taper relief that increases in line with the length of time for which the assets are held.

An additional contribution applies at progressive rates to the “income tax reference” amount (ITR). The contribution applies on the part of the ITR that exceeds EUR 250,000 for a single individual and EUR 500,000 for a couple who are married or in a civil partnership. For single persons, the rate is 3% on ITR between EUR 250,000 to EUR 500,000, and 4% on ITR in excess of EUR 500,000. For married couples or those in a civil partnership, the 3% rate applies on ITR of EUR 500,000 to EUR 1 million and a 4% rate applies to the excess. The ITR is comprised of net income and capital gains included in the individual income tax base before the deduction of certain charges and after adding income tax relief granted (i.e. exemptions and reductions) and income subject to withholding tax. The measure will remain in effect until the government achieves a zero deficit.

6.3 Inheritance and gift tax

France's approach to inheritance and gift tax is to tax the property in the hands of the beneficiaries rather than taxing the estate or the donor. The tax rate depends on the degree of relationship between the deceased/donor and the beneficiary. Transfers between close relatives are subject to tax at rates from 5% to 45%, after a rebate (e.g. up to EUR 100,000 per child).

6.4 Net wealth tax

A net wealth tax is levied on individuals who are tax residents of France in 1 January of the year. The tax is imposed on the individual’s worldwide assets (subject to the provisions of an applicable tax treaty) where the net value of the assets exceeds EUR 1.3 million per household. Nonresidents of France are liable to the net wealth tax only on assets located in France; French financial investments owned by nonresidents are exempt.

Various exemptions apply, including an exemption for professional assets. There is a deduction of 30% on the fair market value of the individual’s principal residence. In addition, taxpayers can benefit from a reduction equal to 50% of the amount invested in the capital of unlisted small or medium-sized companies or donated to nonprofit organizations up to a limit of EUR 45,000, and small deductions for dependents are allowed.

Net wealth tax rates apply as follows:

- 0.5% on the portion of the asset valued between EUR 800,000 to EUR 1.3 million;
- 0.7% on the portion of the asset valued between EUR 1.3 million to EUR 2.57 million;
- 1% on the portion of the asset valued between EUR 2.57 million to EUR 5 million;
- 1.25% on the portion of the asset valued between EUR 5 million to EUR 10 million; and
- 1.5% on the portion of the value exceeding EUR 10 million.

Wealth tax is self-assessed and must be paid at the time the tax return is submitted. The wealth tax return is consolidated with the French income tax return for taxpayers whose net wealth is between EUR 1.3 million and EUR 2.57 million.

6.5 Real property tax

Owners of real property are liable to a tax based on the assessed rental value of the property. Occupants are liable for a dwelling tax based on the rental value of the property as assessed by the tax authorities.

6.6 Social security contributions

France's mandatory national social insurance system comprises several regimes, covering health (including maternity, disability and death), retirement, family allowances, housing benefits, and occupational accidents and illness. Financed by both employers and employees, social security contributions fund the universal healthcare system and a complementary health insurance regime. Some employers partially fund the supplementary contributions.

Employee contributions are deducted at source from salary payments, with contributions of approximately 20% for the employee.

Foreigners working in France are liable for French social security contributions. However, they may be allowed to defer the commencement of such contributions if they remain contributors in another EU member state or in a country that has signed a reciprocal agreement with France.

6.7 Other taxes

France imposes a withholding tax on amounts paid to nonresidents for salaried activities carried out in France. For 2017, the tax is levied at progressive rates: 0% on amounts up to EUR 14,461, 12% on amounts between EUR 14,461 and EUR 41,951, and 20% thereafter. The withholding tax will be refunded if the tax paid exceeds the amount that would have been due under normal domestic rules, but the individual must file a claim to obtain the refund.

6.8 Compliance

The tax year generally is the calendar year, i.e. personal income tax is assessed on income received in a calendar year.

An individual liable to personal income tax is required to file a return by 18 May of the year following the tax year (an extension is available when the return is filed electronically). Married persons file a joint tax return, with no option to file separately after the year of marriage or before the year of divorce.

Tax due may be paid in three installments or 10 installments if an election is made for monthly payments.

Late payments and late filing are subject to a 10% penalty. If additional tax is payable as a result of a reassessment of tax, interest is charged at 0.4% per month (4.8% per year). Special penalties can apply in the case of bad faith or abuse of law.

Individuals are required to declare any bank accounts and life insurance policies held outside France on an attachment to the annual income tax return. Failure to comply with this obligation may give rise to penalties and/or fines.

Trusts and their trustees are required to report on the trust's French assets, their French beneficiaries and French settlors. Failure to comply with this reporting obligation will trigger a penalty of EUR 10,000. Moreover, if the trust assets have not been subject to net wealth tax, a special tax of 1.5% will be levied regardless of whether the settlor or any of the beneficiaries are residents of France, or if the trustees hold French assets or rights, such as shares in a real estate company. However, the withholding tax will not be due if the assets have been declared by the settlor (and subject to the wealth tax), and there has been compliance with the disclosure obligations.

7.0 Deloitte International Tax Source

The Deloitte International Tax Source (DITS) is a free online database that places up-to-date worldwide tax rates and other crucial tax information within easy reach. DITS is accessible through mobile devices (phones and tablets), as well as through a computer.

Connect to the source and discover:

A database that allows users to view and compare tax information for different jurisdictions that includes:

- Corporate income tax rates;
- Historical corporate rates;
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