

# France



 **Capital city:**  
Paris

 **Language:**  
French

 **GDP/capita**  
2015:  
USD 36 206

 **Telephone code:**  
+33

 **Superficy:**  
672 369 km<sup>2</sup>

 **Political system:**  
Semi-presidential  
unitary  
constitutional  
republic

 **Currency:**  
Euro

 **National day:**  
July 14th

 **Population:**  
67'314 M.

 **ISO Code:**  
FRA



## 1. Corporate taxation

### 1.1 Taxes on entities

Companies and entities subject to company tax are taxed on their profits (tax result).

The tax result is in general very close to the accounting profit before tax.

### 1.2 Residence or non-residence

A company is liable for company tax in France if it is a French company or if it has a permanent establishment in France.

For this, it must have in France:

- its registered office;
- its main establishment;
- a fixed place of business; or
- property income.

However, some entities are excluded from company tax, such as:

- non-profit associations;
- public authorities;
- farming cooperatives;
- mutuals.

### 1.3 Tax year and filing

A company's annual tax return covers a period identical to that of its financial year. i.e., generally 12 months.

It must be declared to the administration electronically. The deadline for declaration is set at 3.5 months after the end of the financial year.

The payment of the tax must be made no later than 3 months after the end of the financial year.

4 quarterly tax instalments must be paid each year.

## 1.4 Types of income

The taxable profit is very close to the company's accounting profit.

However, certain adjustments must be made.

There are limits for the deduction of expenses concerning:

- vehicle costs;
- aid to subsidiaries;
- luxury item expenses;
- interest paid to shareholders.

Provisions are deductible when they relate to a deductible expense, clearly stated, with a probable risk of realisation.

However, provisions on goodwill must be deducted with precaution. A test of value on the goodwill must be carried out each year.

There are company tax exemption possibilities for entities which set up business in certain development areas in the territory.

## 1.5 Group income and grouping arrangements

It is possible for groups of companies to opt for a tax integration regime which allows them to consolidate the different profits of the companies of the group and also the losses. Company tax savings can thus be made.

To do so, the parent company must own at least 95% of the capital of its subsidiaries.

This regime allows to fiscally secure the relations between the parent company and its subsidiaries.

## 1.6 Capital gains

Capital gains are subject to company tax. However, an exemption is possible for transfers of less than EUR 500,000 and under certain conditions.

Capital gains on shares are taxed at 4%, if they concern securities held for more than 2 years and at least 5% of the capital.

Other capital gains on shares are taxed at 33.33%.

## 1.7 Losses

Tax losses are deductible from the taxable profits, without any time limits.

In case of a merger with changes of activity, the deficits may be lost.

## 1.8 Exemptions

The financial income (dividends and similar) from subsidiaries is exempt for 95%, when these interests have been held for over 2 years.

For this, the holding must represent:

- at least 5% of the capital;
- or over EUR 22,800,000.

## 1.9 Rates

The tax rate is set at:

- for SMEs 33.33%  
(15% for the share of profits below EUR 38,120 and 28% between EUR 38,120 & EUR 75,000 ).
- for large companies 38.00%

The entity subject to company tax may benefit from various tax credits that allow to significantly reduce the amount of tax due, such as:

- the research or innovation tax credit;
- the tax credit to aid competitiveness and promote employment.

## 1.10 Double tax relief

The tax treaties signed by France enable to avoid double taxation.

## 2. Personal income taxation

### 2.1 Tax base

Individuals are liable for tax on French income for their entire income, regardless of the origin or place of this income.

However, the tax treaties concluded between the States allow, for income earned outside of France, to limit double taxation.

In addition to income tax, some taxpayers are liable for wealth tax.

### 2.2 Residents and non-residents

The persons liable for personal tax are:

- those whose tax domicile is located in France;
- or those who have stayed in France for more than 183 days;
- or those who carry out their main professional activities in France;
- or those who have the centre of their economic interests in France.

### 2.3 Tax year and filing

The tax return for individuals is sent to the administration no later than by the end of May of each year. It covers the income of the previous year. No later than by the end of September, the administration sends a notice of taxation concerning the total tax to pay, the advance payments already made and the balance.

The income tax is paid by instalments from February to November of each year.

For 2018, the payment of income tax is planned by a withholding tax.

### 2.4 Types of income

Income is divided into 4 major categories:

- salaries, wages and pensions;
- investment income;
- property income;
- other professional income: commercial, non-commercial, agricultural.

Salaries, wages and pensions are liable for income tax for their net amounts.

Investment income includes 2 main categories:

- share dividends: they are subject to income tax after a 40% rebate. A withholding at source of 20% is implemented, except for low-income taxpayers;
- fixed-income investment products, remunerated by an interest rate (bond, deposit, debt). They are subject to income tax with a withholding at source of 24%, except for low-income taxpayers.

Property income corresponds to real estate income.

Real estate rents are liable for income tax after deduction of rental charges.

Other professional income includes the following categories:

- industrial and commercial profits (traders, craftsmen);
- non-commercial profits (self-employed professionals);
- profits from farming activities.

The profits are liable to income tax according to rules which are substantially identical to those of companies liable to corporate tax.

## 2.5 Capital gains

The capital gains made on the sale of real estate property are taxed at a fixed rate of 19%, with a rebate depending on the number of years the property was held.

The capital gains on transfers of securities are liable to income tax with rebates depending on the period during which the securities were held.

## 2.6 Losses

Only the losses on professional activities are deductible.

## 2.7 Exemptions

There are various tax credits and reductions to reduce income tax.

These tax reductions and credits relate to real estate and working from home (main residence).

## 2.8 Allowances and rates

The tax rate is progressive:

- 0% up to EUR 9,710
- 14% for the tranche of income from EUR 9,710 to EUR 26,818;
- 30% for the tranche of income from EUR 26,818 to EUR 71,898;
- 41% for the tranche of income from EUR 71,898 to EUR 151,260;
- 45% for the tranche of income above EUR 151,260.

The income tax tranche corresponds to the total net taxable income of the taxpayer and his spouse and all the dependent persons in the household.

The total thus determined is divided by the number of dependent persons.

## 2.9 Social security

- C.S.G.: General social contribution (contribution sociale généralisée)

The following income already liable for income tax is also liable for the CSG:

- investment income;
- property income;
- capital gains.

The CSG rate is 15.5%.

- Social security, retirement, unemployment:

Employees have contributions of 22% withheld by their employers.

Employers also pay contributions of between 20% and 45%.

Professionals (traders, craftsmen and farmers) must pay contributions of between 40% and 50% of their profits or remuneration.

## 2.10 Expatriates

The place of residence for tax purposes enables to determine the place of taxation of the individual.

There are no specific measures applicable to the year of the transfer from France to another country, or vice versa.

There is no specific tax scheme for expatriates.

## 2.11 Options

Stock options are considered as elements of remuneration liable to income tax and social security contributions.

	Income tax	CSG (general social contribution)
Excess discount before the exercise of the option	Taxable	Liable for the CSG at 8%
Capital gains recognised when the option is exercised	Taxable on the transfer of shares. Employer rate: 30% Employee rate: 10%	Liable for the CSG at 8%
Capital gains on disposals	Taxable	Taxable at 15.5%

## 2.12 Associations

- Non-profit associations are not taxed.
- Associations engaged in a gainful activity are taxed in the same way as companies.
- De facto companies engaged in a gainful activity are taxed in the name of the members.

## 2.1 Pensions

Pensions are generally taxed as a wage.

# 3. Inheritance and gift tax

## 3.1 Residents and non-residents

If the deceased was resident in France, all the assets located in France or abroad are taxable in France.

If the deceased was resident abroad, there are 2 possibilities:

- if the beneficiary is resident in France, all the assets located in France or abroad are taxed;
- if the beneficiary is resident abroad, only the French assets are taxed.

Tax treaties also allow avoidance of double taxation.

## 3.2 Rates

Inheritance and gift tax are due on the value of moveable property and real estate located in France or outside France.

The tax treaties allow to avoid double taxation.

The assets are valued at their net values at the time of the death or of the gift.

<b>Tranches</b>	<b>Rates</b>
Up to EUR 8,072	5%
EUR 8,072 to EUR 12,109	10%
EUR 12,109 to EUR 15,932	15%
EUR 15,932 to EUR 552,324	20%
EUR 552,324 to EUR 902,838	30%
EUR 902,838 to EUR 1,805,677	40%
Above EUR 1,805,677	45%

There are ways to reduce inheritance tax, in particular concerning businesses and life insurance.

## 4. Wealth tax

Persons whose assets exceed EUR 1,300,000 are liable to wealth tax.

Wealth tax varies between 0.5% and 1.5%, depending on the amount of the assets.

## 5. Value Added Tax

### 5.1 Rates

The VAT rates are as follows:

- 2.1% for medicines;
- 5.5% for foodstuffs, etc.;
- 10% for housing, catering, etc.;
- 20% for other products.

## 5.2 Declaration and payment

Generally, declarations are made monthly and paid on the 21<sup>st</sup> or 24<sup>th</sup> of each month.

It is also possible for very small businesses to pay their VAT quarterly or in two semi-annual instalments.

## 6. Other taxes

There are a large number of taxes due by companies or individuals.

To mention some of the main taxes,

- Due by companies:
  - corporate real estate tax;
  - contribution to the added value of companies;
  - registration fee on transfers of goodwill and securities;
  - tax on company cars;
  - tax on commercial surfaces;
  - wage tax.
  
- Due by individuals:
  - wealth tax;
  - council tax;
  - property tax;
  - tax on buildings.

## 7. Foreign income

These taxes are treated in the framework of the tax treaties signed by France.

These treaties allow to avoid cases of double taxation (France/foreign), by means of a credit or an exemption.

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