France
Country Profile

EU Tax Centre

July 2015

Key tax factors for efficient cross-border business and investment involving France

EU Member State Yes

Double Tax Treaties With:

Albania	Central Africa	Iceland	Macedonia	Oman	Sweden
Algeria	Chile	India	Madagascar	Pakistan	Switzerland
Andorra[a]	China	Indonesia	Malawi[e]	Panama	Syria
Argentina	Congo	Iran	Malaysia	Portugal	Taiwan[d]
Armenia	Croatia	Rep. of	Mali	Qatar	Tajikistan[b]
Australia	Cyprus	Ireland	Malta	Quebec	Thailand
Austria	Czech Rep.	Israel	Mauritania	Romania	Togo
Azerbaijan	Ecuador	Italy	Mauritius	Russia	Trinidad &
Bahrain	Egypt	Ivory Coast	Mayotte	Saudi	Tobago
Bangladesh	Estonia	Jamaica	Mexico	Arabia	Tunisia
Belarus[b]	Ethiopia	Japan	Monaco	Senegal	Turkey
Belgium	Finland	Jordan	Mongolia	Serbia[c]	Turkmenistan[b]
Benin	French	Kazakhstan	Montenegro[c]	Singapore	UAE
Bolivia	Polynesia	Kenya	Moldova[b]	Slovakia	Ukraine
Bosnia &	Gabon	Kyrgyzstan[b]	Morocco	Slovenia	UK
Herzegovina[c]	Georgia	Rep. of Korea	Namibia	South	US
Botswana	Germany	Kuwait	Netherlands	Africa	Uzbekistan
Brazil	Ghana	Latvia	New Caledonia	Spain	Venezuela
Bulgaria	Greece	Lebanon	New Zealand	Sri Lanka	Vietnam
Burkina Faso	Guinea	Lithuania	Niger	St. Martin	Zambia[e]
Cameroon	Hong Kong	Libya	Nigeria	St. Pierre &	Zimbabwe
Canada	Hungary	Luxembourg	Norway	Miquelon	

Notes:
(a) Treaty signed on April 2, 2013 and will enter into force on January 1, 2016.
(b) Treaty concluded between France and the former USSR.
(c) The treaty concluded between France and the former Yugoslavia.
(d) France adopted domestic rules aiming at avoiding double taxation between France and Taiwan comparable to those stipulated the OECD Model Tax Convention.
(e) Extension of the 1950 treaty with the United Kingdom.

Forms of doing business

Société Anonyme (SA), i.e., a corporation
Société par Actions Simplifiée (SAS), i.e., a simplified joint-stock company

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Legal entity capital requirements	No capital requirements for establishing a SAS. However, capital requirements apply to a SA (EUR 37,000 when unlisted; EUR 225,000 when listed company).
Residence and tax system	Test of residence of a company: official registered head office and/or effective place of business and management. French resident companies are taxed on French source income only (territorial system).
Compliance requirements for CIT purposes	Fiscal year is the civil year, but companies are free to have a different financial year. Companies subject to CIT must file a tax return within three months of fiscal year-end or by the second business day following May 1 if the company's fiscal year ends on December 31.
Tax rate	The standard corporate income tax rate ranges from 33.33 to 38 percent plus 3 percent on distributed income.

Withholding tax rates

On dividends paid to non-resident companies

30 percent. 75 percent for non-cooperative jurisdictions.

On interest paid to non-resident companies

0 percent. 75 percent for non-cooperative jurisdictions.

On patent royalties and certain copyright royalties paid to non-resident companies

33.33 percent. 75 percent for non-cooperative jurisdictions.

On fees for technical services

33.33 percent. 75 percent for non-cooperative jurisdictions.

On other payments

On wages paid to a non resident or artistic income

Branch withholding taxes

30 percent except within the EU and can be reimbursed or partially reimbursed subject to conditions.

Holding rules

Dividend received from resident/non-resident subsidiaries

Exemption method (95 percent):

- participation requirement: 5 percent of the share capital for shares with both voting and financial rights;
- minimum holding period: two years;
- taxation requirement : subject-to-tax requirement.

+ New limitation (implementation of PSD)

Capital gains obtained from resident/non-resident subsidiaries

Generally subject to standard tax rate. Reduced rates apply to specific gains:

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- an 88 percent exemption applies to gains on the sale of substantial shareholdings held for more than 2 years (except if based in non-cooperative jurisdictions);
- a 19 percent levy applies, subject to conditions, to capital gains on the disposal of shares in listed real estate companies;
- a 15 percent levy applies to royalties from licensing (and sublicensing if the FY began on or after January 1, 2011) and capital gains realized on transfer of patents, patentable inventions and manufacturing processes.

Tax losses

Losses may be carried forward indefinitely. However, the amount is limited to the first EUR 1,000,000 of profits and 50 percent of the profits in excess of EUR 1,000,000.

Corporate taxpayers also have the option, with certain restrictions, to carry losses back for 1 year to set them off against the previous year's profits up to EUR 1,000,000, in which case they are entitled to a tax credit. The tax credit may be used during the following 5 years. If it is not used within the 5 years, the tax credit may be refunded in the sixth year.

Tax consolidation rules/Group relief rules

Yes, the income of a group of companies may be consolidated. Under the tax group regime (intégration fiscale), the income and losses of resident companies within a 95% group may be aggregated and taxed in the hands of the parent company of the group.

Registration duties

Fixed (from EUR 125) or proportional (max. 5 percent)

Transfer duties

On the transfer of shares

As of August 1, 2012, the transfer of stocks are subject to the FTT (0.2 percent) or transfer duties of 0.1 percent. The transfer of shares is subject to transfer duties of 3 percent above an exempt amount of EUR 23,000.

On the transfer of land and buildings

5.09 percent (+ notary fees). Possibility for district councils to increase to 5.80665 percent from March 1, 2014 to February 29, 2016.

Stamp duties

Yes, depending on transactions.

Real estate taxes

Yes

Controlled Foreign Company rules

Profits made by a controlled foreign entity (i.e. 50 percent held subsidiary or 5 percent if French entities jointly hold more than 50 percent) or a permanent establishment subject to a favorable tax regime in its local jurisdiction are subject to tax in France. Safe harbor clause may apply under specific conditions (notably, within EU).

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Transfer pricing rules	General transfer pricing rules Yes, transfer pricing rules exist and supporting documentation is required. Penalties apply if documentation is not available. Interest and royalties paid to recipient established in a tax shelter are not tax deductible unless the paying entity proves that such payments relate to effective transactions and that they are charged at arm's length. Documentation requirement Yes: abridged documentation on TP to be filed each year, plus possibility for the administration to require information on foreign rulings, consolidated accounts, and cost accounting.
Thin capitalization rules	Yes. Thin cap rules apply to all loans and advances between companies belonging to the same group for financial years ending on or after December 31, 2010. French thin cap rules now extend to all loans which, while taken out from a third party company, are guaranteed by an affiliated company (subject to certain exceptions). However, loans entered into before January 1, 2011, for purposes of a share purchase transaction, or the refinancing thereof, will not be subject to these rules. The standard thin capitalization rules limit the tax deductibility if the three following thresholds are met: ■ The intragroup loan exceeds 1.5 times the net equity (or share capital if higher); ■ The interest exceeds 25 percent of the EBIDA (roughly); ■ The intragroup interest borne exceeds intragroup interest received. A new limitation of interest deduction on loans between related parties has been introduced and is applicable to financial years closed as from September 25, 2013. It applies before any other interest limitation provision, such as the thin capitalization rules or the general 25 percent reduction. The deduction is allowed only if the lender is subject, during the same tax year, to an income tax on the interest received, equal to at least 25 percent of the French standard corporate income tax which would have been due had the lender been a French tax resident.
General Anti-Avoidance rules (GAAR)	Yes. The French tax authorities are entitled to make tax reassessments based on abuse of legal provisions (fictitious or exclusively tax-driven transactions).
Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions	Yes. Abnormal act of management theory (transaction depriving the enterprise from revenues it should have normally received). Specific rules apply to payments/transactions with non-cooperative jurisdictions. In addition, interest expenses which are incurred for the purchase of non-portfolio shareholdings (especially foreign shareholdings) which are not effectively

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	managed from France are disregarded.
Advance Ruling system	Yes
IP / R&D incentives	Software acquired can be fully tax depreciated in the first 12 months. Enterprises conducting fundamental or technical research in France or abroad may qualify for a very favorable R&D tax credit under certain conditions. The licensing and transfer of patents are favorably treated (reduced 15 percent rate on the proceeds and deduction of most of the expenses at the standard rate).
Other incentives	No
VAT	The standard rate is 20 percent, and the reduced rates are 10 and 5.5 percent.
Other relevant points of attention	No

Source: French tax law and local tax administration guidelines, updated 2015.

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