DOING BUSINESS IN
FRANCE

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TO SET UP A BUSINESS IN FRANCE YOU CAN EITHER:

Open a branch or choos one of the different forms of business as asubsidiary

orcom	BRANCH	SUBSIDIARY
Independence	No legal personality: it is managed by a representative of the parent company, but it has its own clientele and retains some freedom in management regarding • logistics, • business choices, • merchandise management	The subsidiary is controlled by a parent company. However, it has its own legal personality and is autonomous in terms of accounting
Decision to create	Decision of the manager of the foreign company it depends on	Created by the partners, the founding shareholders. Decision made in the General Assembly.
Selection of the activity	Obligation to carry out the same activity as the company it depends on	The choice is left to the group of partners / autonomous activity
Representation	Acts on behalf of the company it depends on	Acts in its own name
Taxation	Even though the branch is part of a foreign company, it is taxed as a French company on its results generated in France. Corporate tax (IS) applies only to profits made in France. The branch must determine and declare the French profits it generates independently of the parent company. If the branch carries out activities subject to VAT, it must comply with French VAT tax obligations. The branch may be subject to other local taxes such as CFE and CVAE and must prepare separate accounts for its operations in France, although these accounts are included in the financial statements of the parent company. It must: • Declare its tax results in France via form 2065; • Maintain accounting records in compliance with French standards; • Keep accounting documents for a period of 6 years.	The subsidiary is subject to value-added tax (VAT). In France, it is taxable under corporate tax separately from the parent company, or income tax depending on the choice of legal structure. If the subsidiary is owned by more than 95% by the parent company, it is possible to set up a holding structure for tax consolidation in order to centralize taxation. It is also possible to establish a parent-subsidiary regime to simplify the group's taxation.
Assets	Assets merged with those of the parent company	Own assets
Liability	Unlimited liability of the parent company	No liability of the parent company in case of a dispute
Decision-making bodies	Absence of administrative bodies; management carried out by a legal representative designated by the parent company's manager	Appointment of a president or a manager according to the chosen legal form; board of directors in a public limited company (SA)
Constitution	No equity	Deposit of equity
Formalities of creation	• Translation of the articles of association of the parent company to which the branch is dependent • Appoint a representative designated by the parent company • Define an address in France for the branch's headquarters • Registration with the RSC and obtaining a KBIS • Opening a bank account and declaration with the tax authorities	• Meeting of the partners in a General Assembl • Choice of legal structure • Deposit of share capital • Drafting of the articles of association • Registration with the RCS and obtaining a KBIS extract • Opening a bank account and declaration with the tax authorities
Choice between the two structures	The branch is an ideal solution to develop your business with great simplicity in order to assess the viability of a new establishment	The subsidiary is a wise choice if you want to assign it an activity that is outside the scope of the parent company's purpose and give it full autonomy in order to focus on the activities of the parent company

THE MAIN FORMS OF JOINT STOCK COMPANIES IN FRANCE

orcom Expertise Comptable Audit & Conseil	Limited Company - Board of directors -	Partnership Limited by shares	Limited Liability Company	Simplified Joint Stock Company
	SA	SCA	SARL/EURL	SAS/SASU
Key advantages	Structured for "monitored delegation". Organization of ownership	Structured for a high degree of delegation. Takeover proof structure	Easy to set up and operate for a closed ownership structure	At least one partner. Freedom to amend articles of incorporation.
Directors	One individuals to be the Chairman of the Board and CEO or two individuals to be the Chairman and CEO respectively. - Deputy CEOs (up to 5); - Board of Directors with 3 to 18 members and a statutory auditor	One or more directors, not have to be partners - A supervisory Board with at least 3 silent partners	One or more directors, who must not be corporate entities, but do not need to be partners.	At least 1 Chairman (individual or legal entity) and possibly a board with other members; - The company can be represented by a person so empowered by the articles (CEO or deputies)
Minimum capital	€37000, Public offerings allowed if share capital is greater than €225.000. No industrial contributions allowed.	€37000. Industrial contributions allowed for general partners and banned for limited partners.	No minimum, the capital is set by the articles of incorporation. Industrial contributions are possible	No minimum. No public offerings allowed. No individual contributions allowed.
Partners / Shareholders	At least 7 (with at least 1 natural person). At least 1 meeting per year: annual approval of the accounts and ordinary decison by simple majority at AGM, changes to article of incorporation require 2/3 majority at EGM.	At least one general partner and 3 silent partners. Decisions made by general partners (usually unanimously) and silent partners.	2 to 100 individuals and legal entities. At leat 1 meeting per year: annual approval of the accounts, review of contracts by simple majority at AGM, changes of articles of incorporation require 3/4 at EGM.	At leat one individual or corporate entity. Only certain decision made by AGM: approval of the accounts, mergers, changes in capital, liquidation.
Blocking minority	1/3 of shares at EGM; 1/4 of shares in AGM	According to articles	5% + 1 vote for amendments to the articles of association	According to articles
Liability of partners / Shareholders	Limited to contributions, except in civil or criminal suits	General partners: Unlimited joint liability. Silent Partners: limited to contributions	Limited to contributions, except in civil or criminal suits	Limited to contributions, except in civil or criminal suits
Transfers	Shares are transferable unless there is a clause requiring approval of new shareholders (registration tax: 1% of amount transferred)	Transfer of shares for silent partners. Transfer of shares for general partners (unanimous decision)	Shares are transferable unless otherwise stated	Shares are transferable unless there is an approval clause
Specifics	The appointment of an auditor becomes mandatory once two of the following three thresholds are exceeded: • €5,000,000 in total assets (the sum of all assets on the balance sheet), • €10,000,000 in turnover excluding tax, • and 50 employees	The appointment of an auditor becomes mandatory once two of the following three thresholds are exceeded: • €5,000,000 in total assets (the sum of all assets in the balance sheet), • €10,000,000 in turnover excluding VAT, • and 50 employees	The appointment of an auditor becomes mandatory once two of the following three thresholds are exceeded: • €5,000,000 in total assets (the sum of all assets in the balance sheet), • €10,000,000 in turnover excluding VAT, • and 50 employees	The appointment of an auditor becomes mandatory once two of the following three thresholds are exceeded: • €5,000,000 in total assets (the sum of all assets in the balance sheet), • €10,000,000 in turnover excluding VAT, • and 50 employees
Auditors of contributions	Mandatory for contributions in kind during the creation of the company	Mandatory for contributions in kind during the creation of the company	Mandatory in the case of contributions in kind, but exemption possible if no asset exceeds a value of 30,000 euros and if the total contributions in kind do not exceed half of the share capital	Mandatory in the case of contributions in kind, but an exemption is possible if no asset exceeds a value of 30,000 euros and if the total contributions in kind do not exceed half of the share capital
Tax regime	Corporate income tax	Corporate income tax	Corporate income tax	Corporate income tax

BUSINESS TAXATION IN FRANCE

1. Corporate Tax (IS):

This is the main tax applied to companies on their profits. The standard rate is 25% in 2025. There is also a reduced rate of 15% on the first €42,500 of profits for SMEs (companies with a turnover of less than €10 million) whose share capital is fully paid up with at least 75% owned by individuals.

2. Value Added Tax (VAT):

Companies must collect VAT on their sales and can recover VAT paid on their purchases. The standard VAT rate is 20%. There are reduced rates for certain goods and services : 5.5% and 10% for some food products, for example.

3. Territorial Economic Contribution (CET):

The CET consists of two elements:

- Business Property Tax (CFE): It is calculated on the rental value of the real estate used by the company for its business activity.
- Contribution on the Value Added of Businesses (CVAE): It applies to companies whose turnover exceeds €500,000 and is calculated based on the value added produced by the company.

4. Payroll Tax:

Companies that are not subject to VAT or are partially exempt must pay a payroll tax on the wages they pay. Rates range from 4.25% to 13.60% depending on the wage amounts.

5. Company Vehicle Tax (TVS):

This tax applies to companies owning or leasing company vehicles. Its amount depends on the CO_2 emissions of the vehicles as well as their type (e.g., thermal engine, hybrid, electric, etc.).

6. Real Estate Wealth Tax (IFI):

If the company holds significant real estate assets (greater than €1.3 million), it may be subject to IFI, a tax on the net value of the real estate owned.

7. Other Specific Taxes:

Apprenticeship Tax: A tax funded by companies employing staff to support vocational training.
Contribution to Public Audiovisual Services: Some companies must contribute to financing public audiovisual services.
Training tax : is a mandatory financial contribution that businesses must pay to fund the professional training of their employees. It is part of the financing of the professional training system in France and applies to all companies, under certain conditions.
Amount of the tax :

- The amount of the tax varies depending on the company's payroll and size. The tax rate is calculated as a percentage of the company's annual payroll.
- For companies with fewer than 11 employees: The rate is 0.55% of the payroll.
- For companies with 11 or more employees: The rate varies and can reach 1.68% of the payroll.

8. Exeptional Contribution:

An exceptional contribution has been established for large companies with a turnover exceeding €1 billion. It is added to the corporate tax for these companies.
These taxes and contributions are subject to specific rules, and some companies may benefit from reductions or exemptions depending on their activity, location, or size (especially SMEs).

9. Tax treaties with France and double taxation:

The principle of double taxation in France occurs when two countries tax the same income or wealth, which can result in excessive tax burden for the taxpayer. For example, if a person lives in France but works abroad, they may be subject to tax in both countries (the country where they reside and the country where they work).
To avoid this situation, France has signed bilateral tax

treaties with many countries. These treaties aim to allocate tax rights between the involved states and eliminate double taxation. Here are the main mechanisms these treaties use:

1. Allocation of Taxing Rights

Tax treaties determine which country has the right to tax certain types of income, such as salaries, dividends, interest, pensions, etc. Depending on the type of income, the treaty generally assigns taxation to the country of origin of the income or the country of residence of the taxpayer.

2. Tax Credit or Exemption

For income taxed in both countries, tax treaties can provide two main mechanisms to avoid double taxation:

- **Tax Credit:** The taxpayer can obtain a tax credit in the country of residence equal to the tax paid in the country of origin. This reduces the tax due in France.
- **Exemption:** Certain categories of income may be exempt from tax in the country of origin (or in the country of residence) under the treaty.

3. Methods of Distribution

Tax treaties provide different methods to avoid double taxation:

- Exemption Method: Certain categories of income are fully exempt in the country of residence if they have been taxed in the source country.
- Tax Credit Method: Income received in the source country may be exempt in France, but the tax paid in that country is credited against the tax due in France.

4. Specific Examples

- **Salaries:** If you work abroad but are a tax resident in France, the tax treaty will determine whether you need to pay taxes in the country where you work or in France.
- **Dividends and Interest:** Generally, the treaty provides that the source country (where dividends or interest are paid) can withhold tax at a limited rate, often around 15%, and France then applies a tax credit to avoid double taxation.
- **Pensions:** The country of residence of the pension beneficiary is generally entitled to tax the pensions, although the country of origin of the pension may also have a taxing right, often with a reduced tax rate under the treaty.

5. Practice in France

The tax treaties signed by France are international agreements that take precedence over national tax legislation. They thus coordinate the tax systems of the different countries and avoid double taxation. France has signed many tax treaties, particularly with its main economic partners.

Conclusion

Double taxation in France is a problem avoided by international tax treaties that allocate taxing rights between the involved countries. This allows the taxpayer to avoid excessive taxation on their income while ensuring that taxes are properly paid in the competent country.
Tax treaties allow mechanisms like tax credits or exemptions to mitigate the effects of double taxation.

BUSINESS CAN BENEFIT FROM SEVERAL TAX INCENTIVES AIMED AT ENCOURAGING INNOVATION, RESEARCH, GROWTH AND EMPLOYMENT

Here is an overview of the main tax incentives for businesses:

1. Research Tax Credit (CIR)

The CIR is one of the most important tax incentives. It allows businesses to receive a tax credit on expenses related to research and development (R&D). Companies can receive a partial or full reimbursement of these expenses in the form of a tax credit.

- Amount: Up to 30% of R&D expenses for companies with a turnover of less than 100 million euros, and 5% beyond that.
- Eligible expenses: Salaries of researchers, purchase of R&D equipment, subcontracting costs in certain cases, etc.

2. Innovation Tax Credit (CII)

The CII is aimed at SMEs and allows them to benefit from a tax credit for expenses related to innovation, particularly for the design of prototypes or small series of new products.

- Amount: Up to 20% of eligible expenses, with a cap of 400,000 euros per year.

3. Tax Exemptions for Rural Revitalization Areas (ZRR) and Priority Development Zones (ZEP)

Businesses located in specific geographic areas (rural revitalization zones or priority development zones) can benefit from tax exemptions or reductions on corporate taxes and social security contributions.

4. Exemptions from Social Security Contributions for Young Innovative Enterprises (JEI)

JEIs, which are newly created businesses focused primarily on R&D, can benefit from exemptions from social security contributions on the salaries of researchers and engineers for a specific period.

5. Consolidated Global Profit System (BMC)

This system allows international groups to offset tax losses in one country with profits made in other countries. This can reduce the tax payable for groups with international activities.

6. Tax Credit for Business Leader Training

Business leaders can benefit from a tax credit to attend training courses aimed at developing their business management skills. This tax credit is capped at a certain amount.

7. Corporate Tax Reduction for Investments in SMEs

Certain businesses can benefit from tax reductions if they invest in innovative SMEs or startups, especially if they invest in strategic sectors.

8. Favorable Regime for New Businesses (New Entrepreneurs)

Newly created businesses can benefit from a reduction on profits during the initial years of operation, thereby reducing their initial tax liability.

9. Employment Support Measures:

- Competitiveness Employment Tax Credit (CICE): Although abolished, this allowed businesses to benefit from tax reductions in exchange for job creation. It has been replaced by a reduction in social security contributions.
- Reductions on social security contributions for hiring specific types of personnel (e.g., people with disabilities, youth under 26, etc.).

10. Regime for Businesses in Urban Policy Zones (ZPV)

Businesses located in certain geographic zones can benefit from tax reductions or exemptions on local taxes and other fiscal charges.

Conclusion

Tax incentives in France aim to support innovation, employment, research, and investment in strategic sectors. Businesses can benefit from tax reductions, tax credits, and significant tax exemptions depending on their industry and location.

FRENCH VALUE ADDED TAX (VAT) IS APPLIED AT VARIOUS RATES DEPENDING ON THE NATURE OF THE PRODUCTS AND SERVICES

Here are the main VAT rates currently in effect:

1. Standard Rate (20%)

Application: This is the standard VAT rate, applicable to most goods and services in France.
Examples: Non-exempt food products, everyday consumer goods, restaurant services, electronic equipment, etc.

2. Intermediate Rate (10%)

Application: This rate applies to certain products and services that do not fall under the standard rate but are subject to a favorable tax treatment.
Examples:

- Restaurant services (except take-away or alcoholic beverages).
- Passenger transport (trains, buses, etc.).
- Renovation work in housing (if the property is over 2 years old).
- Printed books.
- Entrance tickets to certain museums and cultural events.

3. Reduced Rate (5.5%)

Application: This rate applies to certain essential products and services or those of general interest.
Examples:

- Essential food products (bread, milk, fruits, vegetables, meats, etc.).
- Certain equipment for disabled individuals.
- Urban public transport tickets.
- Heating and energy supply (gas, electricity, etc.) for households.
- Subscriptions to television or electronic communication services, to some extent.

4. Super Reduced Rate (2.1%)

Application: This rate applies to certain very specific goods and services, often of public interest.
Examples:

- Medicines reimbursed by social security.
- Certain live performances, such as theater or music performances.
- Daily press (newspapers, magazines, etc.).
- Certain medicines, medical devices, and health equipment.

5. VAT Exemptions

Some transactions are exempt from VAT. This means that no VAT is applied, but the businesses involved cannot recover the VAT they have paid on their purchases. Exemptions include:

- Exports of goods and services outside the European Union.
- Financial and banking operations.
- Educational services and certain cultural activities.

Summary of Main Rates:

- 20%: Standard rate
- 10%: Intermediate rate
- 5.5%: Reduced rate
- 2.1%: Super reduced rate
- Exemption: Certain specific operations.

The rates may evolve with fiscal reforms, so it is important to keep utpdates about legislative changes.

PERSONAL INCOME TAX AND OTHER TAXATION

In France, the income tax system primarily consists of several types of taxes aimed at taxing individuals' income.
Here are the main income taxes:

1. Income Tax for Individuals (IRPP)

IRPP is the main tax applied to individuals' income (salaries, rental income, income from self-employment, etc.). It is calculated according to a progressive scale, meaning the higher the income, the higher the tax rate.
In France, the income tax system primarily consists of several types of taxes aimed at taxing individuals' income. Here are the main income taxes:

IRPP (in 2025)

- Up to €10,777: 0% (non-taxable portion)
- From €10,778 to €27,478: 11%
- From €27,479 to €78,570: 30%
- From €78,571 to €168,994: 41%
- Above €168,995: 45%
- CSG (Generalized Social Contribution): 9.2%
- CRDS (Contribution to the Repayment of the Social Debt): 0.5%
- Solidarity contributions (on wealth income): 7.5%

The family quotient system allows the tax to be reduced based on the number of tax units (depending on the family situation : single, married, PACSed, children, etc.).

2. Social Contributions

In addition to income tax, social contributions are also applied to income, especially capital income (dividends, interest, capital gains) and certain income from activities. These contributions total 17.2% and include:

- CSG (Generalized Social Contribution): 9.2%
- CRDS (Contribution to the Repayment of the Social Debt): 0.5%
- Solidarity contributions (on wealth income): 7.5%

3. Wealth Tax on Real Estate (IFI)

This tax replaces the former ISF (Wealth Solidarity Tax) and applies to households whose net real estate assets exceed €1.3 million.

4. Exceptional Tax on High Incomes (CEHR)

This is a temporary tax that may apply to households whose taxable income exceeds a certain threshold. This levy specifically targets very high incomes and is applied to the highest income bracket.

5. Taxes on Capital Income

Dividend Tax: Dividends are subject to a flat-rate levy (PFU) of 30%, which includes income tax (12.8%) and social contributions (17.2%).

Capital Gains Tax: Capital gains from the sale of securities (stocks, bonds) are also subject to a flat-rate levy (PFU) of 30%.

6. Withholding Tax

Since 2019, income tax is directly withheld at source, meaning it is deducted directly from salaries, pensions, and other income by the employer or the organization paying the income. This system applies to IRPP, but also to certain other income (such as pensions).

7. Deductions and Tax Credits

Various deductions and tax credits exist to reduce the amount of income tax:

- Alimony Deduction: Reduction for individuals paying alimony.
- Tax Credit for Energy Transition (CITE): Tax assistance for energy renovation expenses.
- Tax Credit for Childcare Costs
- Tax Reduction for Donations to Charitie

8. Tax on Self-employed Activities

Self-employed workers, liberal professions, and micro-entrepreneurs are also subject to specific taxation on their professional income.

Conclusion:
The main income taxes in France include income tax (IRPP), social contributions, and the wealth tax on real estate (IFI). The system is progressive and varies depending on the type of income (salaries, capital income, etc.). There are also exemptions, tax credits, and deductions that can reduce the tax burden.

TAXATION OF DIVIDENDS IN FRANCE

In France, dividend taxation is subject to double taxation: first at the company level, and then again at the shareholder level who receives the dividends. Here is a summary of the dividend taxation for a shareholder in 2025:

1. Flat Tax (Prélèvement Forfaitaire Unique - PFU)

The Flat Tax (PFU), also known as the "flat tax," applies to dividends received by shareholders. It is set at 30% and is divided into two parts:

- 12.8% income tax
- 17.2% social contributions (CSG, CRDS, etc.)

The PFU applies by default, unless the shareholder chooses to opt for the progressive income tax scale (see below).

2. Option for the Progressive Income Tax Scale

The shareholder may choose to subject the dividends to income tax, based on the progressive tax scale, instead of the flat tax. In this case:

- The dividends are added to the other household income and subject to the progressive income tax scale.
- A 40% tax allowance is applied to the dividends, which helps reduce the taxation on the dividend portion.
- The 17.2% social contributions remain due, even if the progressive tax scale option is chosen.

3. Examples of Taxation Based on the Choice Between PFU and Progressive Tax Scale:

With the PFU: If a shareholder receives €1,000 in dividends, they will pay €300 in deductions (12.8% income tax + 17.2% social contributions).

With the progressive tax scale: If a shareholder receives €1,000 in dividends, after applying the 40% allowance, they will be taxed on €600. The applicable rate depends on the taxpayer's total income and marginal tax bracket.

4. Dividends from Foreign Sources

Dividends received from foreign companies may also be subject to taxation, often with a withholding tax in the country of origin. If such withholding has been applied, the shareholder may be eligible for a tax credit in France to avoid double taxation.

5. Case of Companies Distributing Dividends

Taxation of corporate profits: Before distributing dividends, the company pays corporate tax (IS) on its profits at a rate of 25% (in 2025). Once the tax is paid, the company can distribute dividends to its shareholders.

Summary

In summary, dividends in France are generally subject to the Flat Tax of 30% or may be subject to the progressive income tax scale, with a 40% allowance. Social contributions are always due. Shareholders should choose the most advantageous tax regime based on their tax situation.

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