

STAMP DUTY

| Droits d'Enregistrement | % |
|--|------|
| Purchase of a business | |
| - Up to € 23,000 | 0 |
| - Between € 23,000 and € 200,000 | 3 |
| - Excess | 5 |
| Assets transferred to a new company for consideration in shares: | |
| - to a company subject to corporation tax (except where the shareholder is subject to corporation tax) | 5 |
| - to a company not subject to corporation tax | nil |
| Transfer of building (except where subject to TVA) | 5.09 |
| Purchase of shares | |
| SA, SAS or SCA shares (duty capped at € 5,000) | 3 |
| SARL, SC (exempt amount : up to € 23,000) | 3 |
| Companies where more than 50% of the company's assets are in real estate | 5 |

CORPORATION TAX

Impôt sur les Sociétés (IS)

Main rates on profits

Basic tax is 33 1/3% on profits adjusted for tax purposes.

There is an additional tax of 3.3% of the basic tax after the first € 763,000 of tax.

A reduced rate of 15% applies for small businesses (as defined) up to € 38,120 of profits.

Minimum "flat rate" corporation tax – IFA (Impôt Forfaitaire Annuel)

Turnover excluding TVA

| € | € | € |
|--------------|-------------|---------|
| Up to | 1,500,000 | 0 |
| 1,500,000 – | 7,500,000 | 3,750 |
| 7,500,000 – | 15,000,000 | 16,250 |
| 15,000,000 – | 75,000,000 | 20,500 |
| 75,000,000 – | 500,000,000 | 32,750 |
| 500,000,000 | | 110,000 |

IFA is due each year on 15 March, and is a deductible expense for corporation tax purposes. There are exemptions for new companies.

Additional tax on rental income – CRL (Contribution sur les Revenus Locatifs)

| % | % |
|--|-----|
| Tax on gross rents from properties in France older than 15 years, held by companies not registered for TVA but subject to corporation tax. | 2.5 |

Tax payment dates

IS is payable in quarterly instalments on 15 March, 15 June, 15 September and 15 December with the balance falling due three months and 15 days after the company's year end.

Tax returns

The filing date is three months after the end of the accounting period (extended to four months for 31 December year ends).

TAXATION OF BUSINESS PROFITS

Depending on the nature of the entity, business profits (both income and capital gains) will be liable to either *Impôt sur les Sociétés (IS)* or *Impôt sur le Revenu des Personnes Physiques (IRPP)*, summarised as follows:

| | IS | IRPP |
|---|----|------|
| <i>Société Anonyme (SA)</i> | ✓ | |
| <i>Société par Actions Simplifiée (SAS)</i> | ✓ | |
| <i>Société en Commandite par Actions (SCA)</i> | ✓ | |
| <i>Société à Responsabilité Limitée (SARL) *</i> | ✓ | |
| <i>Entreprise Unipersonnelle à Responsabilité Limitée (EURL) **</i> | ✓ | ✓ |
| <i>Succursale (French branch of a foreign company)</i> | ✓ | |
| <i>Société Civile (SC) with a non-commercial activity ***</i> | ✓ | ✓ |
| <i>Société Civile (SC) with a commercial activity</i> | ✓ | |
| Associations with a commercial activity | ✓ | |
| Sole trader | | ✓ |
| <i>Société en Nom Collectif (SNC) ***</i> | | ✓ |

* Exception: a "family business" can opt for IRPP.

** For EURLs: if the shareholder is a company, or by option for an individual, IS applies.

*** Or IS by option.

Profits subject to income tax are increased by 25% for tax purposes, unless the business is registered with a *Centre de Gestion Agréé* or an *Association Agréée*.

Taxation of a small (micro) business

For small sole-trader businesses, taxable profits are calculated as a percentage of turnover as follows:

| | Turnover threshold | Taxable profit |
|---|--------------------|----------------|
| | € | % |
| Sales of goods | 80,000 | 29 |
| Provision of services and rents from furnished lettings | 32,000 | 50 |
| Furnished lettings with B+B type additional services | 80,000 | 29 |
| Unfurnished lettings | 15,000 | 70 |
| Other (BNC) activities | 32,000 | 66 |

It is possible to opt for the "real" regime based on bookkeeping records instead.

Micro-businesses may also opt for a flat rate withholding tax based on turnover, subject to conditions.

VALUE ADDED TAX

Taxe sur la Valeur Ajoutée (TVA)

Rates

| | % |
|----------|------|
| Standard | 19.6 |
| Lower | 5.5 |

The lower rate applies for example to basic food (but not restaurants), books, hotels and "parahotels", cable and satellite television, etc.

There is no "zero rate" of TVA, but some activities are exempt.

Registration thresholds

| | Turnover |
|---|----------|
| | € |
| Sales of goods | 80,000 |
| Provision of services and non-commercial activities | 32,000 |

FRENCH SOCIAL SECURITY SYSTEM

I Mandatory contributions applicable to monthly salaries

| | € | Total % | Employee % | Employer % |
|--|-----------------|----------|---------------------|------------|
| Social security | | | | |
| Basic health and state pension | full salary | 15.55 | 0.85 | 14.70 |
| Additional contributions | 0 – 2,859 | 15.05 | 6.65 | 8.40 |
| Contribution to family benefits | full salary | 5.40 | - | 5.40 |
| Professional injury risk | full salary | variable | - | variable |
| Solidarity contributions (CSG/CRDS) | 97% of salary | 8.00 | 8.00 | - |
| Unemployment | 0 – 11,436 | 6.50 | 2.40 | 4.10 |
| Other mandatory contributions | | | | |
| Employees with cadre (executive) status | | | | |
| Additional pension | 0 – 2,859 | 7.50 | 3.00 | 4.50 |
| | 2,859 – 11,436 | 20.30 | 7.70 | 12.60 |
| | 11,436 – 22,872 | 20.30 | by mutual agreement | |
| AGFF | 0 – 2,859 | 2.00 | 0.80 | 1.20 |
| | 2,859 – 11,436 | 2.20 | 0.90 | 1.30 |
| APEC | 2,859 – 11,436 | 0.06 | 0.024 | 0.036 |
| CET | 0 – 22,872 | 0.35 | 0.13 | 0.22 |
| Death & disability cover * | 0 – 2,859 | 1.50 | - | 1.50 |
| Other employees | | | | |
| Additional pension | 0 – 2,859 | 7.50 | 3.00 | 4.50 |
| | 2,859 – 8,577 | 20.00 | 8.00 | 12.00 |
| AGFF | 0 – 2,859 | 2.00 | 0.80 | 1.20 |
| | 2,859 – 8,577 | 2.20 | 0.90 | 1.30 |

* Higher contributions may apply depending on the relevant Collective Bargaining Agreement (*Convention Collective*)

The above table reflects the complexity of a French payroll. Further contributions apply to employers with more than nine employees, or employers who are partially or fully exempt from TVA.

General

On average, employees' contributions vary between 20% to 22% of the gross salary, and employers' contributions vary between 40% to 45% of the gross salary. Employers may also pay for additional health cover or contribute to supplementary pension schemes (but there is no legal requirement to do so).

2 Self-employed contributions (based on annual net income)

| Industrial and commercial activities | Rate | Minimum | Maximum* |
|--|-------|---------|----------|
| | % | € | € |
| French residents | | | |
| Health cover: - 1 st contribution | 0.60 | 82 | 206 |
| - 2 nd contribution | 6.60 | 906 | 11,322 |
| Pension contributions | 23.15 | 403 | 12,402 |
| Death and disability cover | 1.30 | 23 | 446 |
| Contribution to family benefits | 5.40 | none | none |
| Solidarity contributions (CSG/CRDS) | 8.00 | none | none |
| Non-residents subject to French social security** | | | |
| Health cover: - 1 st contribution | 2.40 | 329 | 823 |
| - 2 nd contribution | 10.10 | 1,386 | 17,326 |
| Pension contributions | 23.15 | 403 | 12,402 |
| Death and disability cover | 1.30 | 23 | 446 |
| Contribution to family benefits | 5.40 | none | none |

* Corresponding to an income of € 171,540. ** Depending on bilateral agreements. Under EU legislation, EU residents have to pay French social security on their sole trader activity in France, unless they are also sole traders in their country of residence and can obtain the appropriate E101 form.

Other professions

As above, except health cover 2nd contribution is reduced by 0.5%.

Pension contributions vary depending on the profession being carried on.

Micro-businesses

Micro-businesses may opt for a flat rate withholding based on turnover, subject to conditions. The flat rate is 13% for sales of goods and 23% for provision of services.

DIXON WILSON
CHARTERED ACCOUNTANTS & EXPERTS-COMPTABLES

TAX DATA 2009 FRANCE

19 AVENUE DE L'OPERA
75001 PARIS

TELEPHONE +33(0) 1 47 03 12 90
FAX +33(0) 1 47 03 12 85
E-MAIL dw@dixonwilson.fr

4 ROYAL MINT COURT
LONDON EC3N 4HJ

TELEPHONE +44(0) 20 7680 8100
FAX +44(0) 20 7680 8101
E-MAIL dw@dixonwilson.co.uk

www.dixonwilson.com

The tax rates and allowances and other information contained in this card are based on official information available at the time of publication (January 2009). The reader should be aware that the French tax year is the calendar year, and that some rates are likely to change during the year.

Professional advice should be sought before taking any action based on this tax summary.

INCOME TAX

Impôt sur le Revenu des Personnes Physiques (IRPP)

The amount of tax payable in 2009 on 2008 income depends upon the level of income and the number of *parts*. The taxable unit is the household.

2008 income bands and rates

T = taxable income and N = number of *parts*

| Value of T/N | Tax |
|-----------------|------------------------------|
| € | € |
| Up to 5,852 | 0 |
| 5,852 – 11,673 | (T x 0.055) – (321.86 x N) |
| 11,673 – 25,926 | (T x 0.14) – (1,314.07 x N) |
| 25,926 – 69,505 | (T x 0.30) – (5,462.23 x N) |
| Excess | (T x 0.40) – (12,412.73 x N) |

| | | | | | |
|------------------------------|---|-----------------|---------|---|-----------------|
| <i>Parts</i> | | | | | |
| Tax payer | : | 1 <i>part</i> | Child 2 | : | 1/2 <i>part</i> |
| Spouse or partner under PACS | : | 1 <i>part</i> | Child 3 | : | 1 <i>part</i> |
| Child 1 | : | 1/2 <i>part</i> | Child 4 | : | 1 <i>part</i> |

Examples (2008 income)

| Rate | 1 <i>part</i> (single person) | | | 3 <i>parts</i> (married, 2 children) | | |
|------|-------------------------------|-------------------------------|--------|--------------------------------------|-------------------------------|---------|
| | Band | Cumulative Tax to Upper limit | € | Band | Cumulative Tax to Upper limit | € |
| % | € | € | € | € | € | € |
| 0.00 | 0 – 5,852 | 0 | 0 | 0 – 17,556 | 0 | 0 |
| 5.5 | 5,852 – 11,673 | 320 | 17,556 | 17,556 – 35,019 | 960 | 35,019 |
| 14.0 | 11,673 – 25,926 | 2,316 | 35,019 | 35,019 – 72,290 | 6,179 | 72,290 |
| 30.0 | 25,926 – 69,505 | 15,389 | 72,290 | 72,290 – 139,010 | 26,195 | 139,010 |
| 40.0 | Excess | | | | | |

Relief in respect of *parts* for children is restricted when the marginal tax rate is 30% or more.

These examples do not show the effect of other tax reductions for low incomes. After taking into account such reductions, no income tax is due for a single person with a taxable income up to € 11,080 (€ 22,784 for a married couple or couple under PACS with two children).

Main Tax Credits

| | Credit rate | Maximum tax credit |
|--|-------------|-------------------------|
| | % | |
| Charitable donations | 66 | 20% of taxable income * |
| Employment of domestic staff | 50 | € 6,000 ** |
| Mortgage interest relief for new purchase of main residence: | | |
| - year 1 | 40 | € 1,500 *** |
| - years 2 to 5 | 20 | €750 *** |
| Initial investment in unquoted companies | 25 | € 5,000 *** |
| Subscription for shares in certain innovation funds | 25 | € 3,000 *** |

* Slightly higher reductions apply in respect of donations to a specific list of funds.
 ** Slightly higher reductions apply when there are children, subject to conditions.
 *** Doubled for married couples, and for other couples submitting a joint tax return.

Main allowances

| | Rate | Maximum deduction |
|---|------|-------------------|
| | % | € |
| Flat rate expense allowance on net salaries (after deducting social security contributions) | 10 | 13,893 |

| | Rate | Maximum deduction |
|---|------|-------------------|
| | % | € |
| Flat rate allowance on gross dividends from EU sources, or from a company based in a country having a tax treaty with France. The allowance is not available if the tax payer chooses to be taxed at the flat rate of 18%. The option is made for all dividends | 40 | – |

Non-French residents

Minimum tax rate on French income for non-residents 20
 Other specific rules apply to non-residents.

Additional income taxes

An additional surcharge for “solidarity contributions” (*contributions sociales*) of 12.1% is levied on worldwide investment income, rental income and capital gains. This comprises three elements:

| | |
|---|-----|
| CSG (<i>Contribution Sociale Généralisée</i>) | 8.2 |
| CRDS (<i>Contribution au Remboursement de la Dette Sociale</i>) | 0.5 |
| <i>Prélèvement social</i> | 3.4 |

The above surcharge is assessed only on French residents.

TAX DATES: RETURNS & PAYMENTS

Returns

Tax returns are based on the calendar year.

Married couples and couples under PACS (*Pacte Civil de Solidarité*) must submit a joint tax return.

| | Deadline |
|---|----------|
| French residents | 31 May |
| Europe, Mediterranean border countries, Africa, North America | 30 June |
| Other countries | 15 July |

Payment dates – in 2009

| | |
|-------------------------|--------------|
| First interim payment | 15 February |
| Second interim payment | 15 May |
| Final balancing payment | 15 September |

Tax may be paid in monthly instalments at the tax payer’s option.
 Solidarity contributions 15 November

There is no automatic system of deduction of income tax at source from salaries.

CAPITAL GAINS TAX

Impôt sur les Plus-Values

In general, capital gains tax is payable with the final balancing payment of income tax except on a sale of property where it is deductible at source by the notaire. Special rules apply to certain assets.

Individuals

| Quoted shares and securities | Rate |
|---|------|
| | % |
| French residents (including 12.1% solidarity contributions – see above) | 30.1 |
| Non-residents (when taxable) | 18 |

Subject to conditions, one third of the gain is exempted for each complete year of ownership after five years, giving full exemption after eight years. The five year period cannot start before 1 January 2006, and therefore full exemption will not be available until 2014.

Property

10% of the gain is exempted for each complete year of ownership (whenever acquired) after five years, giving total exemption after fifteen years.

| | |
|--|--------|
| | % |
| Individuals resident in France (including social contributions of 12.1%) | 28.1 |
| Individuals resident in another EU country, Iceland or Norway | 16 |
| Others | 33 1/3 |

Main exemptions

- sale of principal residence;
 - sale price below € 15,000 (property) or € 25,730 (shares);
 - first sale of a French property by an EU national if:

- he/she has been French resident for tax purposes for at least two years at any point in time, and is non-resident at time of sale;
- the property is not rented.

- second sale of a French property by a EU national if the sale occurs at least five years after the first and if it is the only French property owned.

Companies are subject to less favourable treatment.

WEALTH TAX

Impôt de Solidarité sur la Fortune (ISF)

| Taxable amount | Rate | Cumulative tax to upper limit |
|------------------------|------|-------------------------------|
| € | % | € |
| 0 – 790,000 | 0 | 0 |
| 790,000 – 1,280,000 | 0.55 | 2,695 |
| 1,280,000 – 2,520,000 | 0.75 | 11,995 |
| 2,520,000 – 3,960,000 | 1.00 | 26,395 |
| 3,960,000 – 7,570,000 | 1.30 | 73,325 |
| 7,570,000 – 16,480,000 | 1.65 | 220,340 |
| Excess | 1.80 | |

French residents are liable in respect of worldwide net assets held at 1 January.

Residents of other countries are liable in respect of net French situs assets held at 1 January. This also applies to new residents of France for the first five years, subject to conditions.

Principal exemptions include most business assets and a 30% deduction from the value of a French resident’s principal residence.

Payment dates

| | |
|-------------------------|-------------|
| French residents | 15 June |
| Non-residents within EU | 16 July |
| Others | 1 September |

TAX SHIELD

Bouclier fiscal

French residents can now ask for a tax refund when the total French tax paid is in excess of 50% of their worldwide income and gains.

Taxes taken into account for this purpose are income tax, additional income taxes at 12.1%, wealth tax, capital gains tax and local taxes on the principal residence.

GIFT AND SUCCESSION DUTIES

Droits de Donation ou de Succession

These are payable by the recipient.

| Recipient | Exempt amounts | |
|---|----------------|---------|
| | On death | Gifts* |
| | € | € |
| Spouse | Fully exempt | 79,221 |
| Partners under PACS | Fully exempt | 79,221 |
| Children / parents (each) | 156,357 | 156,357 |
| Handicapped persons | 156,357 | 156,357 |
| Grandchildren (each) | - | 31,271 |
| Great grandchildren (each) | - | 5,212 |
| Nieces or nephews (each) | 7,818 | 7,818 |
| Siblings (each) | Fully exempt | - |
| (but only if single, five years cohabitation with the deceased and sibling over 50) | | |
| Siblings (in other cases) | 15,636 | 15,636 |
| Other (each) | 1,564 | - |

* Exemption applies to cumulative gifts made by the same donor to the same donee during the previous six years. An additional one-off exemption applies to cash gifts to each of your children, grandchildren and great grandchildren, of € 31,271, provided that the donor is under 65 years of age and the recipient is over 18 years of age.

Taxable amounts for gifts and successions

| To direct descendants | Rate |
|-----------------------|------|
| € | € |
| 0 – 7,922 | 5 |
| 7,922 – 11,883 | 10 |
| 11,883 – 15,636 | 15 |
| 15,636 – 542,036 | 20 |
| 542,036 – 886,020 | 30 |
| 886,020 – 1,722,041 | 35 |
| Excess | 40 |

Between spouses and partners under PACS

| | |
|---------------------------------------|----|
| (gifts only – successions are exempt) | |
| 0 – 7,922 | 5 |
| 7,922 – 15,636 | 10 |
| 15,636 – 31,271 | 15 |
| 31,271 – 542,036 | 20 |
| 542,036 – 886,020 | 30 |
| 886,020 – 1,722,041 | 35 |
| Excess | 40 |

Between siblings

| | |
|------------|----|
| 0 – 23,975 | 35 |
| Excess | 45 |

Between others

| | |
|-------------------|---------|
| Remoter relatives | 55 - 60 |
| Third parties | 60 |

Reduction in tax for lifetime gifts

| | |
|--|----|
| Outright gifts if the donor is less than 70 | 50 |
| Outright gifts if the donor is between 70 and 80 | 30 |

Smaller reductions apply to gifts of a “bare ownership” or “usufruct”.