

## STAMP DUTY

Droits d'Enregistrement	%
<b>Purchase of a business</b>	
- Up to € 23,000	0
- Between € 23,000 and € 200,000	3
- Excess	5
<b>Assets transferred to a new company for consideration in shares:</b>	
- to a company subject to corporation tax in certain circumstances (except where the shareholder is subject to corporation tax)	5
- to a company not subject to corporation tax	nil
<b>Transfer of building (except where subject to TVA)</b>	5.09
<b>Purchase of shares</b>	
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	15,000,000	0
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>	✓	
<i>Associations with a commercial activity</i>	✓	
<i>Sole trader (including Autoentrepreneur)</i>		✓
<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	81,500	29
Provision of services and rents from furnished lettings	32,600	50
Furnished lettings with B+B type additional services	81,500	29
Unfurnished lettings	15,000	70
Other (BNC) activities	32,600	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. Withholding tax rates vary between 1% and 2.2%, depending on the activity.

## 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, food at restaurants, books, hotels and "parahotels", etc.

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

#### Registration thresholds

	Turnover
	€
Sales of goods	81,500
Provision of services and non-commercial activities	32,600

## FRENCH SOCIAL SECURITY SYSTEM

### 1 Mandatory contributions applicable to monthly salaries

	€	Total Employee	Employer
		%	%
<b>Social security</b>			
Basic health and state pension	full salary	15.55	0.85
Additional contributions	0 – 2,946	15.05	6.65
Contribution to family benefits	full salary	5.40	-
Professional injury risk	full salary	variable	-
Solidarity contributions (CSG/CRDS)	97% of salary	8.00	8.00
<b>Unemployment</b>	0 – 11,784	6.80	2.40
<b>Other mandatory contributions</b>			
<b>Employees with cadre (executive) status</b>			
Additional pension	0 – 2,946	7.50	3.00
	2,946 – 11,784	20.30	7.70
	11,784 – 23,568	20.30	by mutual agreement
AGFF	0 – 2,946	2.00	0.80
	2,946 – 11,784	2.20	0.90
APEC	2,946 – 11,784	0.06	0.024
CET	0 – 23,568	0.35	0.13
Death & disability cover *	0 – 2,946	1.50	-
<b>Other employees</b>			
Additional pension	0 – 2,946	7.50	3.00
	2,946 – 8,838	20.00	8.00
AGFF	0 – 2,946	2.00	0.80
	2,946 – 8,838	2.20	0.90

\* 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 employees 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*
	%	€	€
<b>French residents</b>			
Health cover: - 1 <sup>st</sup> contribution	0.60	85	212
- 2 <sup>nd</sup> contribution	6.60	933	11,666
Pension contributions	23.15	417	12,780
Death and disability cover	1.30	23	460
Contribution to family benefits	5.40	none	none
Solidarity contributions (CSG/CRDS)	8.00	none	none
<b>Non-residents subject to French social security**</b>			
Health cover: - 1 <sup>st</sup> contribution	2.40	339	848
- 2 <sup>nd</sup> contribution	10.10	1,428	17,853
Pension contributions	23.15	417	12,780
Death and disability cover	1.30	23	460
Contribution to family benefits	5.40	none	none

\* Corresponding to an income of € 176,760. \*\* 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 A1 form (previously E101).

#### 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 (Autoentrepreneurs)

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.

## INCOME TAX

### Impôt sur le Revenu des Personnes Physiques (IRPP)

The amount of tax payable in 2011 on 2010 income depends upon the level of income and the number of *parts*. The taxable unit is the household.

### 2010 income bands and rates

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

Value of T/N	€	€	Tax	€
Up to	5,963		0	
5,963 –	11,896	(T x 0.055)	–	(327.97 x N)
11,896 –	26,420	(T x 0.14)	–	(1,339.13 x N)
26,420 –	70,830	(T x 0.30)	–	(5,566.33 x N)
Excess		(T x 0.41)	–	(13,357.63 x N)

Parts				
Tax payer	:	1 part	Child 2	: 1/2 part
Spouse or partner under PACS	:	1 part	Child 3	: 1 part
Child 1	:	1/2 part	Child 4	: 1 part

### Examples (2010 income)

Rate	1 part (single person)			3 parts (married, 2 children)		
	Band	Cumulative Tax to Upper limit	€	Band	Cumulative Tax to Upper limit	€
%	€	€	€	€	€	€
0.00	0 – 5,963	0	0	0 – 17,889	0	0
5.5	5,963 – 11,896	327	17,889	17,889 – 35,688	979	35,688
14.0	11,896 – 26,420	2,360	35,688	35,688 – 73,674	6,298	73,674
30.0	26,420 – 70,830	15,683	73,674	73,674 – 141,660	26,693	141,660
41.0	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 € 11,300 (€ 23,226 for a married couple or couple under PACS with two children).

### Main tax credits and tax reductions

	Credit rate	Maximum tax credit or reduction
	%	€
Charitable donations	66	20% of taxable income*
Employment of domestic staff	50	€ 6,000**
Initial investment in unquoted companies	22	€ 4,500***
Subscription for shares in certain innovation funds	22	€ 2,700***

\* 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	14,157

	Rate
	%
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 19%. Flat rate taxation at 19% may be of interest if tax payer is taxed at the maximum marginal rate of 41%, if the total dividends exceed € 40,000 in one year, and if the flat rate option is selected for all dividends paid in the year.	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 12.3% 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> and additional contributions	3.6
	<u>12.3</u>

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 2011

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

Tax may be paid in monthly instalments at the taxpayer’s option.

Solidarity contributions (general)	15 November
Solidarity contributions (dividends)	15th of the month following dividend payment (withheld)

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 12.3% solidarity contributions – see above)	31.3
Non-residents (when taxable)	19

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 12.3%)	31.3
Individuals resident in another EU country, Iceland or Norway	19
Others	33 1/3

### Main exemptions

- sale of principal residence;  
 - sale price below € 15,000 (property)  
 - 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 and was fully available to the owner from 1 January of the year preceding the sale.

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 – 800,000	0	0
800,000 – 1,310,000	0.55	2,805
1,310,000 – 2,570,000	0.75	12,255
2,570,000 – 4,040,000	1.00	26,955
4,040,000 – 7,710,000	1.30	74,665
7,710,000 – 16,790,000	1.65	224,485
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	15 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.

Tax payments taken into account are restricted as follows:

Income tax: up to 40%
Capital gains tax: up to 18% (shares), 16% (property)
Additional income taxes: up to 12.1%
Wealth 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	80,724
Partners under PACS	Fully exempt	80,724
Children / parents (each)	159,325	159,325
Handicapped persons	159,325	159,325
Grandchildren (each)	-	31,865
Great grandchildren (each)	-	5,310
Nieces or nephews (each)	7,967	7,967
Siblings (each)	Fully exempt	-
(but only if single, five years cohabitation with the deceased and sibling over 50)		
Siblings (in other cases)	15,932	15,932
Other (each)	1,594	-

\* Exemption applies to declared 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, great grandchildren and nieces / nephews, of € 31,865, provided that the donor is over 65 years of age (or 80 years for gifts to grandchildren and great grandchildren) and the recipient is over 18 years of age.

### Taxable amounts for gifts and successions

To direct descendants	Rate
€	%
0 – 8,072	5
8,072 – 12,109	10
12,109 – 15,932	15
15,932 – 552,324	20
552,324 – 902,838	30
902,838 – 1,805,677	35
Excess	40
<b>Between spouses and partners under PACS</b> (gifts only – successions are exempt)	
0 – 8,072	5
8,072 – 15,932	10
15,932 – 31,865	15
31,865 – 552,324	20
552,324 – 902,838	30
902,838 – 1,805,667	35
Excess	40
<b>Between siblings</b>	
0 – 24,430	35
Excess	45
<b>Between others</b>	
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”.	