

**STAMP DUTY**

	%
<b>Droits d'Enregistrement</b>	
<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 :	
- amount between € 0 and € 200,000	3
- amount between € 200,000 and € 500,000,000	0.5
- amount above € 500,000,000	0.25
SARL, SC (exempt amount up to € 23,000)	3
Companies where more than 50% of the company's assets are in real French estate (these sales must be formalised by a Deed written by a French notary, even if the company is not French).	5

**CORPORATION TAX****Impôt sur les Sociétés (IS)**

**Main rates on profits**  
Basic tax is 33<sup>1/3</sup>% on profits adjusted for tax purposes. The use of prior year losses is limited. There is an additional tax of 3.3% of the basic tax after the first €763,000 of tax.  
A further 5% of the basic tax is due for companies with a turnover above €250,000,000.  
A reduced rate of 15% applies to small businesses (as defined) up to €38,120 of profits.  
There is an *Impôt Forfaitaire Annuel* (minimum "flat rate" corporation tax) which applies to companies with a turnover in excess of €15,000,000.

**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).

**3% TAX**

Companies or trusts which own French real estate, directly or indirectly, are subject to an annual tax of 3% of the market value of the property.  
There are many cases where exemption can be claimed but in any event a tax form needs to be filed each year.

**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
Reduced	7.0
Lower	5.5

The reduced rate applies for example to food at restaurants, books, hotels and "parahotels", etc. The lower rate applies mainly to basic food.  
There is no "zero rate" of TVA, but some activities are exempt, in which case VAT on purchases is not recoverable.

**Registration thresholds**

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

**FRENCH SOCIAL SECURITY SYSTEM****I Mandatory contributions applicable to monthly salaries**

	€	Total %	Employee %	Employer %
<b>Social security</b>				
Basic health and state pension	full salary	15.55	0.85	14.70
Additional contributions	0 – 3,031	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)	98.25 % of salary	8.00	8.00	–
	0 – 12,124	6.70	2.40	4.30
<b>Unemployment</b>				
<b>Other mandatory contributions</b>				
<b>Employees with cadre (executive) status</b>				
Additional pension	0 – 3,031	7.50	3.00	4.50
	3,031 – 12,124	20.30	7.70	12.60
	12,124 – 24,248	20.30	by mutual agreement	
AGFF	0 – 3,031	2.00	0.80	1.20
	3,031 – 12,124	2.20	0.90	1.30
APEC	3,031 – 12,124	0.06	0.024	0.036
CET	0 – 24,248	0.35	0.13	0.22
Death & disability cover*	0 – 3,031	1.50	–	1.50
<b>Other employees</b>				
Additional pension	0 – 3,031	7.50	3.00	4.50
	3,031 – 9,093	20.00	8.00	12.00
AGFF	0 – 3,031	2.00	0.80	1.20
	3,031 – 9,093	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* €
<b>French residents</b>			
Health cover : - 1 <sup>st</sup> contribution	0.60	87	218
- 2 <sup>nd</sup> contribution	6.60	960	12,003
Pension contributions	23.15	427	13,148
Death and disability cover	1.30	24	473
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	349	873
- 2 <sup>nd</sup> contribution	10.10	1,469	18,368
Pension contributions	23.15	427	13,148
Death and disability cover	1.30	24	473
Contribution to family benefits	5.40	none	none

\*Corresponding to an income of € 181,860.\*\* Depending on bilateral agreements.  
Under EU legislation, EU residents have to pay French social security on their self-employed activity in France, unless they are employed or self-employed in their country of residence and can obtain the appropriate AI form (previously EI 01).

**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 (covering social security and income tax) is 13% for sales of goods and 20.50% for provision of services (depending on the type of activity).

# TAX DATA 2012 FRANCE

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The tax rates and allowances and other information contained in this card are based on official information available at the time of publication (January 2012). 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 2012 on 2011 income depends upon the level of income and the number of parts. The taxable unit is the household.

**2011 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 (2011 income)**

Rate	1 part (single person) Cumulative			3 parts (married, 2 children) Cumulative		
	Band	Upper limit	Tax to upper limit	Band	Upper limit	Tax to upper limit
%	€	€	€	€	€	€
0.0	0 –	5,963	0	0 –	17,889	0
5.5	5,963 –	11,896	327	17,889 –	35,688	979
14.0	11,896 –	26,420	2,360	35,688 –	73,674	6,298
30.0	26,420 –	70,830	15,683	73,674 –	141,660	26,693
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 € 11,299 (€ 23,225 for a married couple or couple under PACS, with two children).

**Main allowances**

	Rate	Maximum tax deduction
	%	€
Flat rate expense allowance on net salaries (after deducting social security contributions)	10	14,157

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 21%. Flat rate taxation at 21% may be of interest if tax payer is taxed at the maximum marginal rate of 41%, if the total dividends exceed € 52,000 (single person) or € 104,000 (married couple or couple under PACS) in one year, and if the flat rate option is selected for all dividends paid in the year.

**Non-French residents**

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

**Additional income taxes – solidarity contributions**

An additional surcharge for “solidarity contributions” (*contributions sociales*) of 13.5% 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
Prélèvement social and additional contributions	4.8
	<u>13.5</u>

The above surcharge is assessed only on French residents.

**Additional contributions for high levels of income**

The basis of the additional contribution is the “reference income for tax purposes” (*revenu fiscal de référence – RFR*), which includes capital gains and most income sources, even if not subject to French income tax or taxed at a lower rate.

**Single person**

€	€	%
0 –	250,000	0
250,000 –	500,000	3
Above 500,000		4

**Married couples and partners under PACS**

€	€	%
0 –	500,000	0
500,000 –	1,000,000	3
Above 1,000,000		4

For non-residents, the additional contribution may apply if their income from French sources is in excess of the above limits.

**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 2012**

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 at source)

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 withheld at source by the *notaire*. Special rules apply to certain assets.

**Individuals**

Quoted shares and securities	Rate
French residents (including 13.5% solidarity contributions – see above)	32.5
Non-residents (when taxable)	19

**Property**

The gain is progressively exempted for each complete year of ownership (whenever acquired) after five years, giving total exemption after thirty years, as follows:

- first 5 years : no taper relief;
- next 12 years : 2% per annum;
- next 17 years : 4% per annum;
- final 6 years : 8% per annum.

Individuals resident in France (including social contributions of 13.5%)	32.5
Individuals resident in another EU country, Iceland or Norway	19
Others	33 <sup>1/3</sup>

**Main exemptions**

- sale of principal residence;
- first sale of a property (rented or not), if the tax payer does not own his principal residence and is using the proceeds of the sale to buy his 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)**

The tax, based on net assets value, is calculated as follows:

- below € 1,300,000 : no tax;
- between € 1,300,000 and € 3,000,000 : 0.25% on **whole** of net asset value;
- above € 3,000,000 : 0.5% on **whole** of net asset value.

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

**TAXATION OF TRUSTS**

France introduced disclosure and taxation rules which are likely to apply whenever :

- a settlor or a deemed settlor (as defined) is French resident;
- a trust owns French assets (except financial assets);
- there are French resident beneficiaries.

Deemed settlors are defined as the beneficiaries to whom the assets or beneficial interests are attributed following the death of the settlor. It can also be the actual person who placed the assets in trust in case of nominee arrangements.

A fuller description of the new rules is available in our technical update “2011 French tax reforms” (available on our website).

**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 ten 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 under 80 years of age and the recipient is over 18 years of age.

**Taxable amounts for gifts and successions**

To direct descendants	Rate
€	%
0 –	5
8,072 –	10
12,109 –	15
15,932 –	20
552,324 –	30
902,838 –	40
Excess	45

**Between spouses and partners under PACS**

(gifts only - successions are exempt)

0 –	5
8,072 –	10
15,932 –	15
31,865 –	20
552,324 –	30
902,838 –	40
Excess	45

**Between siblings**

0 –	35
Excess	45

**Between others**

Remoter relatives	50 –
Third parties	60