France Country Profile

EU Tax Centre

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

EU Member State

Yes

Double Tax Treaties

With:

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

Note: (a) Treaty signed but not yet entered into force

Forms of doing business

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

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).

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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). Specific rules for partnerships.

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

From 2017 onwards, the standard corporate tax rate is 33.33 percent. Companies whose CIT exceeds EUR 763,000 are subject to a social surcharge of 3.3 percent levied on the CIT that exceeds this amount. Under certain conditions, reduced rates may apply for SMEs:

- 15 percent CIT for SMEs on profits up to EUR 38,120
- 28 percent CIT for SMEs on profits between EUR 38,120 and EUR 75,000.

A 3 percent tax is levied on distributed income unless exceptions apply.

Withholding tax rates

On dividends paid to non-resident companies

30 percent. 75 percent for non-cooperative jurisdictions (unless justification is provided).

On interest paid to non-resident companies

0 percent. 75 percent for non-cooperative jurisdictions (unless justification is provided).

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

33.33 percent. 75 percent for non-cooperative jurisdictions (unless justification is provided).

On fees for technical services

33.33 percent. 75 percent for non-cooperative jurisdictions (unless justification is provided).

On other payments

15 percent on artistic income. WHT on wages under certain conditions (various rates apply).

Branch withholding taxes

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

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Holding rules	Dividend received from resident/non-resident subsidiaries Exemption method (95 percent or 99 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) Dividends received from companies located in non-cooperative countries cannot benefit from the participation exemption (unless justification is provided). Capital gains obtained from resident/non-resident subsidiaries Generally subject to standard tax rate. Reduced rates apply to specific gains: ■ 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 - unless justification is provided); ■ a 19 percent tax rate applies, subject to conditions, on capital gains on the disposal of shares in listed real estate companies; ■ a 15 percent tax rate applies on royalties from licensing (and sublicensing if the financial year began on or after January 1, 2011) and capital gains realized on the transfer of patents, patentable inventions and manufacturing processes. The reduced rate is not applicable for capital gains realized by the disposal of patents or similar IP rights between related companies.
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 million, 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. Horizontal tax consolidation is possible under certain conditions.
Registration duties	Fixed (from EUR 125) or proportional (max. 5 percent).
Transfer duties	On the transfer of shares

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As of August 1, 2012, the transfer of stocks is subject to the financial transactions tax (0.2 percent) or transfer duties (0.1 percent). The transfer of shares is subject to transfer duties of 3 percent above an exempt amount of EUR 23,000. The transfer of shares of a SARL is also subject to transfer duties at 3 percent, with a tax base reduction available. The transfer of shares in real estate companies is subject to transfer duties at 5 percent.

On the transfer of land and buildings

5.09 percent (+ notary fees). Possibility for district councils to increase to 5.80665 percent indefinitely as from March 1, 2016. A 0.6 percent rate applies on sales of offices within the Ile-de-France.

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. A safe harbor clause may apply under specific conditions (notably, within the EU).

Transfer pricing rules

General transfer pricing rules

Yes, transfer pricing rules exist and supporting documentation and tax returns are required. Penalties apply if documentation is not available.

Interest and royalties paid to a recipient established in a tax shelter are not tax deductible unless the paying entity proves that such payments relate to genuine transactions and that they are charged at arm's length.

Documentation requirement

Yes: "light" transfer pricing documentation and a country-by-country report must be filed every year, plus possibility for the administration to require information on foreign rulings, consolidated accounts, and cost accounting.

Thin capitalization rules

Yes.

- Minimum taxation of interest at the level of the lender (Article 212, I-b of the French Tax Code);

- 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 cover 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 the purposes of a share purchase

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	transaction, or the refinancing thereof, will not be subject to these rules. The standard thin capitalization rule limits the tax deductibility of interest expenses if the following conditions are cumulatively met: ■ Intragroup loans exceed 1.5 times the net equity (or share capital if higher); ■ The interest exceeds 25 percent of the EBIDA (roughly); ■ The intragroup interest paid exceeds intragroup interest received. - General limitation on the tax deductibility of net financing expenses (tax deductibility of net financing expenses may be limited to 75 percent of the total amount if the total exceeds EUR 3 million); - Deduction of interest expenses relating to the acquisition of certain participations (Carrez amendment). According to the latter, the French acquiring company must convincingly demonstrate that those participations are effectively managed in France: (i) by the company holding them; or (ii) by a company established in France and belonging to the same group (subject to conditions); - Deduction of financial cost relating to the acquisition of a company becoming a member of a tax consolidated group (Charasse amendment).
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). GAAR according to the Anti-Tax Avoidance Directive (ATAD) will be introduced.
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 managed from France are disregarded (Carrez amendment). A SAAR was introduced in the French Tax Code by the Amended Finance Act 2014 (implementing Directive 2014/86/EU) to neutralize the effect of hybrid mismatches. SAARs according to the amended Parent-Subsidiary Directive have been introduced.
Advance Ruling system	Yes

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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 2.1 percent (specific rules apply within the Overseas territories - DOM, and Corsica).
Other relevant points of attention	No

Source: French tax law and local tax administration guidelines, updated 2017.

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Contact us

Laurent Leclercq

FIDAL(*) in France

T +33 1 55 68 16 42

E laurent.leclercq@fidal.com

Séverine Lauratet

FIDAL(*) in France

T +33 1 55 68 16 25

E severine.lauratet@fidal.com

Bruno Bacrot

FIDAL(*) in France

T +33 1 46 24 30 30

E bruno.bacrot@fidal.com

www.kpmg.com

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