Perfectly located in the heart of Europe, France has all the assets necessary for the growth of your company: a stable political environment, a solid domestic market, a qualified workforce, quality road and rail infrastructures, numerous international airports,...

Entrepreneurs benefit from personalized support throughout their development. Organizations such as Chambers of Commerce or professional networks form a set of actors dedicated to entrepreneurial growth.

The development of an economic activity abroad requires a perfect understanding of the legal and regulatory framework of the target country.

As France is a country governed by Latin law, the richness of its regulations can quickly become a real headache! With this guide, we wish to give you the first keys necessary for the development of your company in France.

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### The incorporation of your company in France

<table>
<thead>
<tr>
<th></th>
<th>SARL (Limited Liability Company)</th>
<th>SAS (Joint-stock company)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NUMBER OF ASSOCIATES</strong></td>
<td>From 1 to 100 associés</td>
<td>1 associate minimum (no maximum)</td>
</tr>
<tr>
<td><strong>MINIMUM CAPITAL</strong></td>
<td>1€</td>
<td>1€</td>
</tr>
<tr>
<td><strong>RESPONSIBILITIES OF THE ASSOCIATES</strong></td>
<td>Liability limited to contributions</td>
<td>Liability limited to contributions</td>
</tr>
<tr>
<td><strong>DIRECTION</strong></td>
<td>Manager</td>
<td>Président + other possible bodies (to be defined in the articles of incorporation)</td>
</tr>
<tr>
<td><strong>TAX SYSTEM</strong></td>
<td>Corporate taxes, possible income tax option if family structure (tax transparency)</td>
<td>Corporate taxes</td>
</tr>
</tbody>
</table>
| **SOCIAL REGIME OF THE EXECUTIVE OFFICER** | If leading manager (> 50% of capital) : self-employed workers’ scheme  
If main manager (< or = à 50% of capital) : assimilated employee | The manager is assimilated to an employee. |
| **AUDITOR OBLIGATION**         | Mandatory if at least 2 of the next 3 thresholds are exceeded:  
Turnover > 3.1 million euros  
Total balance > 1.55 million euros  
Employees > 50 | Mandatory if at least 2 of the next 3 thresholds are exceeded:  
Turnover > 2 million euros  
Total balance > 1 million euros  
Employees > 20 |
| **REMARKS**                    | This is the most widespread company form in France. It is easy to create and manage. It also offers a good protection of the partners’ interests. | SAS offers great flexibility: since the law does not provide for any obligation, shareholders can adapt their articles of association to their needs. Executives are always treated as employees, which can be a good asset for some of them. |
Incorporation process in France

1. Choice of the legal structure
2. Drafting of the company’s articles of incorporation
3. Deposit of share capital in a financial institution
4. Registration of the company
5. Legal advertisement formalities
The tax obligations

Corporate tax in France

A gradual reduction of the corporate tax has been initiated in France.

In 2018, the tax rate is of 28% for profits under 500,000 € and 33.3% beyond.

The rate will then be decreased as follows:
- In 2019, it will be 31% for profits above 500,000 €.
- In 2020, it will amount to 28% for all profits.
- It will finally reach 26.5% in 2021.

NB:

SMEs benefit of a reduced tax rate of 15% for profits of up to 38,120 € when their turnover is less than 7,63 M€, nd when the share capital is fully paid up and at least 75% owned by individuals.

VAT in France

The standard VAT rate is set at 20%: it applies to all products or services unless otherwise specified.

There are several reduced rates:
- the reduced rate of 10% is applicable to unprocessed agricultural products, housing improvement work, passenger transport, catering (excluding alcohol)...
- the reduced rate of 5.5% is applicable to most food products, gas and electricity supply, energy improvement works in housing....
- the reduced rate of 2.1% applies to press publications, certain medicines...

Some activities are not subject to VAT according to regulatory provisions: certain liberal professions (in the health sector in particular), certain civil activities (investment, land management, etc.), certain banking activities, etc.

NB:

Corsica and the French overseas departments and territories may benefit from special rates.

Depending on the nature and importance of their activity, French companies declare their turnover monthly, quarterly or annually for the calculation of added value.
Declaration of exchange of goods (DEB) and the European declaration of services (DES)

Trade in goods or services within the European Union is no longer subject to customs control, however, the seller/purchaser or service provider is required to complete the following on a monthly basis:

**Declaration of Exchange of Goods:**

- On the introduction of goods, if they represent an amount greater than or equal to €460,000. The DEB is due from the month of crossing. When shipping goods, from the 1st euro.
- The establishment of the DEB consists in entering the product nomenclatures of the goods concerned by the introduction/shipment, as well as their tax value and the country of destination/origin.

**The European Declaration of Services:**

The DES is due by any company providing intra-Community services. This declaration must be made out as soon as the first invoice is issued (there are no thresholds).

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**The Territorial Economic Contribution (CET)**

This tax is composed of the **Colisation Foncière des Entreprises (CFE)** and the **Colisation sur la Valeur Ajoutée des Entreprises (CVAE).**

**The CFE (Corporate Real Estate Contribution)**

The rate of this tax varies from one municipality to another. It is based on the rental value of the business premises occupied by the company.

**The CVAE (Contribution on the Added Value of Companies)**

This tax is due by companies with a turnover of more than 500,000 €. Its maximum rate is 1.5% of added value when the turnover exceeds 50 million €.

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**Taxes based on wages**

**SALARY TAX**

This tax is liable to employers who are not subject to the VAT. Its base consists of the gross annual amount of remuneration paid by the employer, and its rate ranges from 4.25% to 13.60%.

**THE APPRENTICESHIP TAX**

This tax is due to all employers except those whose workforce includes apprentices. The tax rate is set at 0.68% of the payroll.
The legal working time in France

The legal working time for full-time employees is **35 hours per week**.

This is a reference period, the threshold from which, with some exceptions, overtime is calculated.

**Can companies derogate from it?**

Yes, contractual or collective provisions may provide for a working week of more or less than 35 hours.

However, the regulations sets a maximum working time limit. Thus, the weekly working time must not exceed the following two limits:

- 48 hours over the same week;
- 44 hours per week on average over a period of 12 consecutive weeks.

Hours worked beyond 35 hours per week remain over time, and are increased by **10 to 50%**.

Minimum wage in France

The minimum wage, called «SMIC», corresponds to the legal minimum hourly wage below which the employee cannot be paid.

In 2018, the minimum hourly rate is of **9.88€ / hour**. This represents a monthly wage of **1.498,47 €** for a full time employee (35h/week).

Paid leave in France

Each employee earns **2.5 days working days of paid leave per month of actual work**. Thus, each year he accumulates **30 working days or 5 weeks of paid vacation.**

Employment contracts in France

**The permanent contract (CDI)**

The classic employment contract. The CDI does not provide for a deadline, it may be terminated by a decision of either party (resignation, dismissal, termination of the contract, etc.).

**The fixed-term contract (CDD)**

This contract is signed for a specific duration and reason (replacement, temporary increase in activity...). It can be renewed up to twice, subject to conditions.

**Temporary employment contracts (CTI)**

The contract requiring the intervention of a temporary employment agency that will ensure the relationship between the employee and the company. It is a flexible but expensive solution.

Cost of Labour in France

According to the latest statistical study published by Eurostat in April 2018, labour in France costs about **36 €/hour**. France is thus ranked 5th behind Denmark, Belgium, Sweden, and Luxembourg.
Specialist of non-residents’ taxation in France, Roche & Cie supports you throughout your business creation project in France. From the idea’s emergence to the concrete launch of your company, Roche & Cie will advise propose you the solutions you need.

Do not hesitate to contact us for any further information.

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