

F.A.T.C.A. : WHAT IS IT ?

The Foreign Account Tax Compliance Act (FATCA) was adopted in March 2010.. The American system has the distinctive feature of being subject to US citizenship tax, so expatriates are taxable in the United States on account of their worldwide income. The principle of tax residence is inoperative.

By comparison, a French tax resident in Switzerland and generating income in this country will not be taxed by France on income from his activity in Switzerland. A US citizen in the same situation will be taxed in Switzerland and the United States on his professional income.

Most tax treaties provide for mechanisms to avoid double taxation, but the reporting obligations remain binding and taxes remain due.

In order to verify that all US citizens comply with these reporting obligations and to prevent them from escaping US law by using foreign accounts, FATCA requires the international financial institutions and mainly the banks to provide information the bank accounts held by the American taxpayers, that is to say:



- Persons of American nationality residing in France
- French nationals equally having US citizenship.
- French living in the United States (about 200.000 people) their spouses and family member who would have bank accounts in France.
- Holders of permanent resident card in the United States.

On 5 February 2012, five countries (France, Germany, Italy, Spain and the United Kingdom) signed a protocol with the United States, where they pledged to apply this arrangement to their own banks.

By 2014, 80 countries and 77,000 foreign banks have agreements with the IRS.

The system provides penalties for financial institutions or individuals who do not comply with the system, which may include the forced closure of an individual's account or a tax deduction of 30% on an investment in the United States. Banks are therefore strongly "incited" to cooperate.

Many banks, faced with heavy information requirements solved the problem simply by excluding any US citizen. Some people are forced or choose to give up their American citizenship.

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Progressive lowering of the corporate tax rate (I.S.).

In order to reduce the corporate tax rate to a level close to those in Europe, Article 11 of the Finance Act for 2017 puts in place a gradual reduction in the corporate tax rate to 28% for all companies in 2020. Thus, for the year ended:

- **As from 1 January 2017**, the 28% rate applies to SMEs only up to a profit of € 75,000. Companies with a turnover of less than EUR 7.63 million can continue to benefit from the reduced tax rate of 15% in the amount of € 38,120 of taxable profit and then the rate at 28% on the 38.120 € to 75,000 €. The rate of 33.33% will apply on profit exceeding 75,000 €;
- **From 1st January 2018**, the corporate tax rate of 28% will be applied to all companies in the amount of € 500,000 of taxable profit;
- **From 1 January, 2019**, the reduced rate of 28% will apply to all companies. Moreover, all SMEs, without conditions of turnover, will be able to benefit from the reduced rate of 15% within the limit of 38,120 € of profit. Companies with a turnover of more than € 1 billion will be able to apply the 28% rate; only up to € 500,000 of taxable profit will remain applicable
- **From 1 January 2020**, all companies without exception will be subject to the 28% tax rate, with no profit limit.

The steps

Lowering of the corporate tax rate to 28%



**1st
January
2017**

Solely for the
S.M.E



**1st
January
2018**

For all
companies
*in a limit of
500.000 Euros
profit*



**1st
January
2019**

No limits
*Except for
companies with a
turnover below 1
Million euros (Limit
of 500.000 Euros
profit)*



**1st
January
2020**

For all
companies
with no
limits