

French taxation

Corporate Income Tax

Any foreign entity doing business for profit in France is liable to pay the Corporation Income Tax (*Impôt sur les Sociétés – IS*) on its earnings in France (principle of territoriality). This rule applies regardless of the types of entities:

- ✓ Subsidiaries
- ✓ Branches
- ✓ Permanent establishments

Earnings

Income subject to Corporate Income Tax (CIT) is calculated by deducting eligible expenses from income. Income comprises all of the proceeds from the sale of goods and the provision of services.

Deductible expenses are those related to the company's business. All types of expenditure born by a business are deductible if they are spent on items the company needs to operate, and providing they are legitimate and justified.

The profit thus calculated can be then subject to some tax adjustments before being the basis of the Corporate Income Tax.

Main tax adjustments

- + **So-called “sumptuary” expenses** are not tax-deductible
- + **Private passenger vehicles** for which the deductible **depreciation** allowance and **lease payments** are capped, depending on the situation, 18 300€ or 9 900€ for the least environmental friendly cars
- + As a general rule, **all types of fees between companies in the same group** are deductible if the transactions are invoiced in line with market prices and actually take place. Amounts invoiced within an international group are subject to international laws on transfer pricing
- + When **taking out a patent, a patentable invention or a licensed or sub-licensed manufacturing process**, whereby any **royalties** paid qualify for a deduction, provided the license is actually being used and the royalty paid is not excessive
- + **Taxes:** Corporate Income Tax, Corporate Vehicles Tax
- + Tax **penalties** and **finances**
- +/- The part of the profit of loss coming from a partnership, regardless its effective payment
- +/- **Unrealized gain or loss** on marketable securities or UCITS at year-end
- Tax credit “**CICE**”¹

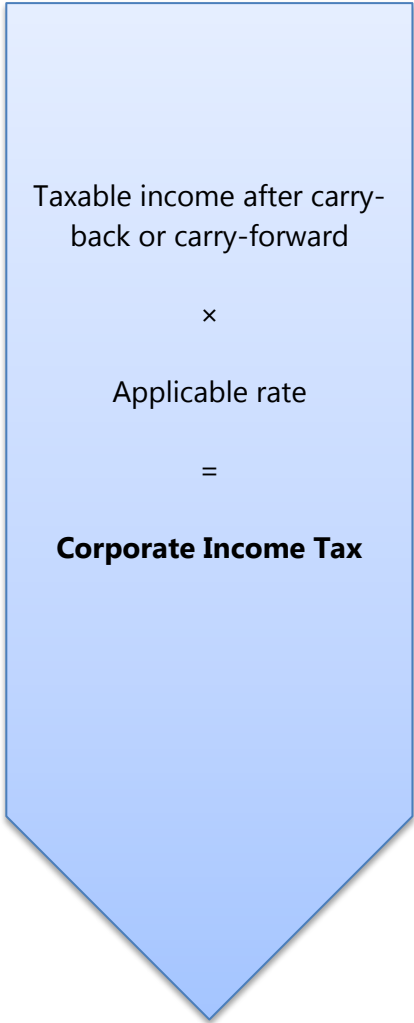
Incomes – Expenses
=
Earnings

Earnings
+/- Tax adjustments
=
Taxable income

¹ Consult our documentation on “Hiring in France”

French taxation

Carrying losses forward or back	
Carry-forward: Losses recorded in a given year can be carried forward indefinitely against future profits and	
Carry-back: Loss of one year can also be carried back against profits made in the previous year.	
Rates	
Small and medium-sized businesses (SMEs): <ul style="list-style-type: none">- Reduced corporate tax rate of 15% up to €38,120 of profits- Standard 33,33% rate on the remainder SMEs are exempt from paying an additional “social contribution”.	
Large companies: <ul style="list-style-type: none">- Standard rate of 33.33%. In addition, corporation tax payers are liable to a social contribution equal to 3.3% of the tax assessed on their taxable profits at the standard rate (33½%) and at the reduced rates, minus relief that may not exceed €763,000 per twelve-month period.	
Proceeds from intellectual property (royalties and capital gains on the transfer of patents, if they have been held for at least two years) are eligible for a reduced rate of 15%.	
Companies with over €250 million in turnover must pay an exceptional contribution of 5% gross corporate tax, which is applied before deducting tax credits, tax reductions and any type of credit. The contribution applies to corporate tax owed for the tax years ending between December 31, 2011 and December 30, 2015. For companies whose financial year coincides with the calendar year, the exceptional contribution will only be owed for profits made in 2011-2014.	
Payment	
Companies calculate and pay tax voluntarily in instalments, an adjustment being made when the final results of the period have been established.	
These instalments are based on the CIT amount paid in the previous year. They are due if the CIT amount was higher than €3,000 and are to be declared and paid electronically on a quarterly basis.	
The balance of the tax has to be declared and paid the 15 th of the 4 th month after year end (as an exception, 5 th month for companies closing their accounts on the 31 st of December).	



- Instalments due dates:**
- ✓ March 15th
 - ✓ June 15th
 - ✓ September 15th
 - ✓ December 15th

French taxation

Local taxes

Local Economic Contribution (*Contribution Economique Territoriale – CET*)

This contribution is made of two sub taxes:

1. The Contribution on Added Value (*Contribution sur la Valeur Ajoutée des Entreprises – CVAE*)

Basis	<p>The CVAE is a tax based on the company added value as shown on the tax return each year according to a specific calculation defined by the tax authorities.</p> <p>This value is capped at :</p> <ul style="list-style-type: none">- 80% of the turnover for companies whose turnover is greater than €7,600K- 85% of the turnover for companies whose turnover less than €7,600K <p>The tax amounts to 1,5% of the added value for the companies whose turnover is greater than €50M. For the others, the rate of taxation is reduced according to the following scale:</p> <table border="1"><thead><tr><th>Turnover</th><th>Rate</th></tr></thead><tbody><tr><td>< €500K</td><td>0%</td></tr><tr><td>€500K < Turnover < €3M</td><td>$[0,5\% \times (\text{Turnover} - 500,000)] / 2,500,000$</td></tr><tr><td>€3M < Turnover < €10M</td><td>$[0,9\% \times (\text{Turnover} - 3,000,000) / 7,000,000] + 0,5\%$</td></tr><tr><td>€10M < Turnover < €50M</td><td>$[0,1\% \times (\text{Turnover} - 10,000,000) / 40,000,000] + 1,4\%$</td></tr><tr><td>> €50M</td><td>1,50%</td></tr></tbody></table> <p>The tax is also capped at 3% of the added value created by the company. This limit needs to be declared to be effective.</p>	Turnover	Rate	< €500K	0%	€500K < Turnover < €3M	$[0,5\% \times (\text{Turnover} - 500,000)] / 2,500,000$	€3M < Turnover < €10M	$[0,9\% \times (\text{Turnover} - 3,000,000) / 7,000,000] + 0,5\%$	€10M < Turnover < €50M	$[0,1\% \times (\text{Turnover} - 10,000,000) / 40,000,000] + 1,4\%$	> €50M	1,50%
Turnover	Rate												
< €500K	0%												
€500K < Turnover < €3M	$[0,5\% \times (\text{Turnover} - 500,000)] / 2,500,000$												
€3M < Turnover < €10M	$[0,9\% \times (\text{Turnover} - 3,000,000) / 7,000,000] + 0,5\%$												
€10M < Turnover < €50M	$[0,1\% \times (\text{Turnover} - 10,000,000) / 40,000,000] + 1,4\%$												
> €50M	1,50%												
Declaration	<p>The declaration of the CVAE needs to be filed electronically with the form 1330 whenever the turnover is greater than €152,000 at the same time as the tax return.</p>												
Payment	<p>If the CVAE of the previous year is greater than €3,000, 2 instalments are due for half of the tax on:</p> <ul style="list-style-type: none">✓ June 15th✓ September 15th <p>The balance is paid on May 3rd of the following year. The payments and the returns (form #1329) need to be declared electronically.</p>												

2. The Corporation Property Contribution (*Cotisation Foncière des Entreprises – CFE*)

Basis	<p>The CFE is based on the value of owned or leased office premises. It is calculated by multiplying the cadastral value of the premises by a certain coefficient, designated by the local authorities and updated every year. As this tax depends on the municipal councils, the rates also vary from a location to another.</p> <p>The CFE is calculated per calendar year and per premises.</p>
Declaration	<p>The creation of a new office needs to be reported by the end of the calendar year of the creation before the 31st of December using the #1447C specific form.</p> <p>Any modification in the premises (moving, growing for example) needs to be reported to the tax office before the 31st of May of the modification using a #1447M form.</p>



French taxation

Payment	<p>If the CFE from the previous year is greater than €3,000, an instalment is due on the 15th of June for half of the tax, the balance is paid on the 15th of December.</p> <p>If the CFE from the previous year is less than €3,000 it is all payable on the 15th of December. All payments and declaration need to be done through the French Tax Authority website.</p>
----------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Property Tax (*Taxe Foncière – TF*)

Companies are subject to property tax on the rental value of land (property tax on unconstructed land) and buildings (property tax on constructed land). Land with buildings or infrastructure in place are included in the constructed land category.

The tax base is equal to the land registry rental value (or registered income) minus a standard 50% rebate for buildings or 20% for land. The same methods used to determine the CFE are applied to assess the land registry rental value for buildings. The amount of the tax to be paid can be calculated by multiplying the tax base by the rates decided upon by the local authorities.

Property tax is payable by the building or land owner on January 1 each year. As such, a company created after January 1 of year N will not owe property tax for the startup year. It is a common for the owner to charge the renter for its part of Property Tax.

Social Solidarity Contribution (*Contribution Sociale de Solidarité – C3S*)

Legal entities engaged in an economic activity in the competitive sector that generate **turnover excluding VAT of at least €3,250,000** are required to pay a Social Solidarity Contribution intended to finance the social protection of self-employed workers. The basis is the part of the turnover higher than the threshold of €3.25M.

The rate of contributions is **0.16%** (0.13% for the corporate social solidarity contribution and 0.03% for the additional contribution) of sales declared through the VAT returns of the calendar year, minus any deductions.

The C3S and the additional contribution must be declared and paid to the national fund of the social security scheme for the self-employed (RSI) **before May 15th**.

Corporate Vehicles Tax (*Taxe sur les Véhicules de Sociétés – TVS*)

This tax is payable on private cars owned or used by companies, wherever they are registered, including, under certain conditions, cars used by employees or senior managers for which the company pays mileage.

Private cars are vehicles registered as passenger cars and multi-purpose passenger cars which, whilst being registered as commercial vehicles, are used to transport passengers and their luggage or property. For vehicles with EC type-approval first brought into service on or after 1 June 2004 that were not owned or used by the company before 1 January 2006, the tax is assessed according to the number of grams of CO₂ emitted per kilometer.

The annual tax is determined according to a seven-band scale. For each vehicle liable to the tax, the annual amount of tax corresponds to the rate per gram of the band to which the vehicle belongs multiplied by the number of grams of CO₂ emitted per kilometer.

For other vehicles, the rate depends on their fiscal horsepower rating. Vehicles that use certain alternative energy sources (electricity, natural gas for vehicles, liquefied petroleum gas, E85 ethanol), exclusively or not, are entirely or partly exempt from the tax.







French taxation

How can we assist you?

The information presented above is general and synthetic. Each case is different and it is highly recommended to be assisted by a skilled professional.

We are fully available to assist you with your day-to-day requirements or with a specific request:

- Preparation / Review of tax returns: CIT, VAT, Local taxes, etc.
- Preparation / Review of intrastat returns: Declaration for Trade in Goods (*Déclaration d'Echanges de Biens – DEB*) / for Trade in Services (*Déclaration d'Echange de Services – DES*)
- Support with inspection from French Tax Authorities
- Guidance in dealing with French taxation

	Should you have any query, please contact us: Bastien PARIS / bparis@creatisgroupe.com
	Visit our website: www.creatisgroupe.com
	Like our Facebook page: Facebook Créatis Groupe
	Follow us on Twitter: Twitter Créatis Groupe