



France Companies

Welcome to France

This guide serves as a general information about the initial set-up, basic compliance and the tax environment and ongoing compliance requirements you would need for setting up a business in France. We hope you will find this guide helpful.

Please note that this guide is meant for general reference

purpose only and cannot substitute proper professional advice. Please feel free to contact us anytime and see how we can assist you in setting up a business in France.

Open hearts, open minds, open borders

Welcome to Fung Yu. We open opportunities for people to create more value in their lives with mindful cross-border CPA and business services.

We make every effort to take good care of everyone – clients, business partners, regulators and our great team.

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Business and Investment in France

Introduction

Proud of its rich history and independence, leaders of France are increasingly seeking to tie the future of their country to the continued development of the European Union. In the meantime, it is one of the most modern and highly-developed countries in the world, with one of the largest economies, and is a leader among European nations. It has aggressively sought to attract foreign investment - and with considerable success. And regarding the establishment of French company, it is also very simple and convenient.

Why choose France as a location for international business and investment

France is the world's sixth largest economy after the United States, China, Japan, Germany and the United Kingdom.

France has a well-established infrastructure, combined with first-class multi-modal transport infrastructure, making it an ideal springboard to other countries, continents and world regions throughout Europe, Africa and the Middle East. Paris Charles de Gaulle airport is ranked 1st cargo and 2nd by passenger numbers in Europe, while Paris Le Bourget is Europe's leading business airport. France also boasts Europe's 3rd best high-speed rail network, thus providing excellent connections for travelers and business investors to the world.

Furthermore, according to The World Bank which manages the global 'ease of doing business' ranking, a ranking based on various measures including starting a business and trading across borders - France is ranked 27th out of 189.



Research and Development Tax Refund

Recent years, France has introduced various subsidies and tax incentives, such as corporate tax rebates. The tax rebates are based on the R&D expenditures of the company. These tax rebates are very suitable and some companies that mainly focus on R&D are conducting and encouraging their business in France.

With regard to tax rebates, the government's 30% refund is less than 100 million euros, and 5% refunds are more than 100 million euros.

Types of companies available

In France, due to rigorous management systems of French companies, the concept of a "shell companies" does not

exist. Once a company is established, it should operate legally.

There is a total of seven types of company that could be set up in France. Limited liability companies are those whose shareholders' liability is limited to their capital contributions. They include SA, SAS, SARL, and EURL.

For general commercial purpose, companies tend to incorporate their business in France as a SARL «Société à Responsabilité Limitée» which is mostly known as a limited liability company in other countries.

Company Name

You may choose any name which is not already registered as a company or business in France or alternatively, a

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company name that is not regulated under the relevant French intellectual property provisions.

Share Capital

For a SARL, there is no minimum share capital requirement. However, most companies indicate a share capital they deem sufficient to cover the company's durable needs. 20% of the said capital must be deposited into the company's bank account at the time of incorporation. The remaining must be paid within 5 years of incorporation. The amount chosen must be frozen on a bank account or with a French Notary during the period of the formation of the company and the amount chosen will only be available after the registration certificate has been issued.

Shareholders

For SARL, there may be a minimum of 2 and maximum of 100 shareholders (natural persons or companies). Foreign shareholders are acceptable, but he/she must possess a French residence card.

Company Secretary

Under the French law, there is no requirement for a company secretary to be appointed by a French company.

Director

In France, they call a director, "gérant" (manager or agent of the company in other countries).

For a SARL, it must be managed by one or more managing directors (gérants) either appointed by the members or designated by the Articles of Incorporation. The director must be a natural person with no criminal conviction records and above 18 years old. He or she must have a residence permit if not an EU national. A corporate body as director is not acceptable in France.

Nominee Director and Shareholder

There is no legislation to regulate the process of appointing a nominee director and shareholder in France. An individual nominee director is possible, but a nominee director must NOT be a corporate body.

Residence Permit

The residence permit can be applied from the French Embassy in the applicant's own country. It normally takes 4 months. When the application is successful, the applicant will get the permit to reside in France. Applicants need to provide a business plan, personal CV, work experience and a business contract for their application.

Registered Office

Companies in France must have their own physical registered office. A written agreement or a lease document is required to be submitted to the French company registrar for incorporation purpose. It is possible for the company to use its director's private residential address as the registered office of the company.

Incorporation Time

If every things are ready, it usually takes 2-3 weeks to complete the entire registration process. However, if the applicant is a non-French citizen, the process of applying for a residence permit may take 4 months or more.

Bank Account Opening in France

Banks in France practise the procedure known as "Know Your Customer" (KYC), (a requirement required by the European and national authorities against money laundering) for any individual or company wishing to open a bank account.

There are various methods available to open a bank account in France. It is sometimes preferable for the parent company to open an account in its country of origin with a subsidiary of a French bank, or one that enjoys a partnership with a banking network in France.

A list of documents such as identification documents of shareholders and directors, director's CV, business plan, register of members, company identity certificate of the parent company etc. are usually requested by French banks when examining an account opening request.

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Annual Requirements

Annual General Meeting

A SARL is required to convene a shareholders' meeting within 6 months of the end of each financial year to approve the annual financial statements and allocate profits. Decisions are made by the majority holding more than 50% of the shares.

Accounting Regulations and Audit Requirements

Book-keeping is an obligation under commercial and criminal law. Companies need to prepare annual accounts at the end of the accounting year. The annual accounts include a balance sheet, a profit and loss statement and an annex.

It is compulsory under business law in France for every trader to keep an accounting journal, an inventory book and a general ledger.

Audit and Audit exemption

For a SARL, a statutory auditor must be appointed if at least 2 of the following criteria are met:

- The total and as appeared on balance sheet is over EUR 1.55 million
- The turnover is greater than or exceeds EUR 3.1 million (VAT excluded)
- The number of employees is over 50

Tax Return Filing Obligation

Tax Year

A tax year is 12 months of a calendar year, the taxpayer may choose a different year-end date for its company.

Corporate Tax

French corporate tax is based on the sources of income. Any profits earned from France are liable to corporate tax. If income of a company is earned outside of France, then corporate tax liability will not arise.

The standard rate of corporate tax is 33.33% (to be reduced to 28% over the period of 2017 to 2020) on the net profit derived from all operations carried out in France. A 3.3% additional corporate tax will be charged if annual turnover exceeds EUR 7.63 million.

With regards to filing obligations, French companies are

required to make advance payments of their annual corporate tax in four installments (due on 15th of March, 15th of June, 15th of September and 15th of December each year).

Tax on Share Transfer

3% of the higher of the purchase price of the shares or their maker value.

VAT

The following are the VAT rates applicable:

- Standard rate: 20%
- Intermediary rate: 10%
- Reduced rate: 5.5%
- Super reduced rate: 2.1%

The difference in rates depends on the goods and services provided, or the business area.

VAT returns are required to be filed monthly, quarterly or annually. It depends on the types of business activities of the company.

Personal Income Tax

Personal income tax is progressive, ranging from 14% to 45% as follows:

- 14% - between EUR 9,710 and 26,818;
- 30% - between EUR 26,818 and 71,898;
- 41% - between 71,898 and 152,260; and
- 45% - exceeding EUR 152,260.

The due day for filing the tax return is the 18th of May of each calendar year.

Social Security Contributions

These social security contributions will depend on whether the directors are holding a majority share (more than 50%). If you are a majority shareholder, you will be treated as a self-employed person under the Travailleurs Non Salaries (TNS); If you are a minority shareholder (less than or equal to 50%), you will be treated as a salaried employee under Travailleurs Salaries (TS). Employment and Labour Law in France would thus be applied to the said employee.

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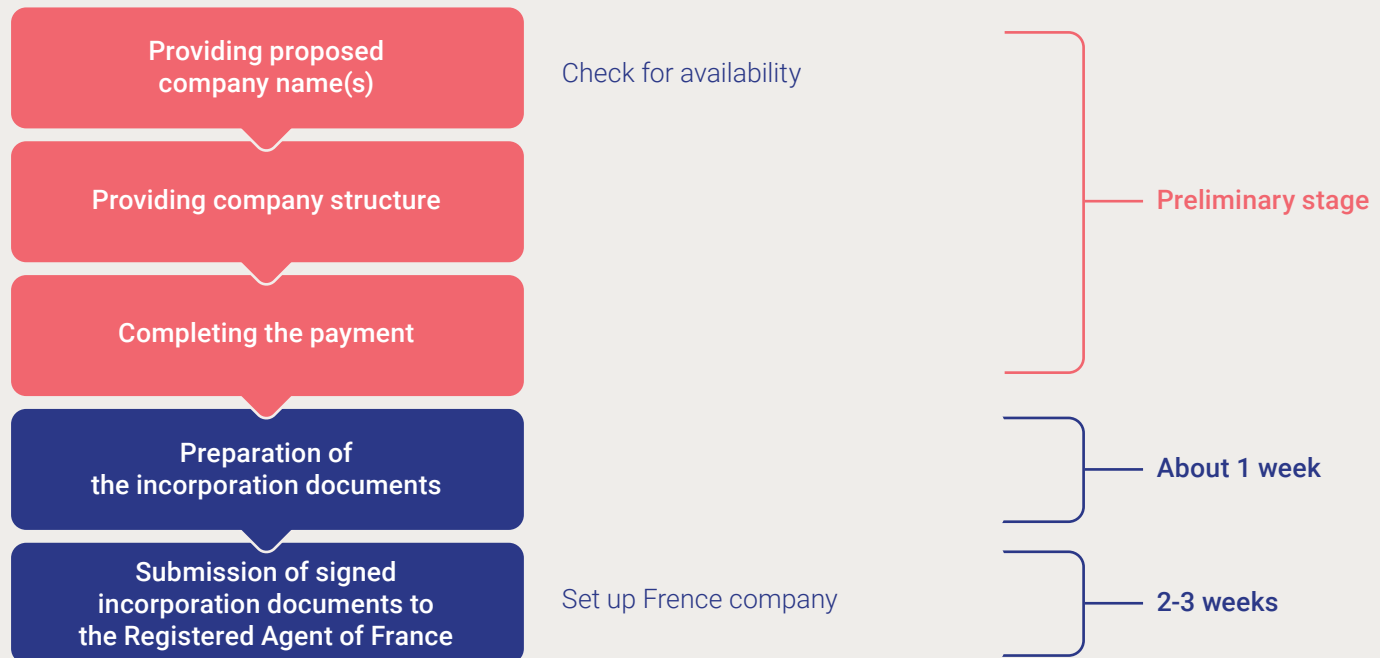
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Procedures for setting up a company in France



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-  **50+ years of experiences**
-  **Familiar with China, HK and Europe's business regulations**
-  **Accounting, audit & different areas of services**
-  **Quality of Service: timely, professional and reasonable**
-  **Cross-border investment advisory expert for medium & large enterprises**
-  **More than 90 financial & corporate service professionals**



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