

DOING BUSINESS IN FRANCE

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Message from the Ambassador

This guide, written by IFA experts in association with recognized specialists (law firms, auditors, accountants and human resources consultants) is intended to be a working reference guide to the business environment in France.

It has been designed especially for foreign company directors who would like to invest in France, where more than 20,000 foreign companies are already established, running businesses under many different legal forms.

The reforms that France has pursued to improve competitiveness and the business environment have fundamentally changed the legal framework in which companies can be set up and expanded.

More specifically, they have promoted R&D by consolidating France's innovation clusters and research tax credit, reducing labor costs through one of the measures arising from France's "National Pact for Growth, Competitiveness and Employment", making it easier for companies to effective and tailored funding through the Public Investment Bank (bpifrance), and reforming the labor market on the basis of the agreement on January 2013 between trade unions and employer federations regarding employment conditions.

This publication will provide you with an authoritative guide to a legal framework that has made it easy to invest, innovate and create businesses in France.

Please do not hesitate to contact the Invest in France Agency, which is ready to serve as a key partner to ensure the success of your investment project in our country.

David Appia

Ambassador for International Investment,
Chairman and CEO of the Invest in France Agency

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1 SETTING UP BUSINESS IN FRANCE SUCCESSFULLY

There are no administrative restrictions on foreign investment in France. Whatever your business development strategy, in France you will find an appropriate legal structure for the kind of business you wish to set up. Investors can set up a permanent or temporary structure and enjoy full legal peace of mind; they are then free to drive their project forward in an uncomplicated and inexpensive environment.



Simple steps for foreign investors to follow:

• **SIMPLE STATISTICAL OR ADMINISTRATIVE RETURN**

FORMALITY	CASES
Return for statistical reasons filed with the Banque de France	→ Acquisition of 10% or more of the equity or voting rights in a resident company – or when equity or voting rights in the company rise above the 10% threshold, if the amount of these transactions exceeds €15 million.
Return filed with the Ministry for the Economy and Finance (Treasury Directorate)	→ When new companies are created, if the investment exceeds €1.5 million. → Transactions (with no minimum amount) that result in the acquisition of all or part of a business line. → Acquisition of a direct or indirect equity interest in (or any other transaction with) a French company amounting to more than one-third of its shares or voting rights (unless the investor already has a majority interest in the French company).

• **PRIOR AUTHORIZATION IN CERTAIN BUSINESS SECTORS**

Certain acquisitions in sectors considered to be “sensitive” require prior authorization:

- Acquisition of a controlling interest (i.e. majority of voting rights) in a French company and the acquisition of all or part of a business line by a foreign investor.
- For investors from countries outside the EU and the European Economic Area, authorization is also required for the acquisition of interests exceeding 33.33% of equity or voting rights in a French company (unless the investor has already been authorized to acquire a controlling interest).

Authorization is given by the Ministry for the Economy, Finance and Trade within two months (tacit agreement to be assumed if no reply is received).

• **SECTORS AFFECTED BY PRIOR AUTHORIZATION:**

INVESTMENTS AFFECTED	SECTORS
Investments from EU Member States	Private security services; interests concerning the prevention of illicit use of biological or toxic agents or other agents prohibited in the construction of chemical weapons; equipment designed to intercept communications; the evaluation and certification of systems used in information technology; the production of goods or provision of services relating to the security of information systems; goods and technology with dual applications.
Investments from non-EU countries	The interests indicated above, plus: gambling (excluding casinos); encryption and decryption systems for digital applications; businesses certified for national defense; trade in weapons, munitions and explosives for military applications or equipment used in warfare; businesses under contract to supply research or equipment to the French Ministry of Defense or its subcontractors.



For more information:

Articles L151-1 to L152-6 of the French Monetary and Financial Code.
Articles R153-1 and following of the French Monetary and Financial Code.
Ministerial Order of March 7, 2003, detailing the information necessary to complete returns or requests for authorization.

I. SIMPLIFIED FORMALITIES FOR CUSTOMIZED BUSINESS SOLUTIONS

The formalities for setting up businesses have been greatly simplified and the whole procedure can be carried out over the internet.

1. A 'ONE-STOP SHOP': THE CENTRE DE FORMALITÉS DES ENTREPRISES (CFE)

However you decide to set up your business, all the formalities for creating a new company can be dealt with at the nearest *Centre de formalités des entreprises* (CFE), which are located throughout France. They handle all administrative details in one place, including all the documents required to set up, change or close down companies, and deliver them to the relevant authorities.

It takes a few days for a company to be recorded in the Company Register (*Registre du commerce et des sociétés* – RCS). The cost of administrative formalities is approximately €84, plus the cost of publishing a notice announcing a new company in the legal gazette (approximately €230).

► Online formalities

Formalities for setting up, changing or closing a company or branch can be completed online. You can also track the progress of your applications on the internet at www.cfenet.cci.fr; www.guichet-entreprises.fr

► Regulated professions

In principle, applications for authorization to engage in regulated or licensed professions or those registered with trade associations (lawyers, accountants, architects, doctors, transporters of goods or people, etc.) must be registered with the respective authorities or professional bodies. However, as a one-stop shop, CFEs are gradually beginning to receive all the applications for registration, authorization and declarations required to open specific lines of business, apart from actual company creation (i.e. professional licensing, registering with trade associations, filing declarations with municipal offices or the *Préfecture* to open a business, etc.).

1.1 A representative in France to manage formalities

There are different ways of completing formalities at the CFE:

- Perform the procedures yourself, acting under the authority vested by the foreign company as the future legal representative of the company's new establishment in France.
- Delegate powers to an attorney to represent you.
- Delegate powers to one of your personnel or a partner in the company to be founded.

You will be asked to show proof of authorization or power of representation to complete the formalities when filing your application with the CFE.

2. BUSINESS ENTITIES TO SUIT ALL NEEDS

Choosing a business structure in France depends on the investor's strategy and the degree of independence that the French operations are to have from the parent company.

2.1 Reducing administrative procedures: short-term solutions

A foreign company wishing to prospect for business in France can start by hiring a single employee or by opening a liaison office. This option involves a specific tax and company status.

LIAISON OFFICES: NOMINAL REPRESENTATION WITHOUT COMMERCIAL ACTIVITY

A foreign company may recruit or send an employee to France to represent it through a local liaison or representative office.

Liaison offices may conduct only a very limited amount of non-commercial operations, such as prospecting, advertising, providing information, storing merchandise, or other operations of a preparatory or auxiliary nature. They are not separate legal entities. Invoices must be issued by the parent company, which must also sign any contracts.

Tax law stipulates that while liaison offices must pay certain local taxes and social security contributions, they are not subject to corporate tax or VAT since they are not considered to be permanent establishments. If, however, the office conducts commercial

activities, in particular where an employee signs contracts on behalf of the foreign company employing them, or fulfills a complete manufacturing cycle, or acts as a fixed place of business through which the company conducts all or part of its trade, it may be reclassified as a permanent establishment.

Companies wishing to safeguard their business may ask the tax authorities to rule in advance whether or not their establishment qualifies as a permanent establishment in France (the tax authorities are deemed to have given tacit consent if no reply is received within three months).

REGISTERING A LIAISON OFFICE

In principle, registering a liaison office is not required. It becomes necessary for dormant companies where the office has its own premises or is to going be used to employ several employees in France. Documents to be submitted concern the representative (proof of identity, police clearance record, specific documents for expatriates, including the declaration to the *Préfecture* or “Business Activity” residence permit if necessary), two copies of the company’s articles translated into French, as well as a document attesting tenancy or ownership of premises.



The first key steps in creating a subsidiary

Creating a company involves carrying out a number of steps before the company can be registered. **Investors who wish to create a separate legal entity rather than a subsidiary or a liaison office should anticipate the following steps:**

- > Seeking public or private investment (loans, venture capital, business angels, mutual investment funds in innovation etc.).
- > Seeking business premises and a business address agreement for the company’s registered office, a commercial lease or the acquisition of real estate.
- > The type of legal structure for the business (e.g. SAS / SARL or SA).
- > Drafting and signing the company articles (before a notary where the company owns property) which requires preliminary steps to be taken (address, directors, definition of business etc.).
- > Planning the appointment of the company officers.
- > Obtaining where appropriate (for a foreign director outside the European Economic Area) a long-stay visa and residence permit (“Business Activity” or “Skills and Expertise”) or making a prior declaration for a foreign director not wishing to reside in France.
- > Choosing a company name (and ensuring it can be used by conducting searches at the French Patent and Trademark Office (INPI) and the Commercial Court Registry – *Greffe du tribunal de commerce*), address and the appointment of directors.
- > Appointing the statutory auditor(s), where relevant.
- > Evaluating capital contributions in kind by an independent auditor, where relevant.
- > Constituting the share capital.
- > Opening a bank account in France and depositing the capital of the company being formed.
- > Registering the articles with the tax authorities at the registered office’s location (free of charge).

> Publishing the notification of establishment in a legal gazette. Since some of these steps involve procedures in both the country of origin and in France, they may take several weeks to complete.

After creating the company, you are required to:

- > Register internet domain names ending in “.fr” with a registrar designated by the French Internet Names and Cooperation Association (AFNIC).
- > Register the company with an insurance center for civil liability insurance (and/or for the contents of your premises).
- > Register with an employee retirement plan (obligatory within three months of registration).
- > Complete formalities relating to hiring each employee with URSSAF by using a special form (*Déclaration préalable à l’embauche* – DPAE).

2.2 Planning for the future - two key decisions

Companies can set up a branch or a subsidiary to conduct manufacturing or sales operations in France through a permanent principal or secondary establishment.

BRANCHES - A BASIC OPTION

Branches enable foreign companies to establish a foothold in France for a commercial activity.

Branches are headed by a legal representative, functioning like an agency and reporting to headquarters, and have no official restrictions on their decision-making powers. They may carry out all the operations of an industrial or commercial company, but are not separate legal entities and the parent companies are responsible for their initiatives. If they encounter financial problems, the parent company bears liability for their debts.

Branches are permanent establishments with regard to tax laws and must pay corporate tax and VAT. The subsequent conversion of a branch into a separately incorporated subsidiary is possible, but must comply with rules governing the sale and transfer of a business, and is subject to taxation.

REGISTERING A BRANCH

Registration is mandatory for branches. The registration application must include (in addition to the MO form):

- One copy of the parent company's articles (the original and, if necessary, one copy translated into French and certified by the legal representative).
- Registration certificate from the foreign company register.
- Documents relating to the person empowered to act on behalf of the company: identity cards and a police clearance record; a declaration to the *Préfecture* (for non-European directors) or residence permit as appropriate and documents certifying the required qualifications if the business is regulated.
- Proof of address.

CREATING A SUBSIDIARY, A COMPANY INCORPORATED UNDER FRENCH LAW, OFFERS CERTAIN ADVANTAGES:

- Segregation of subsidiaries' and parent companies' assets means that foreign companies do not bear unlimited liability for the debts of their French structures. On the other hand, losses by subsidiaries cannot be offset against parent companies' profits.
- Subsidiaries may apply for government support when starting up or expanding.
- Subsidiaries can enter into agreements on sales and technical royalties, commissions, etc.

The subsidiary must pay all applicable taxes.

Investors are advised to seek specialist legal advice when setting up a subsidiary. Bar associations can provide lists of lawyers in France.

Quick comparison of ways to set up businesses in France



	TYPE OF BUSINESS STRUCTURE	DEFINITION	FEATURES
SHORT-TERM SOLUTION	Liaison office	One representative office in France, no commercial activities	<ul style="list-style-type: none"> > Simple structure (extension of a foreign company in France) > Commercial activity only if registered with the Company Register (<i>Registre du commerce et des sociétés</i> – RCS) > No autonomy
LONG-TERM SOLUTIONS	Branch	Through its representative, an entity of the foreign company that can legally bind the company (i.e. sign sales contracts)	<ul style="list-style-type: none"> > Uncomplicated structure that can conduct sales activities > Can make decisions independently as the branch's representative in France > Transactions legally binding for the foreign company
	Subsidiary	Company subject to French law that can conduct all types of business	<ul style="list-style-type: none"> > Autonomous legal entity > Transactions only legally binding for the subsidiary itself

SIMPLIFIED REGISTRATION FORMALITIES FOR COMPANIES UNDER FRENCH LAW

The company becomes a separate legal entity when it is entered in the Company Register (*Registre du commerce et des sociétés* – RCS). The founders are personally liable for their legal commitments during the incorporation phase, and these are consequently assumed by the newly incorporated company.

The registration application for the new company must include (in addition to the MO form):

- > The original of the articles giving the names of the directors and, where appropriate, the names of the statutory auditors.
- > A summary of the formalities completed on behalf of the new company.
- > Two copies of the independent auditor's report, if capital contributions in kind are involved.
- > A copy of the lease or ownership deed to the business premises.
- > A copy of the legal gazette containing notification of the company's establishment.
- > Copies of the directors' birth certificates, identity cards or passports, along with a certified clean criminal record and a representative's mandate.
- > If appropriate, a copy of the professional license, degree or certificate required to exercise a regulated profession.
- > If appropriate, the declaration to the *Préfecture* by any director(s) from non-EEA countries not residing in France, or residence permit(s) of any foreign director(s) ("Business Activity" or "Skills and Expertise" type).

> A certificate of deposit from a bank for the new company's initial capital reserve.

Once the application is received, the Commercial Court Registry issues a business creation certificate (*récépissé de dépôt de dossier de création d'entreprise*), free of charge, enabling company set-up procedures to go ahead.

After these formalities, the Registry issues a "K-bis" registration certificate, an official identification document for your company which certifies that the company has been created.

+ For more information:

The French Office for National Statistics and Economic Studies (INSEE) which allocates the APE code corresponding to the company's primary business and the SIREN and SIRET numbers (company registration numbers) required for hiring employees..

II. LEGAL STRUCTURES TAILORED TO DIFFERENT NEEDS

1. THE THREE MAIN TYPES OF LIMITED LIABILITY COMPANIES

In this case, financial liability is limited to the amount of owners' capital contributions. Such entities can easily be converted into other forms of companies with minimal tax consequences.

The most popular company forms are the *société à responsabilité limitée* (SARL), the *société par actions simplifiée* (SAS) and the *société anonyme* (SA).



Approval of annual accounts

This decision is made by partners at the Annual General Meeting.

The decision to approve the accounts must be made no later than six months after closure of the accounts for the financial year. This is essential so that profits can be allocated

and any dividends distributed.

All limited liability companies must file:

- their annual accounts, business report and where applicable their consolidated statement and auditors' reports;

- the motion or resolution regarding allocation of the profits.

These must be filed in duplicate with the Commercial Court Registry within one month of the annual accounts being passed.

SARLs and SASs can be formed with a single partner [SAS *unipersonnelle* (SASU) or single-shareholder limited liability company (EURL)], whereas seven shareholders are required for an SA. The SA is the most sophisticated type of French company and is able to launch a public offering.

The SAS (or SAS *unipersonnelle*) is the most recent form of French company and is well suited to holding companies and foreign companies wishing to maintain 100% control of one of their subsidiaries. This option has gained popularity since the reform allowing partners to draft articles setting any level of capital they choose (like for SARLs).

Choosing a legal structure will affect the company's legal status, taxes, assets and employment relations.

2. ADDITIONAL OPTIONS ARE AVAILABLE

These are mainly general partnerships (*société en nom collectif* – SNC), non-trading partnerships (*société civile*) and economic interest groupings (*groupement d'intérêt économique* – GIE). They are less common because they require a greater level of partner liability in the event of financial difficulties. However, there are no minimum capital requirements and these structures offer significant

levels of flexibility (but decisions must usually be unanimous in SNCs and GIEs) and fiscal transparency that make them attractive as subsidiary companies.

A special form of company, the *société en participation*, is used in the construction industry and in the performing arts and publishing sectors. These are very simple to set up (RCS registration not required) and no legal announcements are required.

3. INCORPORATING AS A EUROPEAN COMPANY

Businesses present in at least two Member States of the European Union can opt for European Company status (SE for *société européenne*).

In this case, the company benefits from a unique set of regulations and a unified system of management and disclosure of financial details.

SEs have a minimum capital of €120,000. The company's headquarters is stated in the articles, and its location determines the business law that applies to the company: the company is registered in the country where the headquarters is located. SEs are subject to taxation in all EU countries where they have a permanent business.

French company law



French company law has kept in step with modern technology: meetings of boards of directors and supervisory boards may now be held remotely (by

video-conference or other means) except in cases where company articles stipulate physical meetings or where annual or consolidated

financial statements and management reports are to be approved.

Protecting intellectual property in France

The administrative formalities to protect patents, trademarks, designs and models are filed with the French Patent and Trademark Office (INPI). You may also request that legal protections granted in other countries be extended to France and Europe.

NB: Company names, trade names, logos and domain names are also protected from their first use and can be cited in unfair competition lawsuits.

INNOVATION	DURATION OF LEGAL PROTECTION
Patents	20 years
Trademarks	10 years (renewable indefinitely)
Designs and models	25 years



Comparison of the main forms of limited liability companies in France

	SOCIETE A RESPONSABILITE LIMITEE (SARL)	SOCIETE ANONYME (SA) USUAL FORM (BOARD OF DIRECTORS)	SOCIETE PAR ACTIONS SIMPLIFIEE (SAS)
Key advantages	Easy to set up and operate.	Structured for "monitored delegation". Public offerings permitted.	At least one partner. Freedom of constitutional arrangements for relations with shareholders, management and the structure and to transfer capital.
Directors	One or more directors, who must not be corporate entities, but do not need to be partners.	One individual to be the Chairman of the Board and CEO, or two individuals to be Chairman and CEO respectively. Deputy CEOs: up to five. Board of directors: three to 18 members and a statutory auditor.	At least one Chairman (individual or corporate entity) and possibly a board with other members. The company can be represented by a person so empowered by the articles (CEO or deputies) in addition to the Chairman.
Director's status	A director who is a minority, equal shareholder or non-partner can also have an employment contract if certain conditions are met (work as a subordinate, separate from company officer role).	The director can also have an employment contract if certain conditions are met (work as a subordinate, separate from company officer role).	
Appointment and dismissal of Directors	Decision of partners representing more than half the company shares. Compensation payable for dismissals without due cause.	Decided by the Board of Directors.	Defined by choice in the articles.
Minimum capital	No minimum: sufficient capital to finance long-term needs. Partners define the amount in the articles. At least one-fifth of contributions must be paid-up capital when the company is founded and the balance over five years. Restrictions apply to issuing bonds.	Minimum of €37,000. Half the capital must be paid up when the company is founded and the balance over five years. Public offerings permitted.	No minimum: sufficient capital to finance long-term needs. Partners define the amount in the articles. At least one-fifth of contributions must be paid-up capital when the company is founded and the balance over five years. Restrictions apply to issuing bonds.
Contributions	Sweat equity ¹ permitted.	No sweat equity permitted.	Sweat equity permitted.
Partners / shareholders	2 to 100 individuals or corporate entities. Or single shareholder (EURL). At least one meeting per year: annual approval of the accounts, review of contracts by simple majority at Ordinary General Meeting.	At least seven (with at least one individual). At least one meeting per year: annual approval of the accounts and ordinary decisions by simple majority at Ordinary General Meeting, changes to the articles require a two-thirds majority at Extraordinary General Meeting.	At least one (SAS <i>unipersonnelle</i>) individual or corporate entity. Only certain decisions made by Ordinary General Meeting: approval of the accounts, mergers, changes in capital, liquidation.
Quorums for meetings	25% of voting rights on first notice and 20% on second notice of Extraordinary General Meeting	For an Extraordinary General Meeting, 25% of voting rights on first notice and 20% on second notice. For an Ordinary General Meeting, 20% on first notice and no quorum on second notice.	According to the articles; no obligation to hold an annual meeting of shareholders.
Blocking minority	Extraordinary General Meetings: 33% + 1 vote for amendments to the articles. Ordinary General Meetings: 50% of voting rights + 1 (or majority of votes on second notice).	1/3 of votes at Extraordinary General Meeting. 50% of votes in Ordinary General Meeting.	According to the articles.
Liability of partners / shareholders	Limited to contributions, except in civil or criminal lawsuits	Limited to contributions, except in civil or criminal lawsuits	Limited to contributions, except in civil or criminal lawsuits
Transfers	Buyer pays a 3% filing fee. Equal deduction for each share, to the ratio between €23,000 and the total number of shares in the company.	Buyer pays a filing fee* of 0.1%	
Auditors	Auditor necessary if company exceeds two of the three thresholds below: net turnover over €3.1 million; total balance sheet over €1.55 million; more than 50 employees.	Statutory auditor required.	Statutory auditor required for companies held by (or holding) another company OTHERWISE Statutory auditor required if company exceeds two of the following three thresholds: Pre-tax turnover > €2 million; total balance sheet > €1 million; over 20 employees.
Tax system	Corporate tax ² or option of paying income tax (if company is less than five years old and has fewer than 50 employees) or if the company comprises members of the same family.	Corporate tax or option of paying income tax (if company is less than five years old and has fewer than 50 employees).	Corporate tax or option of paying income tax (if company is less than five years old and has fewer than 50 employees).

¹ Sweat equity: a partner offers the company his time, work and professional knowledge. Does not contribute to forming the capital but has right to shares in company (share of profits and participation in collective decisions).

² For a SARL comprising only one private individual: income tax or irreversible option to pay corporate tax.

* Unless the transaction is exempt, such as the acquisition of ownership interests when buying back the company's own shares or raising capital; when buying a company that is undergoing an insolvency or bankruptcy protection procedure (*sauvegarde* or *redressement judiciaire*); when companies are members of an integrated group; and when partial assets are contributed for mergers.

III. PARTNERSHIPS AND TAKEOVERS

French law makes full provision for business partnerships and takeovers.

1. ACQUIRING EQUITY IN A COMPANY

Acquiring an equity interest may be the result of an agreement between companies or an unsolicited bid to buy shares (hostile takeover bid).

1.1 Administrative formalities: transparency required

Buyers are required to make certain disclosures when more than 5% of the shares or voting rights in a listed company are likely to change hands:

- ▶ A declaration must be filed with the financial market authority within five days.
- ▶ The target company must be notified within 15 days.

The same rules apply to transactions that exceed thresholds, up or down, of 10%, 15%, 20%, 25%, 30%, 33%, 50%, 66%, 90% and 95% of the shares or voting rights.

When buyers intend to acquire more than 30% of the shares in a listed company, they are required to make a bid for all of the outstanding shares so that minority shareholders have an opportunity to sell their shares.

1.2 Prior notification to competition authorities of large concentrations between undertakings

Concentrations between undertakings arise from one of the following transactions:

- Mergers of two or more independent companies.
- Full or partial takeovers.
- Creation of joint ventures that conduct their business independently on a long-term basis.

In principle, concentrations are authorized, however large concentrations may require prior authorization from national or European Union authorities.

Restrictions on concentration are intended to ensure that market dominance by a single company does not distort competition.

Concentrations require the prior authorization of the French Competition Authority (*Autorité de la concurrence* – an independent body) if:

- ▶ The aggregate turnover of the companies concerned exceeds €150 million, excluding tax, and
- ▶ The aggregate turnover of at least two of the companies in France exceeds €50 million, excluding tax, and
- ▶ Turnover remains below EU thresholds.

Specific thresholds have been set for the retail distribution sector (lower notification threshold) and in the French overseas *départements* and authorities. The French Competition Authority's decision will be made within 25 working days of the date when full notification procedure documentation is submitted. However if the transaction is likely to distort competition, the Competition Authority may open a second phase in order to conduct a more extensive analysis of the transaction (in principle, a period of up to 65 days is set aside for this second phase). The European Commission in Brussels must be notified of concentrations between undertakings if:

- ▶ The aggregate global turnover of the companies concerned are more than €5 billion, and
- ▶ Individual turnover of at least two of the companies concerned in the European Union totals more than €250 million, except if turnover within a single country accounts for more than two-thirds of each of the companies' total European Union turnover.

The European Commission must also be notified of concentrations that do not exceed the above thresholds if they affect three or more European Union countries.

The procedure can take up to eight months and the concentration is frozen until authorization is granted.

2. MANAGEMENT LEASE: A FLEXIBLE TEMPORARY TAKEOVER OPTION

Management leases grant authorization to operate a business without having to buy it outright.

The owner or operator of the business or manufacturing establishment signs a contract with a lessee, who manages the leased company at his own risk and pays a lease payment. The owner collects the lease payments and has no say in the management of the leased business.

A management lease is a temporary solution that can be used to assess the viability of a business. At the end of the lease, the company may be sold or transferred to the lessee.

3. STREAMLINED PROCEDURES FOR ACQUIRING AN AILING COMPANY

French law on ailing companies has been simplified in recent years, particularly the regulations concerning the takeover of such companies.

A procedure affording protection before insolvency (*procédure de sauvegarde*) can now be undertaken when a company's difficulties are such that they risk becoming insurmountable. This preventive procedure does not provide for the sale of all or part of company assets, for which liquidation proceedings are necessary. Likewise, any partial insolvency is subject to bankruptcy law.

Reorganization (*redressement judiciaire*) is a form of bankruptcy protection that takes place when a company is insolvent and its assets are not enough to cover liabilities. The sole aim of this procedure is to facilitate the drafting of a plan that will enable the company to remain in operation, maintain jobs and reduce its liabilities. Any sale of assets must comply with liquidation procedures.

Once either of these two procedures has been initiated, third parties may submit offers to the administrator to save the company as a going concern, through the total or partial sale of business; such sales must be conducted in keeping with liquidation procedures.

Buyers must make their offers to the commercial court-appointed administrator before the deadline set in the court ruling initiating the proceedings

(court rulings are published in the legal gazette *Bulletin officiel des annonces civiles et commerciales*).

4. THE BEST ACQUISITION SOLUTION PREFERRED BY JUDGES

During liquidation procedures, the courts prefer buyers offering the best prospects of keeping the company in business, saving jobs and repaying creditors. Part or all of a company's assets may be sold to ensure that those operations that can be conducted independently remain in business, to preserve all or part of the associated jobs, and to reduce liabilities. Offers must include a detailed list of assets, rights and contracts included in the offer; a business recovery plan and financing forecasts; the purchase price and how this will be paid; information about the providers of funds and any guarantors (if the offer is based on loans, it must specify terms and duration), the date of sale, job numbers and outlook based on projected operations, financial guarantees underpinning execution, asset disposal plans for the next two years, and the duration of each commitment made by the buyer.

Offers cannot be amended or withdrawn once they have been filed with the Commercial Court Registry except for amendments that improve conditions for employees and creditors, which may be presented up to 48 hours prior to the hearing. The court then decides whether to make a partial or full sale of the business and gives the reasons for its decision. Some contracts may be transferred to the new owner, including employment contracts, equipment and finance leases, supply contracts for goods and services necessary to keep the business going, stock pledge agreements, contracts with customers, etc. If no solution can be found to keep a business going or if recovery is clearly impossible, the court will liquidate the ailing company and the assets will be sold to the highest bidders once the court proceedings have been completed.

IV. CORPORATE REAL ESTATE TO MEET VARIOUS NEEDS

1. SHORT-TERM, LOW-COST SOLUTIONS

1.1 Using a director's personal address for the company

A company may use its legal representative's personal residence for its registered office and, in principle, conduct its business there indefinitely. If the residence is rented, the landlord's written consent is required.

Using the director's personal residence for the company's business is sometimes subject to three conditions. These restrictions stipulate that the premises must be: i) the director's principal place of residence; ii) business done there must be conducted by the director and the other occupants of the premises only and iii) no customers or merchandise can be received at the residence.

If legislative or contract provisions rule out the use of the director's personal residence as the company's registered office, it is still possible to use the address for administrative purposes for up to five years.

1.2 Using a business center

A business center (*centre d'affaires*) can be used as the company's temporary registered office. Business centers are specialized service companies that provide registered office addresses for other companies and rent them rooms for holding periodic board meetings. These centers also provide other services, such as answering telephone calls and secretarial services. A contract must be signed between the company using the address for its registered office and the owner or tenant of the premises.

1.3 Temporary manufacturing facilities

Companies can use temporary manufacturing facilities (*ateliers-relais*) to train new employees and even start up their business while their new

plants are being built. Many local authorities offer such facilities to companies locating in their area. The leases run for up to 23 months and, in some cases, they come with a purchase option, subject to certain conditions.

1.4 Business incubators

Business incubators (*pépinières d'entreprises*) provide premises (offices, workshops, laboratories, common areas) for startups and enable them to share the costs of faxes, secretarial services, photocopiers, switchboards, training and database access. Business incubators also advise new companies on business development.

1.5 Short-term leasing options for business premises

Sub-letting: In its early stages, a company can sub-let premises from another company. If the host company holds a commercial lease, the lease must explicitly authorize the sub-let and the lessor must be asked to be a party to the sub-letting contract. Short-term leases: Short-term leases are available with terms up to 24 months. The advantage of such leases is that the term can be tailored to the tenant's needs; the drawback is that the tenant is not entitled to automatic renewal of the lease.

2. LONG-TERM OPTIONS

Several options are available, depending on the needs of investors.

2.1 A commercial lease is the most common option

Companies generally sign commercial leases, which are governed by strict legal provisions protecting the tenant's rights.

The statutory term for commercial leases is nine years, but tenants can terminate the lease at the end of the third or sixth year. Tenants register with a company register (except for independent contractors) and are legally protected against non-renewal or eviction. The lessor must pay eviction compensation proportionate to the value of the business and the right to the lease. Rent increases are capped. The lease stipulates the commercial purpose of the premises (*activité*), but

the parties to the lease can agree to amend the lease to change the initial purpose or add another activity (désécialisation).

2.2 A more flexible but less secure option: a professional lease

Non-trading businesses may rent premises under the terms of “professional” leases which are contractually flexible but offer less protection for the tenant than commercial leases. The statutory term is six years with no early termination option.

3. PURCHASING PROPERTY - SEVERAL OPTIONS AVAILABLE

3.1 Full ownership offers the greatest legal security

Foreign companies are entitled to buy commercial and industrial land and buildings from private- and public-sector owners. Real-estate agents can help them find suitable properties. The laws governing property purchases and the services of intermediaries such as notaries ensure the legal security of real-estate transactions.

Government support for real estate purchases may be available, subject to certain conditions.

3.2 Leasing to own is a common practice

Many companies acquire industrial and commercial buildings by signing a property finance lease.

Such leases generally run for nine to 15 years and title to the property is transferred to the tenant at the end of the term. Local authorities may help companies obtain finance leases by arranging meetings with financing organizations. Government investment support in the form of discounts on finance lease payments is also available subject to certain conditions.

3.3 Construction of industrial and commercial buildings

Foreign investors can erect industrial and commercial buildings in France. Local maps show zones in which construction is allowed and mayors have the power to authorize construction by issuing planning permission and construction permits. The local *mairie* (municipal offices) offers land owners and other persons entitled to erect buildings a one-stop service for construction permit applications.

3.4 Commercial buildings

The construction of a retail outlet or commercial premises with a surface area of more than 1,000 sq. m. requires an installation permit, in addition to a construction permit. A Commercial Urban Planning Commission (*Commission d'aménagement commercial*) in the *département* concerned oversees the application procedures.

Some business activities do not require this special permit, notably hotels, service stations and motor vehicle dealerships.



Construction permits

Construction permit applications must be filed with the local municipal offices with jurisdiction over the land. Applications comprise a printed form and a portfolio of drawings and written documents that will enable the authorities to ensure that the application is compliant with urban planning regulations. Applicants must use the services of an architect

when preparing their applications. The timescale for the procedure is between one and three months from the date the completed application is filed. If the application file is incomplete, the relevant authority has one month in which to request further documents.

When planned construction work concerns a regulated facility (ICPE),

the construction permit application needs to include proof that a permit or registration or declaration application has been filed with the *Préfecture* in application of the ICPE legislation. When regulated facilities require a public inquiry, any work covered by a construction permit may only be carried out after the public inquiry is concluded.

3.5 Acquiring premises through a real estate partnership (SCI)

A real estate partnership (*société civile immobilière* – SCI) is a separate legal entity where the capital is contributed by companies or individuals. It is used to finance premises that can then be occupied by the company operating the business. This solution protects the real-estate assets from the operating company's creditors. It can also provide tax benefits, since the company can deduct rent and maintenance fees from its taxable income and the partnership can deduct acquisition costs for the buildings if it opts to pay corporate tax.

Investors should seek legal advice to work out the details of such an arrangement.

V. RULES FOR REGULATED FACILITIES (ICPEs)

Concern for preventing hazards, pollution and other environmental nuisances means that preliminary administrative formalities are required before operating certain types of manufacturing plants. A nomenclature specifies whether facilities must make a prior declaration, register or obtain a permit depending on the scale of the hazards or pollution that they cause.

1. BUSINESSES REQUIRED TO MAKE A DECLARATION

Operations that cause the least pollution and hazards are obliged to submit a declaration, a simple procedure whereby the prospective facility operator submits a declaration application indicating the nature and volume of the planned operations as well as the name(s) of their section(s) in the nomenclature to the Prefect of the *département* before the operations begin. The *Préfecture* has two months to review the application and if it is complete and compliant, the Prefect issues the operator with a certificate (*récépissé de déclaration*) and a copy of the general guidelines for the facility (minimum precautions to follow). These documents authorize the operator to begin operations.

2. REGISTRATION PROCEDURE

The system of registering regulated facilities, which falls between the declaration and permit procedures, is designed to reduce authorization periods and to make the applications easier to understand. Registration only applies to standardized facilities (sectors or technologies with well-understood environmental impacts and hazards) that are not located in environmental conservation areas. Depending on the volumes processed, these may pertain to service stations, warehouses containing flammable materials (wood, paper, plastic, polymers), refrigerated warehouses, certain facilities that collect or conduct methanogenesis of non-hazardous waste or certain facilities that prepare or store animal-derived food stuffs.

Facility operators must submit the registration application to the Prefect of the local *département* before they begin operations. The process has been streamlined to a great degree and operators no longer need to provide an impact study or safety report. The entire review process for a complete application now only takes five months (with an option of a two-month extension).

3. BUSINESSES THAT REQUIRE A PERMIT

Businesses that can cause hazards or serious damage to the environment must obtain a permit, in this case issued as an order (*arrêté*), from the Prefect. Permits are required mainly for businesses falling within the scope of the European Union “Seveso” or “IPPC” directives. Businesses must complete a permit application and send it to the Prefect of the local *département*, which oversees the procedure. The application must include plans and a detailed description of the facility as well as two studies conducted by the manufacturer itself: a safety report (identifying the risk of accidents and indicating the measures planned to reduce those risks) and an impact study (environmental impact and the measures taken to attenuate these effects).

The Prefect's decision is based on the findings of an enquiry, during which the public is notified and invited to comment. The Prefect's order authorizing operations at the facility also sets out the operating

requirements. In principle, this order should be issued no more than eight to 12 months after the application is filed.

The Prefect may ask their staff to advise and help investors during the earliest stages of preparing permit applications to ensure the legal security of major manufacturing projects.

4. TAKING OVER A REGULATED FACILITY

When a regulated facility changes owners, the new operator must make a declaration to the Prefect within one month of assuming ownership of the operation. A permit is required from the *Préfecture* for facilities subject to financial guarantees. The Prefect issues a ruling within three months from the date the application is received.



For more information:

Regulated Facilities Inspectorate (*Inspection des installations classées*): www.installationsclassées.developpement-durable.gouv.fr

5. LOGISTICS FACILITIES

Logistics facilities are used to store merchandise. In an effort to prevent accidents, indoor storage facilities are required to make a declaration, register or obtain a permit, depending on their storage volume.

As such, indoor facilities must:

- Make a declaration if the storage volume is between 5,000 and 50,000 m³.
- Register if the storage volume is between 50,000 m³ and 300,000 m³.
- Obtain a permit if the building's capacity exceeds 300,000 m³.

6. THE “POLLUTER PAYS” PRINCIPLE

The “polluter pays” principle is applied in France as in all the countries of the European Union. This rule ensures that polluters bear the cost of their emissions and waste. France has also introduced measures to assist businesses with their waste management systems, which are administered by the French Environment and Energy Management Agency (ADEME).

A&D

Audit & Diagnostic is an auditing and consultancy firm based in Paris. Their services have grown continuously for over 20 years, and now include auditing, chartered accounting, tax and transaction services, evaluation methods, and practical advice to secure a business takeover.

A&D offers guidance with regard to choosing professionals to help you in the takeover process.

TAKING OVER AILING COMPANIES: ASSESSING THE TARGET COMPANY

Every year, nearly 60,000 businesses in France file for bankruptcy protection or liquidation. Only 5% of cases result in a takeover plan. It can be very tempting for potential buyers to considering acquiring ailing companies, which are still in relatively plentiful supply on the market.

However, all the experts and every entrepreneur who has tried this approach agree that it is, first and foremost, a high-risk endeavor. While “great deals” can, of course, be had, it is essential to understand fully all the aspects of taking over an ailing company before committing.

As well as reviewing the principles for valuing such companies, this article will identify pitfalls for potential buyers and provide advice on how to achieve the best possible outcome.

Valuing an ailing company

Firstly, it is important to analyze in detail the causes of the company’s difficulties and determine the nature of its problems.

If those difficulties are purely one-off in nature or very temporary – i.e. they can easily be remedied –

they should preferably be considered exceptional. Even where, from an accounting perspective, they are connected with the company’s day-to-day operations, any non-normative items should be isolated so that the company’s normative operating profitability can be calculated. At the same time, any costs required to restore the company to acceptable standards should be considered additional debt. Traditional valuation methods (such as the discounted cash flow (DCF) method or the comparables method) can then be applied to the resulting operating accounts, known as pro forma accounts.

However, if the difficulties encountered are of a much more structural nature, such as, for example, continuous market decline, chronic overstaffing, uncompetitive products or insufficient productivity, they must be analyzed in much greater depth and their causes and any available remedies identified before the company can be valued.

Initially, the most important thing is to complete an economic diagnosis – as in any valuation –

by continually asking whether it is feasible for the company to recover. Every component of the business should be analyzed in depth: its products, market, technology, competitors, etc. Consideration must be given as to how each of these areas will evolve in the future.

In financial terms, particular attention should be paid to the target company's debt levels while it is faced with structural difficulties. It is imperative to list and audit in detail all liabilities of every type (social security, financial, tax, etc.). Once this diagnosis has been completed, if the buyer is convinced that it is feasible to turn around the company, the valuation process may begin. This involves drawing up a business plan covering all the decisions that need to be made and all actions to be taken to generate future profitability. At the same time, restructuring costs must be quantified and financing costs calculated and considered as company debt (even if they are to be funded through equity). A safety margin should be added to these direct costs as it is impossible to exhaustively predict all the costs incurred in restructuring a company. Things always take longer than planned and unexpected expenses often arise.

Based on this business plan, the company can then be valued using relatively traditional methods, including in particular the DCF method, with all planned restructuring costs and associated financing considered as debt.

Ultimately, the value of an ailing company largely depends on the date on which the diagnosis is completed and the extent of the difficulties faced. A common mistake is to confuse the opportunity to buy a company cheaply with the strategic benefit of doing so.

Buying an ailing company means living at a frenetic pace for the months preceding and following the takeover. It is essential to work in project mode and form an experienced team (including legal and accounting specialists with appropriate experience in this environment), as under current procedures, the legal and judicial landscape is so complex that it is easy for the prospective buyer to ignore essential rules.

FRANÇOIS LAPORTE,

Partner & Chartered Accountant



Rossi e Associati

The law firm Rossi e Associati, which consists of 22 members comprising lawyers, trainee lawyers and administrative staff, operates in different areas of law (M&A and company law, contract law, banking law, bankruptcy and insolvency law, and energy law) and provides both legal consultancy services and assistance during judicial and arbitration proceedings.

HOW TO MARKET A PRODUCT IN FRANCE

In order to cater as effectively as possible to the needs of companies wishing to market their products, French law offers a range of options. Below is a quick overview of the main solutions.

The one-off intermediary: A broker

A company may ask a broker to find a suitable candidate with a view to entering into a contract. Brokers have no powers to represent their clients, so they cannot conduct negotiations or enter into contracts on their behalf. Brokers act independently on an infrequent basis. Their fees are freely determined by the parties and are payable when the contract is fulfilled. Brokerage contracts may contain clauses imposing an obligation of secrecy upon the broker, as well as non-compete clauses.

The salaried intermediary: An independent sales representative (VRP)

Like an employee, an independent sales representative (*voyageur de commerce, représentant et placier* – VRP) is an individual whose usual activity is to prospect on behalf of one or more employers among a defined target group with a view to taking orders. The VRP contract details the

types of products offered for sale, the geographical region or categories of customers to be prospected and the rate of remuneration. The area to be prospected may be amended by mutual agreement. Remuneration is determined freely (consisting of a variable component, a fixed component and/or commission). The contract may include clauses prohibiting the representative from representing certain companies or products, or requiring the employer to agree to a new representation contract. Upon termination of the contract, except in cases of gross misconduct, the representative receives a customer bonus based on the amount of new business brought in, created or developed.

The independent intermediary: A sales agent

A sales agent is a professional whose usual activity is to negotiate or enter into sale contracts for and on behalf of a company. As an independent representative, a sales agent receives no instructions from the company in relation to their representation activities. Sales agents are almost always paid by commission based on their performance, or, where this cannot be determined, based on accepted professional practice or on information available to the courts. Sales agents are free to

represent other principals as long as they fulfill their fiduciary duty. Upon termination of the contract, a sales agent is entitled to remuneration for the loss of future commission, irrespective of the amount of business they have brought in. A non-compete clause may be included.

The committed intermediary: A commission agent

A commission agent sells products on behalf of their principal. When they make a sale, the commission agent enters into a contract in their own name and is personally liable towards the customer. This ensures that the company whose products are being sold can be confident of the commission agent's dependability. The company can also determine the terms of the arrangement, thereby maintaining control over the selling price. Such agents receive commission based on their sales. In the absence of an exclusivity clause, they can act for one or more principals.

Organized distribution networks

A company may wish to retain control over the marketing of its products while protecting itself against economic risk. In a franchise network, the risk is assumed by the retailer, which owns the inventory.

Franchise agreements are aimed at companies that have expertise and registered trademarks, which are used by franchisees in return for royalty payments.

Selective retailing enables franchisors to authorize retailers subject to conditions or to limit their number. As such, it is mainly relevant for luxury and hi-tech products.

A licensing agreement grants the licensee territorial exclusivity; the licensee may only purchase stocks of the products in question from the licensor.

Franchisees, authorized retailers and licensees may themselves belong to cooperatives, cooperative stores, shopping centers or purchasing pools.

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2 FRENCH EMPLOYMENT LAW

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2 FRENCH EMPLOYMENT LAW

France is an industrialized country with employment laws designed to both protect the interests of employees and match the economic priorities of business. Employment relations are governed by the French Labor Code (*Code du Travail*) and by industry-specific collective agreements that reflect the practices of each sector. Working hours and shift patterns can be organized to suit production requirements. Employee profit-sharing schemes are encouraged through tax and social security contribution exemptions.

I. EMPLOYMENT RELATIONS WITHIN A COMPANY

Employment relations within a given company are increasingly based on collective agreements at industry level and at the level of individual companies, with employee and employer representatives playing a key role.

1. A FREELY NEGOTIATED EMPLOYMENT CONTRACT

Employers can hire employees according to their needs using the different kinds of employment contracts admissible under French law.

1.1 Permanent contract (*contrat à durée indéterminée – CDI*)

This is the most widely used employment contract in France.

► **Format and language:** Although permanent contracts do not necessarily have to be a written document, they are usually documented, and when so must be written in French.

► **Clauses:** An employment contract must stipulate the employee's pay and job description, along with the working hours and place of work. In principle, parties are free to write their own contracts and have a great deal of liberty with regard to content, which may include clauses specifying targets for pay, providing for geographical mobility or requiring employees to assume different professional roles, as well as non-compete clauses, clauses covering ownership of inventions and intellectual property rights, etc. Contractual clauses must not be contrary to the French Labor Code or to any industry-specific collective agreement that applies to the employer. The contract may also provide for a probationary period, which may be as long as four months for a managerial post (renewable once if an industry-specific agreement allows this).

► **Remuneration:** The statutory national minimum wage (SMIC) is €9.43 gross per hour. This amounts to €1,430.22 per month for a 35-hour work week, or €1,634.53 per month for a 39-hour work week including a 25% increase for overtime hours (between



Collective agreements

Parties are free to substitute agreements reached through collective agreements for certain legislative and regulatory measures so long as these do not contravene the law. Such agreements include:

→ Inter-professional agreements reached at national level to ensure a cohesive overall system.

→ Industry-specific agreements covering a given profession, which

must stipulate: minimum wage levels, job classification, collective guarantees for insurance and pooling of training funds.

→ Company or establishment agreements reflecting specific features of a company and its employees. Company or establishment agreements can override industry-specific agreements or collective agreements as long as the latter are not manda-

tory or do not expressly exclude this. Moreover, employers can organize the working hours of their employees on the basis of a company-wide agreement which can override higher-level agreements.

+

For more information:

The company's business activity, as stated in its articles, determines which collective agreement is applicable.

www.legifrance.fr : *conventions collectives*

35 and 39 hours). The contract may also provide for additional benefits and a profit-sharing scheme.

For more information:

+ Company directors are bound to their company not by employment contracts but by corporate appointments. The terms of their appointment, pay and dismissal are freely determined in the company's articles. However, some directors may sign employment contracts with their companies, subject to certain restrictions (e.g. managing directors of *sociétés anonymes* (SAs), chairmen of *sociétés anonymes* and *sociétés par actions simplifiées* (SASs) and directors with minority interests in *sociétés à responsabilité limitée* (SARLs)).

1.2 Fixed-term contract (*contrat à durée déterminée – CDD*)

Extra employees can be hired for a limited time to meet temporary needs. However, French law restricts the use of fixed-term contracts and temporary agency employees to specific situations and generally sets an upper limit of 18 months on such arrangements.

► **Reasons for fixed-term contracts:** Temporary increase in the company's business; seasonal work; 'standard' fixed-term contracts (according to certain practices within a given profession); a special assignment for a skilled employee or an engineer, subject to specific terms; replacement of

an absent employee; replacement of an employee who has temporarily moved to part-time work; gap before a new employee takes up their post. Fixed-term contracts cannot however be used on a long-term basis to fill jobs that are related to the company's regular business.

► **Format and language:** Must be in writing and drawn up in French.

► **Clauses:** The contract must specify in particular the duration of the assignment and the reason why the contract is being made (see "Reasons for fixed-term contracts" above). Contractual clauses must not be contrary to the French Labor Code or to any industry-specific collective agreement that applies to the employer.

► **Maximum duration:** Depending on the reason for the fixed-term contract, 18 months at most. It is now possible to draft fixed-term contracts for managers and engineers which have a fixed purpose of at least 18 months and up to three years at most (provision must however be made for this in an industry-specific collective agreement where one exists, or if not in a company-wide agreement).

There are a number of specific contracts that can be used to recruit employees with medium- or long-term training needs. These contracts entitle businesses to recruitment aid.



	PURPOSE OF CONTRACT	SPECIAL FEATURES AND AID
APPRENTICESHIP CONTRACT (CONTRAT D'APPRENTISSAGE)	For 16- to 25-year-olds on a work-study contract alternating academic training at an apprentice training center (<i>centre de formation d'apprentis</i> – CFA) and vocational training in a company.	Contract length: 1-3 years depending on the profession and the degree the apprentice is working towards. Salary: 25-78% of the statutory national minimum wage (SMIC) depending on the apprentice's age and stage of the training cycle. Aid: regional grant of €1,000 or more, tax credit of €1,600 or €2,200 per apprentice, partial exemption from social security contributions.
PROFESSIONAL TRAINING CONTRACT (CONTRAT DE PROFESSIONNALISATION)	For candidates enrolled in a social inclusion program, or 16- to 25-year-olds completing their education in a six- to 12-month professional training initiative.	Contract length: permanent or fixed-term. Salary: 55-100% of the statutory national minimum wage (SMIC) depending on the candidate's age and qualifications. Aid: reimbursement for the costs of training a mentor and in some cases partial exemption from certain employer social security contributions, along with a grant of up to €2,000.
INTERGENERATIONAL CONTRACT (CONTRAT DE GENERATION)	Program whereby a permanent contract is given to a young employee at the same time as a senior employee is retained in their post. The goal is to ensure that knowledge and skills are passed down.	Depends on the size of the company. Pending implementation.

► **Severance pay:** Employees are entitled to severance pay when a fixed-term contract ends and is not followed up with a permanent contract. This severance package amounts to 10% of total gross pay received during the term of the contract. However, an extended industry-specific collective agreement (or establishment- or company-wide agreement) may limit this amount to 6%. In such cases, the employee must be compensated for the difference, which is mostly provided in the form of preferential enrollment in vocational training courses (training initiative, skills assessment).

1.3 Changing an employee's contract

► Changing an essential component of an employment contract

Essential components are pay, qualifications, and more generally, the work assigned to the employee or any other element which might have been a determining factor for the employee when they signed the contract (providing it was expressed in a clear and precise clause).

In this case, the employer cannot impose a change to the contract but must propose the change to the employee. If the employee refuses, it is up to the employer either to decide against the change or to dismiss the employee.

For example: a change from day work to night work is a substantial change: a relocation of the

workplace from the north to the south of France is a substantial change, unless mobility clauses in the contract provide for this.

► Simple changes to working conditions

In these cases, employers can draw upon their remit of managerial authority. Refusal on the part of the employee does not lead automatically to termination of the contract but may constitute professional misconduct which the employer could invoke to dismiss them on these grounds.

2. SIMPLE HIRING PROCEDURES THAT CAN ALSO BE COMPLETED ONLINE

► The administrative formalities involved in hiring employees have been streamlined with the introduction of a pre-hiring declaration form for new employees (*déclaration préalable à l'embauche* - DPAE). The employer must complete the form in the eight-day period before a new employee starts work and send it to the local URSSAF office. The form can also be submitted online. As such, the following can be carried out in a single procedure: registering the employee with the social security system (unless on secondment) and with occupational health, organizing the mandatory medical examination (during the probationary period), and registering with the unemployment insurance body (*Pôle emploi*).



Hiring is the key to optimizing working relationships

Recruitment support services exist in France for you to find the right employees for your company.

→ **Finding and recruiting employees:** France's National Employment Office (*Pôle emploi*) can help companies by publicizing their vacancies, identifying and short-listing candidates, as well as offering and organizing training courses for candidates.

→ **Training your employees:** Central government and regional councils, which are responsible for vocational training, can also organize

training courses to upgrade and improve the skills of certain categories of prospective employees to suit the needs of companies locating in France. Based on the company's training program, it is possible to receive support for training current and prospective employees. These funds are intended to cover a portion of training costs outsourced to a vocational training center and/or courses held inside the company (see Chapter 5 for further information).

→ **Recruitment tax breaks and social**

security reductions:

These are in the form of reduced social security contributions (relief on low salaries or exemptions in certain regional zones) and grants for hiring certain categories of employees (state-subsidized contracts for certain categories of employees). Since January 1, 2010, all companies have the right to request a *rescrit social* (advance social security ruling) called *aide à l'emploi* (subsidized employment) which advises them on their eligibility for these forms of support.

In addition to the DPAE, employers must also:

- declare the first employee hired to the labor inspection;
- register with supplementary retirement funds within three months of setting up the business;
- carry out the necessary procedures for hiring a foreign employee (excluding European nationals).

3. PROBATIONARY PERIODS

Probationary periods give employers a chance to evaluate an employee's skills.

Employers can terminate an employment contract during the probationary period without having to provide grounds or severance pay. The probationary period and the terms of its renewal must be clearly stated, either in the appointment letter or the employment contract, in order to be enforceable.

The duration of probationary periods under permanent employment contracts depend on the employment status of the employee:

- Up to two months for workers (*ouvriers*) and employees (*employés*).
- Up to three months for supervisors (*agents de maîtrise*) and technicians (*techniciens*).
- Up to four months for highly skilled employees and managers (*cadres*).

Probationary periods can be extended once for up to four, six and eight months (including the renewal) depending on the employee's position and whether an industry-specific collective agreement authorizes it.

The probationary period for fixed-term contracts

of up to six months is one day per week for up to two weeks. The maximum probationary period for longer contracts is one month.

4. TERMINATING A PERMANENT EMPLOYMENT CONTRACT BY MUTUAL CONSENT

➤ There is a fairly flexible procedure whereby an employer and employee can mutually agree to negotiate an amicable termination to a permanent employment contract.

➤ At least one interview is required to enable both the employer and the employee to agree upon the termination and to determine the accompanying conditions (no formal legal procedure). The employee may be assisted by a person of their choice from among the company personnel.

➤ The employer and employee sign an agreement in writing, setting out the termination date and conditions including the payment due to the employee. The employer and employee then have 15 calendar days during which they can withdraw their position. The agreement must then be approved by the employment authorities (local unit – *unité territoriale* – UT – within the *Direction régionale des entreprises, de la concurrence, de la consommation, du travail et de l'emploi* – DIRECCTE) within 15 working days, subject to the UT checking that the procedure has been carried out correctly and that both parties have given their consent, as well as the amount of severance pay received by the employee from

The *titre firmes étrangères* (foreign company status) simplifies employment formalities for foreign companies without a permanent establishment in France.



Foreign companies that do not have a permanent establishment in France have been able to use a simplified labor status called the *titre firmes étrangères* (TFE) to fulfill their social security obligations when hiring workers in France. The procedure requires the employer to send their TFE status every month

to the National Center for Foreign Firms (URSSAF in the Bas-Rhin *département*), which performs the following tasks:

→ Calculates the applicable social security contributions on the employee's gross salary and pays them into the social security system.

→ Draws up the payslip and sends it to the company to give to the employee.

→ Files the required social security declarations.

For more information:
www.tfe.urssaf.fr

the employer, which must be at least equal to the statutory or contractual severance pay due (cf. section 1.5.1.).

This procedure can only be used following redundancy or resignation, as it cannot be imposed upon the other party. Legal action can only be taken within 12 months of the date upon which the agreement is approved.



For more information:

Online certification for a mutual consent contract termination: www.teleRC.travail.gouv.fr

5. LAYOFFS FOR PERSONAL OR BUSINESS REASONS

Layoffs are permissible for either business or personal reasons. As in many other countries, employers must provide genuine and serious reasons for layoffs, and comply with the legally prescribed procedures, which vary according to the reason for termination, the number of employees concerned, and the number of people employed by the company.

5.1 Layoffs for business reasons

Layoffs for business reasons can result from cutbacks or job changes or when an employee rejects a modification to a key component in their employment contract in the wake of:

- > financial problems;
- > technological change;
- > restructuring to protect the company's competitiveness; or
- > a business closure.

Layoffs can be individual or collective. Individual employees must be asked to attend a preliminary interview before they are laid off. The head of the company must meet with the works council and consult with it about collective layoffs.

Individual layoffs and layoffs of two to nine employees can only become effective seven days after the interview date, or 15 days later, in the case of supervisory personnel.

A job preservation plan (*plan de sauvegarde de l'emploi* – PSE) must be drawn up when a business with 50 employees or more decides to lay off 10 or more employees in a 30-day period. This plan must

explain all action taken to avoid job losses, such as reorganizing work, job sharing, redeployment of employees inside and outside the company, etc. The plan must also explain the financial terms of the severance package. It is then submitted to the employee representatives and the employment authorities.

The notification period for layoffs under a job preservation plan varies according to the number of employees concerned. Layoffs of up to 100 employees can take place 30 days after the employment authorities have been notified of the plan. The waiting period is 45 days for layoffs of 100 to 249 employees and 60 days for 250 or more employees.

Severance pay for layoffs resulting from business conditions is at least one-fifth of the employee's monthly pay (including bonuses) for each year of service after one year and two-fifteenths of the employee's monthly pay for each additional year beyond ten years.

For example, an employee with 10 years of service and a gross monthly salary of €2,500 will be entitled to €5,000 or two months' pay. However, collective agreements in some cases provide for higher severance pay than this statutory minimum.

Severance pay is treated favorably by the tax and social security system, receiving partial exemptions from social security contributions and income tax. Voluntary departures following cutbacks, job changes or restructuring, and refusals to accept substantial changes to employment contracts are treated as layoffs.

5.2 Layoffs for personal reasons

Personal dismissal procedures can be initiated for misconduct on the part of the employee or for actions that fall short of misconduct but nevertheless significantly harm the company's interests. A warning is often issued before initiating the dismissal procedure. The employee must be given an opportunity to provide explanations at a preliminary interview, before the dismissal becomes effective. The employer must also comply with the notice period to which the employee is entitled by law or the relevant collective agreement. In principle,

the notice period is two months for employees with more than two years of service.

Employees dismissed for personal reasons are now entitled to severance pay equal to that paid for layoffs for business reasons.

Employees are not entitled to severance pay in cases of serious misconduct.

6. RETIREMENT

In principle, employees cannot be forced by their employer to retire before they are 70. The employer can however propose retirement to an employee once they reach an age of between 65 and 67, depending on their date of birth. Employees born before July 1, 1951 must be at least 60 before they can retire; the exact age is rising gradually for all employees by around four months every year, starting on July 1, 2011, and is 62 for people born after 1955. Early retirement is, however, possible for people who entered employment at an early age or who are permanently incapacitated. Retirement pension benefits are paid by specific benefit offices.

II. PROFIT-SHARING AND EMPLOYEE SAVINGS PLANS

In addition to their wages and salaries, employees and company directors may be offered attractive employee profit-sharing schemes and savings plans. The range of schemes available enables companies to set up pay and benefit systems tailored to their specific needs, including supplementary retirement and family benefits, stock options, corporate and inter-company employee savings plans, etc.

Employee profit-sharing is mandatory in companies with more than 50 employees and in this case is referred to as *participation*, as opposed to voluntary profit-sharing which is referred to as *intéressement*.

► *Participation* involves allocating employees a fraction of company profits in accordance with clearly defined rules. Procedures for implementing the scheme are established by an agreement between employer and employee representatives. Bonuses earned by an employee under a profit-sharing scheme no longer have to be frozen for five

For your business



	SOCIAL SECURITY CONTRIBUTIONS	TAX
Mandatory profit sharing (<i>participation</i>)	<ul style="list-style-type: none"> → Exempt from social security contributions. → Fixed 20% social security contribution. 	<ul style="list-style-type: none"> → Exempt from deductions to finance apprenticeships, training and housing. → Sums allocated to the special participation reserve fund deducted from taxable profits.
Voluntary profit sharing (<i>intéressement</i>)	<ul style="list-style-type: none"> → Exempt from social security contributions. → Fixed 20% social security contribution. 	<ul style="list-style-type: none"> → Sums allocated deducted from taxable income. → Exempt from deductions to finance apprenticeships, training and housing. → Companies with fewer than 50 employees which conclude a profit-sharing agreement of this sort before December 31, 2014 will receive a tax credit amounting to 30% of the sums paid to employees, up to €200,000 over three years.

For your employees

	SOCIAL SECURITY CONTRIBUTIONS	TAX
Mandatory profit sharing (<i>participation</i>)	<ul style="list-style-type: none"> → Exempt from social security contributions. → Subject to CSG and CRDS deductions. → Additional social security deductions (6.80%). 	<ul style="list-style-type: none"> → Not taxable (except interest on frozen accounts received annually and not reinvested).
Voluntary profit sharing (<i>intéressement</i>)	<ul style="list-style-type: none"> → Exempt from social security contributions. → Subject to CSG and CRDS deductions. 	<ul style="list-style-type: none"> → Not taxable provided profit-sharing is within the framework of an employee savings plan and no more than half of the annual social security limit.

years; employees can request immediate payment of all or part of the corresponding sums. Tax and social security relief apply to sums which have been frozen; sums paid out immediately are only eligible for social security contributions relief.

► *Intéressement* allows employees to benefit financially from the results or performance of their company (or companies belonging to the group of employers for which the employees work). Immediately available (with no period during which sums are frozen), the sums are calculated in accordance with the agreement which established the measure.

These schemes are collective and individual arrangements are not permitted. Companies that offer an employee savings plan must present employees with a booklet setting out the provisions of the plan when they sign their employment contract. Provisions can also be made for employee savings plans (PERCO promoting retirement saving or PEE for constituting a securities portfolio).

Trading companies with more than 50 employees and headquarters in France must pay their employees a bonus when the dividends paid out to their shareholders are higher than the average paid in the previous two tax years. The amount and terms of this profit-sharing bonus are determined in a company-wide agreement or, failing this, by the employer's unilateral decision. Both the employer and the employees receive a social security contribution exemption for bonuses of up to €1,200 (except for the CSG and CRDS and the fixed social security contribution).

III. ORGANIZING WORKING HOURS: AGREEMENT NEGOTIATED WITHIN THE COMPANY

Companies in France have a good deal of flexibility in how they organize their working hours so as to make best use of their facilities and increase the productivity of their company. Working hours can be negotiated within their company.

1. THE 35-HOUR WEEK: GREATER FLEXIBILITY

► **Statutory working hours:** 35 hours per week.

These hours serve as the basic reference, beyond which overtime is calculated. The 35-hour week does not apply to executives, to whom regulations on night work, daily and weekly rest periods, and statutory holiday entitlement do not apply either.

► **Overtime hours (*heures supplémentaires*):** 25% pay increase for the first eight hours and then 50% thereafter. A collective agreement may provide for a lower rate, but it may not be less than 10%. The payment of overtime can be substituted by time off in lieu if this arrangement is provided for in a collective agreement.

► **Overtime quota:** The overtime quota available to an employer is negotiated through a company-wide agreement (by default this is 220 hours per year per employee), which increases annual working hours to 1,827, the equivalent of over 39 hours per week for 47 weeks. The collective company-wide agreement may also state how overtime can be performed beyond this overtime limit. In this case, in addition to overtime pay, the works council's opinion must also be sought and mandatory time off in lieu planned.

► **Maximum working hours:** 10 hours per day (a contractual exemption up to 12 hours can be made) and 48 hours in any one week, with a maximum average of 44 hours per week over a 12-week period.

► **Flat-rate agreements (hours/days worked) where the statutory 35-hour work week does not apply:** Provision can be made for flat-rate agreements covering hours or days worked for independent skilled and non-skilled employees who are free to organize their own work time. In such cases, a flat-rate agreement must be signed with the employee.

Employers must respect the European Union directives governing daily 11-hour rest periods, weekly 24-hour rest periods in addition to the daily rest periods, paid leave and unworked days in the company. They must also conduct interviews to discuss workloads and work-life balance.

2. STAGGERING PAID LEAVE

Employees in France are entitled to five weeks of paid leave. The employer can refuse to let an employee take paid leave if the workload it is too great. However, employers must let employees take at least four weeks of paid leave between May 1 and October 31. In addition to paid vacation, there are 10 statutory holidays and personal leave days (births, marriages, bereavements).

3. SUNDAY IS A DAY OFF BUT RELAXED REGULATIONS INTRODUCED IN 2009

Employees must be given a weekly day of rest lasting at least 24 hours on Sunday. However, there are exceptions to the Sunday rule:

- Permanent exemptions are granted when warranted by the nature of certain businesses (e.g. manufacturing firms using or producing perishable

goods, factories operating around the clock, maintenance firms, etc.), in communes categorized as tourist or spa attractions, and in certain other highly popular tourist areas.

- The authorities may also grant temporary exemptions, for example when manufacturing firms are operating with extra shifts. Exemptions may also be granted within a month by the local *Préfecture* to avoid a situation detrimental either to the public or business interests.

- Exemptions may also be granted in urban areas of over one million inhabitants.

These exemptions, granted on an individual or collective basis, are granted by the State Prefect in the *département* for a five-year period. The local mayor may also allow non-food retail stores to open five times a year on Sundays.

Employees who work on Sunday receive extra pay and are still entitled to a weekly day of rest.

The employee representation system varies according to the size of the company and concerns three separate institutions:

→ **In companies with at least 11 employees**, employee representatives are elected by the employees to present individual and collective pay claims and to ensure compliance with employment laws.

→ **A works council must be set up when a company has at least 50 employees**. The council is elected for a period of four years by the employees to represent their interests when decisions are made about economic changes in the company (such as company development and changes in work organization) and social and cultural issues.

If the company has fewer than 200 employees, the employer may decide, after consultation with employee representatives, to opt for a single employee representation delegation which combines employee and works council repre-

sentatives in the same elected body.

→ **Establishments with at least 50 employees must also set up a Joint Safety Committee (*Comité d'hygiène, de sécurité et des conditions de travail* – CHSCT)** to involve employees in training and other initiatives to prevent occupational risks and improve working conditions.

Only union representatives have the power to negotiate and enter into collective agreements. Where there are no union representatives, an industry-wide agreement may allow the employer to negotiate with elected employee representatives, either those making up the works council or those chosen as delegates. Failing this, in which event the situation must be confirmed in a written report, the employer may be authorized to negotiate with an employee designated for this purpose. The result of these negotiations must then be submitted to employees for approval by a majority of votes cast. Trade unions are also entitled to

Employee representation



set up bargaining units within a company.

In order to ensure improved employee representation in companies and better dialogue between employers and employees, a reform initiated by the government on union representation in companies has been passed:

- Unions now have to obtain at least 10% of the votes cast in the first round of the professional elections to be represented. When a union does not have representation in a company or establishment, it can designate a representative to represent it in the company or establishment, primarily with a view to achieving representation at the next professional elections.

- Collective company-wide agreements have only been valid if they are signed by one or more unions with at least 30% of votes and in the absence of union opposition accounting for over 50% of votes.

4. ORGANIZING WORK TIME OVER THE YEAR BY AVERAGING PAY

Companies have several ways of adjusting working hours to suit their business requirements without incurring extra payroll costs. Organizational arrangements of working time are integrated into a single framework: a collective agreement may organize working hours over a period of longer than a week to up to a year.

If the company experiences uneven fluctuations in business which can be forecast, working hours can be increased or cut in certain periods without incurring additional costs or exceeding statutory limits.

>Shift work does not entail additional payroll costs

Shift working, over a period of several weeks, can be introduced by the employer. The exemption from the Sunday rule may be automatic or may require local authorization, depending on the activities concerned.

>Working time arrangements are organized by company-wide agreements

Provision is made in the collective agreement for the conditions and notice required of changes to working hours or times (by default, seven days), the limits for calculating overtime, how to calculate an average

salary and the threshold for triggering overtime, etc. In the absence of any collective agreement regarding working time arrangements, the employer can organize working hours in the form of cycles, each up to four weeks long.

>Work may also be organized with rotating shifts or teams

In all of these cases, the company is not required to pay increased wages or overtime pay, and it is not required to provide time off in lieu, as long as the statutory working hours are not exceeded on average over the cycle.

	COLLECTIVE AGREEMENT	EMPLOYEE CONSENT
Flat-rate agreement in hours worked (per week or per month)	Not required	Yes
Annual flat-rate pay agreement in hours or days worked (max. 218 days) ⁽²⁾	Yes ⁽¹⁾	Yes

⁽¹⁾ The collective agreement must ensure that maximum working hours as well as daily and weekly rest time will be respected, in accordance with European Union directives.

⁽²⁾ Employees may have their time off in lieu "bought back" (excluding paid leave) in return for a salary increase: the number of working days may then reach 235 days per year. The salary increase paid to the employee is set by an amendment to the initial flat-rate agreement and must be at least equal to a 10% increase.



Working hours in France

	LEGAL PROVISION	STANDARD OVERTIME QUOTA	BEYOND STANDARD OVERTIME QUOTA	
Companies concerned	All companies	All companies	Small companies ⁽¹⁾	Large companies ⁽¹⁾
Working hours	35 hours per week or 1,607 hours per year	→ Set by collective agreement (company- or industry-specific) or → Statutory annual limit of 220 overtime hours → i.e. 39 hours per week over full year = 1,827 hours/year	Set by a collective agreement (company- or industry-specific) without exceeding the maximum working hours limit (EU regulations)	
Administrative formalities	None	Simply inform the Works Council	Works Council must be consulted	
Overtime pay rates ⁽²⁾	Not applicable	→ Rate provided for in collective agreement for the business or sector (10% minimum) → Or 25% from the 36th to the 43rd hour → Or 50% beyond that	Same as standard overtime quota	
Mandatory time off in lieu	Not applicable	None. Time off in lieu is optional within the standard overtime quota and must be included in a collective agreement.	50% beyond quota (=1/2 hour per overtime hour beyond quota)	100% beyond quota (= 1 hour per overtime hour beyond quota)

⁽¹⁾ Small companies have up to 20 employees and large companies have at least 21 employees.

⁽²⁾ If provided for in the collective agreement, time off in lieu can partially or entirely replace overtime pay.

IV. EXTENSIVE HIGH-QUALITY SOCIAL SECURITY COVER

The quality and scope of social security cover in France ensure that both employers and employees can benefit from a stable professional and family environment.

1. A GENEROUS SOCIAL SECURITY SYSTEM

France's health and social security system pays virtually all healthcare costs incurred by the employees and their families. The system offers four types of benefits:

- Health insurance (healthcare, maternity, disability and death benefits): Employees are partially reimbursed for medical care and hospital expenses, which are covered by social security (benefits in kind). The employee's family and any legal dependents also receive medical cover if they reside in France and are not covered by another health insurance plan.

Social security provides female employees paid maternity leave of up to 16 weeks (six weeks before the birth and 10 weeks after) while fathers receive 11 days of paid paternity leave in the first four weeks after the birth. Employees receive supplementary reimbursements for illnesses and maternity expenses through workplace mutual insurance systems.

- Old-age pensions: Retirement schemes in France comprise a basic state social security pension and a supplementary plan managed jointly by employee and employer representative organizations. These two systems are mandatory and can be further supplemented by employee savings plans.

- Family benefits are paid to people with dependent children living in France (e.g. family benefit, birth or adoption allowance, back-to-school allowance, etc.).

- Accidents at work.

The system is backed up by compulsory unemployment insurance schemes. Employers are free to add other insurance coverage to suit their employees. The health and retirement benefits for employees compare favorably with those offered in many other countries.

2. SOCIAL SECURITY CONTRIBUTIONS INSURE THE COMPANY IN CASES OF SICKNESS, RETIREMENT AND UNEMPLOYMENT

Contributions amount to 42% on average of gross wages and the employees' share amounts to nearly 21%. Employer social security contributions are substantially lower on low wages: depending on the size of the company (more or fewer than 20 employees), they vary between 17% and 21% on behalf of employees earning the statutory national minimum wage (SMIC). To a large extent, these contributions relieve employers of their responsibilities to employees. For example, social security partially covers employee pay when they are sick or on maternity or accident leave.

Similarly, by making monthly contributions to the company's career training fund (*fonds de formation professionnelle*), all or part of the employee **career-training** costs borne by the employer are covered.



Working arrangements

	CONVENTIONAL SHIFT WORK	ALTERNATING SHIFTS
Principle	Fixed round-the-clock shifts ⁽¹⁾	Shifts longer than normal working hours
Examples	→ Shift A: 6am - 2pm → Shift B: 2pm - 10pm → Shift C: 10pm - 6am (Three eight-hour shifts)	→ Shift A: 6-10am/2-6pm → Shift B: 10am-2pm/6pm-10pm → Or: → Shift A: 6am-2pm → Shift B: 9am-5pm → Shift C: 12pm- 8pm
Average work week	35 hours	35 hours
	ROTATING SHIFTS	PRODUCTION CYCLE
Principle	Working days and days off divided among employees ⁽¹⁾	Working hours are scheduled over the cycle
Examples	→ Shift A: Monday to Friday → Shift B: Tuesday to Saturday	→ Weeks 1 and 2: 44 hours → Week 3: 38 hours → Weeks 4 and 6: 28 hours → (average over cycle: 35 hours)
Average work week	35 hours	Average of 35 hours over cycle

⁽¹⁾ With special arrangements for working on Sunday.

Reimbursement rates covering medical and maternity expenses for employees under the French social security system

	REIMBURSEMENT RATE
Medical fees: Practitioner consultation fees (doctors, dentists, midwives)	70%
Other consultation fees: Nurses, physical therapists, speech therapists, ophthalmologists, podiatrists	60%
Long-term illnesses, including pharmaceutical products, treatments and hospitalization	100%
Laboratory examinations and tests	60- 100%
Medication	15-100 %
Other medical expenses: Optical Bandages, supplies, small devices Orthopedics	60% 60% 60%
Hospitalization (to a hospital or certified private clinic): Hospitalization costs Transfer from one hospital facility to another	80% 100%
Maternity: Pre- and post-natal exams, examinations and medical care received in the last four months of pregnancy and costs of the birth	100%

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RECRUITMENT SUPPORT SERVICES IN FRANCE

A wide variety of services exist to help businesses establish themselves in France and recruit the staff they need to grow, from employee selection through to recruitment and training subsidies.

For recruitment, two options are available in addition to direct recruitment by the business:

- Public employment services: The National Employment Office (*Pôle emploi*) is the French public-sector agency responsible for employment; advisers are there to help jobseekers access employment and to help businesses find prospective employees. Depending on the types of job offers submitted to them, they will send suitable applicants.

- Private employment services, with two types of operators:

- **Recruitment firms**, which most often work with candidates ranging from technical specialists through to managers and senior executives; they usually specialize in specific business areas or sectors.

- **Employment agencies, which can help find staff for temporary, fixed-term and permanent contract positions.** In France, three major groups account for around 70% of the market. Thanks to their extensive national networks, they have a very thorough understanding of geographic employment

areas and business sectors and can draw on large databases of candidates. They use job descriptions containing expected duties and required skills to select candidates that match job requirements as closely as possible. Where necessary, aptitude tests can also be carried out.

There are a number of financial incentives available to businesses looking to recruit in France. These incentives can vary depending on the location of the chosen site or criteria relating to the types of people who can be recruited.

Depending on location, social security exemptions are available if a company's employees are based in an employment area undergoing redevelopment (*bassin d'emploi en reconversion* – BER) or a military restructuring area (*zone de restructuration de la défense* – ZRD).

Aid may be available to companies wishing to take on employees under 26 or over 50 years old or those with disabilities, or to facilitate integration for people struggling to find employment. Such aid may take the form of exemptions from employer social security contributions and/or subsidies (particularly when recruiting staff onto integration contracts, apprenticeship contracts, work-study contracts, professional training contracts or intergenerational contracts).

Further information can be obtained from Regional Directorates for Enterprise, Competition, Consumption and Employment (DIRECCTEs) and the National Employment Office. Businesses can also ask the authorities to confirm, within three months, whether they are eligible for recruitment or vocational training subsidies (via an advance assessment ruling).

Employers are eligible for an across-the-board reduction in employer social security contributions on salaries of less than 1.6 times the statutory national minimum wage. As an example, for a salary equal to the statutory national minimum wage in a business with more than 20 employees, the reduction would be €371 a month.

The competitiveness and employment tax credit (CICE) introduced on January 1, 2013 gives businesses a corporate tax deduction equal to 4% of their gross annual payroll for all salaries of less than 2.5 times the statutory national minimum wage (6% with effect from 2014).

Where new recruits require training or adaptation, aid may be available on a potentially cumulative basis from the occupational sector to which the business belongs, the Regional Council and the National Employment Office. The simplest way to find out more is to go through private employment agencies or the National Employment Office, both of which can help businesses structure their training.

SERGE VO DINH,
Corporate Secretary



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3 AN ENVIRONMENT CONDUCTIVE TO INTERNATIONAL MOBILITY

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3 AN ENVIRONMENT CONDUCTIVE TO INTERNATIONAL MOBILITY

France has implemented international mobility measures designed to help bring in highly skilled employees and facilitate intra-group employee mobility.

As such, multi-year residence permits have also been introduced that provide foreign nationals and their families with a complete legal framework.

A 'one-stop shop' has been introduced in selected départements at the French Immigration and Citizenship Office (OFII) to improve the quality of service to companies.

Expatriate personnel in France also benefit from tax and social security measures specifically designed to offset the costs of expatriation.

I. ADMISSION AND RESIDENCE CONDITIONS FOR FOREIGN NATIONALS IN FRANCE

Unless special dispensation is granted, admission to and residence in France requires a visa. The category of visa is primarily determined by the duration and reason for residence. The main visa categories for international mobility are the short-stay visa (up to 90 days) and the long-stay visa (more than 90 days).

1. SHORT-STAY VISA

The short-stay visa is commonly referred to as the "Schengen visa" because it enables the holder to travel throughout the 25 States of the Schengen area.

This visa can be issued for a maximum of 90 days per six-month period. A request must be filed with the embassy or consulate of France in the country of residence. This visa is primarily intended for travelers on business, official visits and personal visits.

Business people wishing to conduct business relations in France without actually residing in the country may request a circulation visa. The circulation visa is a specific Schengen visa issued for a total period of one to five years, thereby saving holders with legitimate business activities in France from having to apply for a new visa each time they travel.

The short-stay visa does not authorize the holder to engage in paid employment in France, for which a work permit must be obtained. As such, when a company wishes to send or receive an expatriate



Flexible conditions for salaried employees from the European Union (EU) and the European Economic Area (EEA)

EU, EEA and Swiss nationals are free to travel and work in France without a visa, residence permit or work permit. They must simply register with the *mairie* (municipal offices) of their commune within three months of their arrival.

Only Romania and Bulgaria which joined the European Union on May 1, 2007 remain subject to specific rules during a transition period until January 1, 2014, during which time nationals of these two Member States must obtain a residence permit when

carrying out an economic activity as well as a work permit for any work performed as an employee. There are no restrictions on them finding work in one of the 291 sectors listed by the Ministerial Order of October 1, 2012.

employee in France for an assignment of less than three months, the reason for the stay must be specified:

- **If the employee is traveling to France on a business trip** to attend an occasional meeting or to meet clients, a short-stay visa is sufficient, unless special dispensation is granted (based on nationality).

- **If the employee is on a short-term assignment** to train, advise, or provide technical assistance to a company in France, a temporary work permit (*autorisation provisoire de travail*) is required as well as the visa.

The deciding factor is whether the employee provides a service and/or effectively participates in the host company and/or is working as a subordinate for the host company.

2. LONG-STAY VISA

Foreign nationals who wish to stay in France longer than 90 days for personal reasons (family reunion, retirement, etc.) or professional reasons (to create a company, or engage in paid employment, etc.) must submit an application for a long-stay visa to the French consular authorities in their country of residence.

The long-stay visa is in principle valid for a three-month period, during which the visa holder must go to the *Préfecture* to complete the administrative formalities to obtain the residence permit corresponding to the reason for the stay: “Expatriate Employee”, “Research Scientist”, “Skills and Expertise”, etc.

Some categories of foreign nationals are issued a long-stay visa equivalent to a residence permit (*visa long séjour valant titre de séjour*), which is valid for three to 12 months and does not require the holder to apply at the *Préfecture* for a residence permit for the first year.

This simplified procedure is available to students, spouses of French nationals, visitors, research scientists and interns, as well as employees with a work contract at a company based in France and employees whose foreign-based company has temporarily seconded them to work in France for a specific period of time (except for intra-group transfers).

Within three months of arriving in France, foreign nationals are summoned by the French Immigration and Citizenship Office (OFII) to pass a medical examination.

II. PAID EMPLOYMENT IN FRANCE

Immigration procedures depend on the type of activity being conducted by the foreign national. In this respect, a distinction should be made between a salaried employee and a company director because they each have to follow a different procedure to obtain specific residence permits. The exception to the rule is that some residence permits allow any type of activity to be undertaken on French

Applying for a work permit for a short-term stay in France

The originating company sends a completed temporary work permit application to the French local employment authorities (*Unité territoriale*) at least three weeks before the arrival of the foreign employee to obtain a temporary work permit. The temporary work permit is valid for up to 90 days; the short-stay visa cannot be renewed and the company must ensure that the validity periods for

the work permit and the visa correspond.

For foreign companies that regularly send employees to their subsidiaries in France for assignments shorter than 90 days, a government memorandum on November 12, 2010 allows them to apply for an annual work permit. Employees can use this work permit to obtain a multiple-entry short-term visa from their local

Consulate which is valid for 12 months. The visa and the work permit authorize three-month stays in France in every six-month period to conduct business-related activities. This simpler process means companies no longer have to apply for work permits and visas several times a year on behalf of employees who need to make frequent trips to a subsidiary in France.



soil (salaried or commercial activities) without any specific formalities: these are the “Private and Family Life” temporary residence permit and the standard residence permit.

1. A FOREIGN COMPANY DIRECTOR'S STATUS WHEN CONDUCTING A COMMERCIAL OR INDUSTRIAL ACTIVITY

Company directors include independent business people (*commerçants*), self-employed entrepreneurs (*artisans*), or persons holding the authority to make company decisions. The latter category concerns, in particular, directors of a *société à responsabilité limitée* (SARL – limited liability company), CEOs of a *société anonyme* (SA – public limited company), or individuals (*personnes physiques*) who have the authority to direct a foreign company in France (representative of a branch or a liaison office).

Setting up a company in France does not require any specific formalities to be undertaken by EU citizens or those of Iceland, Lichtenstein, Norway or Switzerland.

The administrative formalities for nationals from third-party States primarily entail choosing between one of two statuses: either the foreign director wishes to permanently relocate to France or the director is a non-resident, meaning he or she resides in a foreign country and directs a company in France but does not intend to live there.

1.1 Foreign directors to reside in France can obtain a multi-year “Skills and Expertise” residence permit

If a foreign director **creates or takes over an existing company**, they may under certain conditions obtain a “Skills and Expertise” residence permit, which is valid for three years on a renewable basis.

In this case, the director must present a project for starting up or taking over a company that meets one of the following criteria: investment of at least €300,000 (tangible and intangible assets), creation of at least two jobs, or creation of a subsidiary whose parent company has existed for at least two years.

Foreign nationals who are named legal representative of an existing company in France can also apply for a “Skills and Expertise” residence permit if their salary is equal to at least three times the statutory national minimum wage (SMIC), i.e. €4,290.66 gross per month as of January 1, 2013.

If the conditions for issuing a “Skills and Expertise” residence permit are not met, they can apply for a “Business Activity” visa, which is valid for one year on a renewable basis.

Where an application for a “Skills and Expertise” or “Business Activity” residence permit is made abroad, the Consulate has the authority to process the application and decide whether to issue the permit. In cases where foreign nationals already residing in France currently hold a residence permit that does not permit them to conduct commercial or industrial activity, they can apply for a change of status at the *Préfecture* of their place of residence. Family members of a “Skills and Expertise” residence permit holder are automatically granted a three-year “Private and Family life” residence permit, which enables them to seek paid employment. Family members of a “Business Activity” residence permit holder receive a “Visitor” residence permit.

➤ An excerpt of their police record or similar from their country of origin will be required, so arrangements should be made in the home country to obtain this crucial document.

➤ In the *départements* of Paris, Hauts-de-Seine, Yvelines, Rhône, Haute-Garonne, Isère, Nord and Puy-de-Dôme, prospective company directors must attend the French Immigration and Citizenship Office (OFII) to undergo a mandatory medical examination and receive their residence permit.

1.2 A single preliminary declaration for non-resident directors

Legal representatives of a company located in France who do not wish to reside in the country make a preliminary declaration with the local *Préfecture* in the company's *département*. This declaration is either sent by registered letter with acknowledgement of receipt or delivered in person by the legal representative or their proxy (by presenting a mandate). The supporting documents

required are the applicant's civil status papers (birth/marriage certificate), an excerpt of their police record or similar from the country of origin, a copy of the company's articles and a written statement declaring them director. The Prefect issues a certificate enabling the company to enroll with the Company Register (*Registre du commerce et des sociétés* – RCS).

1.3 The “Exceptional Economic Contribution” residence permit

A foreign national who wishes to make an investment in France of over €10 million, or plans to create or save at least 50 jobs, can apply for an “Exceptional Economic Contribution” residence permit, valid for a 10-year period (on a renewable basis). The Prefect where the investment is planned is authorized to review the application.

The Prefect may decide to issue this residence permit even if these numbers are not yet reached if they consider that the applicant's economic contribution is exceptional due to specific aspects or conditions in the local job market.

Spouses are also granted a 10-year residence permit.

2. TEMPORARY RESIDENCE PERMITS AUTHORIZING SALARIED EMPLOYMENT

In principle, a work permit is required to engage in salaried employment in France.

If a foreign national plans to stay in France longer than 90 days, the competent authorities issue them a single permit that is valid for both residency and work in France.

Specifically, this applies to the “Expatriate Employee” and “Skills and Expertise” residence permits as well as the “Employee” and “Student” long-stay visas equivalent to a residence permit.

2.1 “European Union Blue Card”

This is a residence permit for highly skilled employees who meet the following eligibility criteria:

- Hold a degree certifying at least three years of higher education or have at least five years of professional experience.

- Possess an employment contract lasting at least one year.

- Earn a salary worth at least 1.5 times the average gross salary (i.e. €4,396 gross per month in 2013). Applicants must submit a request to the OFII ‘one-stop shop’ if the company is located in one of the following *départements*: Paris, Hauts-de-Seine, Yvelines, Rhône, Haute-Garonne, Isère, Nord, and Puy-de-Dôme. Elsewhere in France, the request must be submitted to the local employment authorities (*Unité territoriale*) where the company is located. Employment levels have no bearing on the award of this new residence permit, so employers are not required to justify the hiring decision with reference to the local job market, nor are holders obliged to undergo a medical examination.

Once the procedure is complete, the employee receives a renewable three-year residence permit and their family members are given a “**Private and Family Life**” temporary residence permit valid for the same period.

After 18 months, the holder of a “European Union Blue Card” issued by a Member State can apply for a similar permit to secure a highly skilled position in another EU country.

2.2 “Expatriate Employee” temporary residence permit

This three-year residence permit (renewable subject to certain conditions) is specifically reserved for intra-group transfers. It can be issued either:

- for a secondment (the initial work contract remains in force and the employee is paid by the originating company); or

- for an expatriation (the initial work contract is suspended for the duration of the assignment in France and a new work contract is signed with the company in France, which pays the employee).

The following conditions must be met to receive this permit: the work contract must have been valid for at least three months; the secondment or expatriation must be to a company in the same group or an organization belonging to the same company; gross monthly salary must be equal to at least 1.5 times the statutory national minimum wage (SMIC), i.e. €2,145.33 as of January 1, 2013.

Employment levels will not determine whether or not holders of temporary “Expatriate Employee” residence permits can be employed. As such, the employer is not obliged to justify the hiring decision with reference to the local job market.

If the “Expatriate Employee” permit holder resides in France continuously for more than six months, family members can apply for the “**Private and Family life**” temporary residence permit that is valid for three years and automatically enables family members to seek paid employment.

2.3 A long-stay visa equivalent to an “Employee” residence permit

This one-year visa is intended for foreign nationals who are hired by a company located in France, for a period of one year or more.

The future employer must initially request a work permit, which may be rejected on the grounds of employment levels.

At the end of the first year, the expatriate employee must go to the *Préfecture* within two months of their visa’s date of expiration to apply for an annual residence permit, which can be renewed.

Holders of this type of residence permit must sign an integration contract (*contrat d’accueil et d’intégration* – CAI). This contract is a means by which the French state provides foreign nationals with access to individual rights and French language training.

2.4 A long-stay visa equivalent to a “Temporary Worker” residence permit

This visa is issued to employees admitted to France to work for a fixed period of three to 12 months. This especially applies to employees seconded by a foreign company to provide a particular service at a client company.

The future employer must initially request a work permit, which may be rejected on the grounds of employment levels.

In principle, the visa serving as a residence permit is valid for the same length of time as the work permit, but only for up to 12 months. However, a renewal application may be submitted two months

before the expiry date. In this case, the holder then appears before the *Préfecture* to be issued with an annual residence permit.

Due to the temporary nature of the work performed in France, holders do not have to sign an integration contract.

2.5 A long-stay visa equivalent to a “Research Scientist” residence permit

This residence permit is issued to foreign nationals conducting research or teaching at a university level. The applicant must possess a hosting agreement issued by a scientific organization or an approved university, certifying their status of scientist and the purpose and length of their stay. Research scientists are exempt from obtaining a separate work permit. The hosting agreement must be stamped by the French consular authorities in the applicant’s home country. After the first year in France, the applicant receives a “Research Scientist” temporary residence permit, valid for one to four years.

Holders of this type of residence permit must sign an integration contract if they sign a permanent employment contract.

The scientist’s family members receive a “**Private and Family Life**” temporary residence permit.

2.6 A long-stay visa equivalent to a “Student” residence permit

This one-year visa is issued to foreign nationals studying in France who can prove that they are financially self-sufficient (€615 per month).

It allows the student to engage in **secondary** paid employment of up to 60% of the legal working year. No work permit is required but the employer must file a declaration with the *Préfecture* where the student resides. At the end of the first year, if the student is to continue their studies, they can apply for a residence permit with the *Préfecture* within two months of their visa’s expiry date.

Furthermore, a student who has a qualification at least equivalent to a Master’s degree can apply for a **temporary residence permit**, valid for six months and non-renewable after their “Student” residence permit has expired. This document enables the

holder to seek and perform work related to their training in return for a gross monthly salary of at least 1.5 times the statutory national minimum wage (SMIC) i.e. €2,145.33 as of January 1, 2013. At the end of this period, and providing they can prove that they are working, they can apply for a change of status through the *Préfecture* to obtain an “Employee” residence permit. Employment levels will not be taken into account provided that the job is commensurate to the employee’s training and the gross monthly salary paid is at least 1.5 times the SMIC.

3. ADMISSION PROCEDURES

3.1 The usual admission procedure

If you are an employer wishing to send a foreign national to work in France, you must follow an admission procedure, which verifies the enforcement of French employment laws, particularly regarding legislation on working hours, social security contribution payments (in the absence of social security agreements or conventions) and equal opportunities.

This procedure applies to any salaried work performed by a foreign national from a third-party State:

- for an intra-group transfer (“Expatriate Employee”) except in those parts of the country operating the ‘one-stop shop’ (see below);
- for a transnational secondment (to provide a service or independent operation);
- when a company located in France wishes to hire a foreign national who does not live in France (e.g. “European Union Blue Card”).

It is up to the employer, whether located in France or abroad, to begin the procedure.

First, the employer files an application for admission with the local employment authorities (*Unité territoriale*) where the activity will be conducted at least two months prior to the employment term commencing. The documents submitted with the application must be written or translated into French.

The local employment authorities review the application and decide whether or not to issue a work permit.

The work permit is obtained by filling out a government form (*formulaire CERFA*) that is submitted

to the French Immigration and Citizenship Office (OFII). The OFII then transfers the application file to the French consulate in the employee’s place of residence. The employee then appears at this office to be issued their visa corresponding to the reason for their stay.

Once in France, foreign nationals can begin work immediately and have a maximum of three months in which to submit their application file for a residence permit and attend a medical examination at the OFII.

The employer must pay the OFII a fee in accordance with the length of the employment contract and the employee’s salary.

Depending on the nature and term of the assignment in France, the residence permit issued will be:

- An “Expatriate Employee” residence permit valid three years for intra-group transfers.
- A “European Union Blue Card” to hire a highly skilled employee.
- A long-stay visa equivalent to a “Temporary Worker” residence permit (employment contracts of less than one year) or equivalent to an “Employee” residence permit (employment contracts of one year or more).

3.2 Introduction of a ‘one-stop shop’ for “Expatriate Employee” and “European Union Blue Card” holders in eight *départements*: Paris, Hauts-de-Seine, Yvelines, Rhône, Haute-Garonne, Isère, Nord, and Puy-de-Dôme

The memorandum of August 3, 2012 simplified the administrative procedures for certain categories of foreign employees and introduced a ‘one-stop shop’ at local French Immigration and Citizenship Office (OFII) offices for “Expatriate Employee” and “European Union Blue Card holders” in the following eight *départements*: Paris, Hauts-de-Seine, Yvelines, Rhône, Haute-Garonne, Isère, Nord, and Puy-de-Dôme. The company’s local OFII branch oversees all the immigration formalities, including forwarding the work permit to the local employment authorities (*Unité territoriale*), informing the company, contacting the Consulate, scheduling the

employee and family for the medical examination when they arrive in France and issuing them their residence permits.

The memorandum specifies that applications for family members of 'one-stop-shop' applicants are to be processed at the same time as theirs, chiefly in terms of issuing the visa, the medical examination and receiving the residence permit.

4. EMPLOYEES SECONDED BY AN EMPLOYER RESIDING OUTSIDE FRANCE (TRANSNATIONAL SECONDMENT)

A foreign company may temporarily assign employees to France in order to provide services for a subcontracting contract or to conduct an operation independently without a service contract. Seconded employees remain under contract with the foreign company before, after and during the term of their secondment in France.



Applying for a work permit

The application for a work permit is filed with the foreign labor department of the local employment authorities (*Unité territoriale*).

The decision to issue or refuse a work permit is made by the local employment authorities (*Unité territoriale*) once the application has been consulted.

CRITERIA FOR THE ISSUE OF A WORK PERMIT

When deciding whether to refuse or accept the work permit application, the local employment authorities assess the following criteria:

→ Employment levels in the relevant sector and geographic area, taking into account the specificities of the position being offered and the employer's previous attempts to fill it by recruiting a job seeker, mostly with help from the local *Pôle emploi* (National Employment Office).

→ The appropriateness of the foreign applicant's qualifications and experience for the position being offered.

→ The employer's adherence to French employment and social security legislation.

→ The employee's adherence to any appropriate regulations concerning the profession in question.

→ The employment conditions and remuneration must be similar to those provided to other employees in the company (or the profession) for a similar position.

→ The salary must be at least equal to the statutory national minimum wage (SMIC).

→ Any steps taken by the employer to ensure that the foreign national is able to find decent living accommodation.

EMPLOYMENT LEVELS

The administrative authorities may refuse to issue a work permit if they consider that unemployment is too high for a particular sector or geographic area and that the employer has not already searched in the local labor market.

The employment situation is not an issue, however, for employees on an intra-group transfer ("Expatriate Employee" residence permit), holders of a "Skills and Expertise" residence permit, employees conducting

a business activity in a sector in a geographic area experiencing recruitment issues and included in a list established by administrative authorities (cf. 30 sectors listed by the Ministerial Order of January 18, 2008).

APPLICATION FOR A WORK PERMIT

To be made by the employer.

DOCUMENTS TO BE SUBMITTED

Several documents must be submitted with the work permit application (see "Compiling an admission file" below).

LENGTH OF PROCEDURE

The decision is normally made by the local employment authorities (*Unité territoriale*) within two months of the application being filed. For "Expatriate Employee" and "European Union Blue Card" applications filed at the OFII 'one-stop shop', this period is reduced to 10 days. If no reply is received within this time, the application is deemed to have been rejected.

By virtue of this regulation, seconded employees are not employees of the client company, which does not pay their salary. They are subject to employment laws to the same extent as employees in the client company (working hours, minimum wages and payment of salaries, annual leave, health and safety conditions, etc.)

The foreign-based company (or its representative) begins the work permit application procedure at the local employment authorities (*Unité territoriale*) of the place of employment.

If the secondment is for a period of less than three months, in addition to the short-stay visa (unless special dispensation is granted) a **temporary work permit** (*autorisation provisoire de travail*) is required. If the secondment is for a period of more than

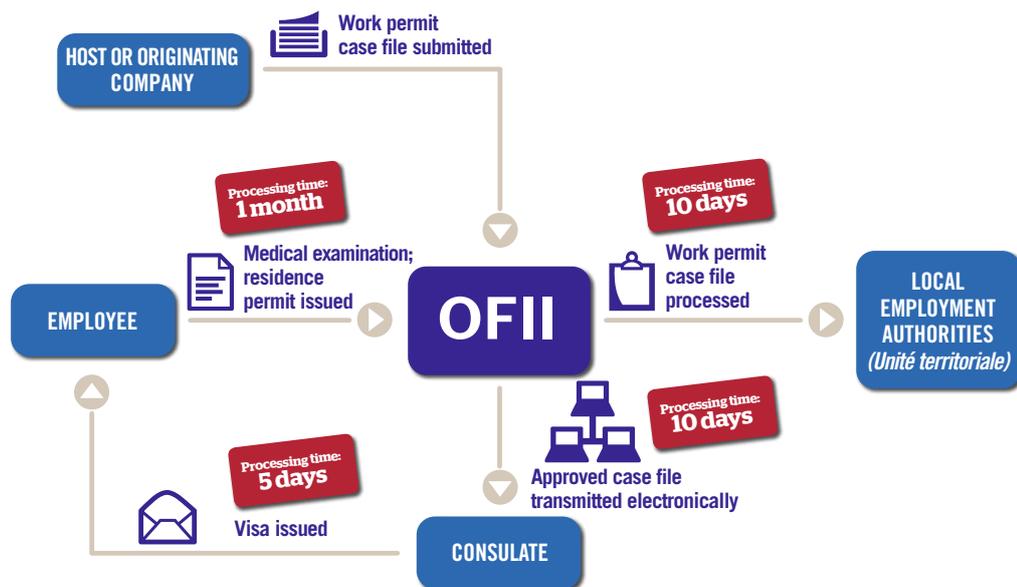
three months, employees must hold a long-stay visa equivalent to a “Temporary Worker” residence permit. If the assignment is for more than three months, the employer must pay the OFII a fee in accordance with the employee’s salary.

Foreign companies must also make a **mandatory preliminary declaration** to the regional employment inspector in the location where the process is taking place.

Foreign companies that do not have offices in France must register with URSSAF in the Bas-Rhin *département* (*Centre national des firmes étrangères – CNFE*) to enroll their employees and pay social security contributions (unless a special dispensation is granted through a social security agreement and a certificate of secondment is obtained).

Arrival of an employee at the OFII ‘one-stop shop’ (“Expatriate Employee”, “European Union Blue Card” residence permits)

In eight *départements*: Paris, Hauts-de-Seine, Yvelines, Rhône, Haute-Garonne, Isère, Nord and Puy-de-Dôme.



III. HEALTH COVER AND SOCIAL SECURITY BENEFITS FOR EMPLOYEES IN FRANCE

Employees may opt for continued coverage by the health and social security system in their country of origin if a reciprocal agreement exists between their home country and France.

In the absence of a reciprocal agreement, any salaried employee working in France, irrespective of their nationality, age or type of employment contract, must be registered with the French social security system (principle of territoriality).

1. PRINCIPLE OF TERRITORIALITY: IN THE ABSENCE OF AN INTERNATIONAL AGREEMENT, SOCIAL SECURITY CONTRIBUTIONS ARE PAYABLE TO THE SOCIAL SECURITY SCHEMES IN THE COUNTRY OF EMPLOYMENT

The French social security system is based on the principle of territoriality: foreign employees working in France are, in principle, subject to French health cover and social security legislation, regardless of their nationality or the location of their employer. Foreign employees may however contribute to optional social security schemes in their home countries. As such, the salary and benefits (benefits in kind, expatriation bonuses, etc.) paid to foreign employees are subject to all social security contributions at current rates, payable to the mandatory and supplementary schemes. In return, employees and their families are covered by the French social security system.



Compiling an admission file for a foreign employee

Main documents to be submitted by the employer to the local employment authorities (*Unité territoriale*) to support a work permit application for a salaried employee that the employer wishes to recruit or transfer to France:

→ Letter of motivation for the recruitment of the employee giving details of the employee's future position and responsibilities.

→ The relevant CERFA form that corresponds to the employment to be carried out in France.

→ A valid K-bis document if the employer is a corporate entity (*personne morale*); a valid K document (if the entity is an *entreprise individuelle*), a tradesperson's card or, failing this, a tax receipt if the employer is an individual (*personne physique*).

→ Documents proving the link

between the company based in France and the company based abroad in the event of an intra-group transfer.

→ A copy of the employee's passport or national identity card if the employee is resident abroad.

→ The employee's curriculum vitae or any other document that shows the employee's qualifications and professional experience; where applicable, a copy of the employee's educational diploma or certificate entitling the employee to carry out the employment in question; and in the event that the exercise of the employment is subject to specific regulatory conditions, proof that these conditions are properly fulfilled.

→ In the event of employment levels being an obstacle, documentary evi-

dence of efforts made to recruit a candidate from the French labor market. **If the employer is based abroad, the application should also include the following documents:**

→ A certificate of employment from the company based abroad or initial employment contract, showing at least three months' service.

→ A certificate of secondment or signed statement of the request for registration with the French social security system.

→ Where applicable, a signed statement of the request for registration with the paid leave fund.

→ Where applicable, a copy of the letter of mandate addressed to the person established in France in order to carry out administrative procedures on the employee's behalf.

In exceptional cases, an exemption may be possible from basic retirement insurance (without supplementary retirement benefits) for foreign employees who make a joint request with their employer based in France, or failing this with their host company in France. To become exempt, proof must be supplied of registration with an insurance scheme. The applicant must not have been registered with a mandatory French retirement scheme, or the social security scheme of a Member State bound by EU rules for coordinating social security systems, during the five years prior to the application. This exemption is granted for three years. It may be renewed for the same period.

2. INTERNATIONAL AGREEMENTS AND EU REGULATIONS PROVIDE FOR EXEMPTIONS FROM FRENCH SOCIAL SECURITY CONTRIBUTIONS

Nationals of countries that have signed bilateral agreements with France may remain registered with the social security system of their country of origin during their secondment in France.

The length of the secondment is limited by a specific clause in the bilateral agreement, although it can be renewed. At the end of this period, the seconded national must register with the social security system of the host country (in this case, France). They can however continue to contribute to the social security system in their country of origin; this is called making dual contributions. In practice, the employee must supply proof of their registration in their country of origin to be able to benefit from the application of bilateral social security agreements.

Citizens of the European Union, European Economic Area and Switzerland may also be seconded to other Member States for two-year periods by virtue of EU regulations.

An exemption may be requested in order to extend the term of the secondment if the assignment is expected to exceed two years or run over the full two-year term. Each Member State determines the maximum secondment term it agrees to grant. At the end of this initial or extended period, the seconded employee must register with the social

security system of the country where the paid employment is carried out (in this case, France).

IV. TAX REGULATIONS FOR EMPLOYEES IN FRANCE

Under certain circumstances, employees who come to work in France benefit from a very generous tax system.

1. DETERMINING TAX RESIDENCY

Tax residency is not a matter of choice for the employer or the employee; it depends on legal or reciprocal agreements and treaties. Registration with the French social security system has no bearing on determining tax residency.

A person is considered to be resident in France for tax purposes if one of the following criteria is met:

- If France is the person's permanent place of residence (household), i.e. the habitual place of residence or that of their family (spouse and children).
- Where the person has dual permanent residence, if France is the center of their financial and personal interests.
- Where the person's center of interests cannot be determined, if their primary place of residence is in France (they reside in France for more than 183 days in the same year).
- In the absence of any other deciding criteria (primary place of residence or no place of residence in either country), if the person holds French nationality.
- In the event that the person has dual nationality or neither of the two nationalities, the matter is decided by mutual agreement of the tax authorities in the two countries.

Tax residents in France are taxed on the entirety of their income earned from French sources or from other sources, but are also subject to international tax treaties and certain special tax systems such as those for expatriates (cf. section 4.3).

If foreign sources of income are also taxed in the country of origin, double taxation is avoided by application of clauses written into a large number of bilateral tax treaties that France has signed with other countries.

2. INCOME TAX SYSTEM FOR TAX RESIDENTS

2.1 General

Salaries (tax category “wages and salaries”) are taxable once social security contributions and all other mandatory contributions and business expenses have been deducted. For business expenses, there is a choice between a flat deduction of 10% or an option to deduct their actual amount. A French resident’s income is taxed at progressively higher rates.

2012 INCOME BRACKET (by allowance unit)	TAX RATES IN 2013
Income up to €5,963 inclusive:	0%
From €5,963 to €11,896 inclusive:	5.50%
From €11,896 to €26,420 inclusive:	14%
From €26,420 to €70,830 inclusive:	30%
From €70,830 to €150,000 (inclusive):	41%
More than €150,000	45%

Income tax is calculated on the basis of total household income (taking into account the resident and any spouse’s income, as well as the number of dependent children). The effective tax rate is determined by the allowance method based on the size of the household whereby the total household income is divided by the number of household units, which is based on the number of people associated with the household (one unit for each adult; half for each of the first two children, then one for each child thereafter). Assuming income remains unchanged, larger families entitle households to a higher number of allowance units, and thus lower effective tax rates.

Other expenses may also be tax-deductible or eligible for tax credits; these include childcare expenses or school fees, expenses for domestic help, and some household equipment costs.

With a view to balancing the government budget, an exceptional tax on high incomes has been instituted for taxes filed in 2013 that amounts to:

- 3% of taxable household income between €250,000 and €500,000 for people filing as single and between €500,000 and €1,000,000 for joint returns.

- This rate goes up to 4% for the portion of taxable household income that is higher than €500,000 for single people and €1,000,000 for couples.

2.2 A special exemption scheme for expatriates

The tax system for expatriate personnel is open to any person, regardless of their nationality, coming to work in France and who has not been a tax resident in France during the five calendar years prior to the date they commenced their post. The person must have been called to work for a company in France (regardless of the host company’s nationality). To immediately benefit from this exemption, the person must determine their tax residence in France by December 31 of the year following the year during which they commenced their post (i.e. by December 2014 at the latest for a post in France beginning during the course of 2013).

The expatriate exemption scheme applies for up to five years starting in the first full year after expatriates assume their new position.

Beneficiaries of the system receive exemption from:

- Income tax on any additional remuneration (“expatriation bonuses”) directly related to their professional activity, and
- Bonuses for work undertaken abroad in the direct interest and for the exclusive benefit of the company.

Total exemptions are capped at 50% of all remuneration or, alternatively upon request, 20% of taxable income earned for work performed abroad, excluding the expatriation bonus.

At the same time, many mobility-related allowances are fully exempt from income tax, e.g. payments for a reconnaissance trip, furniture storage costs in the country of origin, agency fees incurred by looking for accommodation in France, costs of removal and a return trip at the start and end of the stay in France, schooling costs for any children who are dependent for tax purposes, etc.

Provision is also made in the system for a 50% exemption, again for a five-year period, on income from securities, copyright royalties, and capital gains from transfers of shares and ownership interests from a foreign source.

During the same period, expatriates are only liable to pay the “wealth tax” (*impôt de solidarité sur la fortune* – ISF) on their assets located in France. Thereafter, expatriates must pay ISF on accumulated assets (barring any exemptions) located in France and abroad. ISF is only payable on net taxable assets over €1,300,000.

Social security contributions paid by an employee to a social security scheme in their home country are deducted from taxable income in France, where a social security agreement exists between the two countries permitting an expatriate employee in France to continue to pay into the scheme in their country of origin. This system also allows the contributions paid by expatriates and their foreign company into a supplementary social security protection scheme and a supplementary retirement scheme to be deducted from taxable income.

3. TAXATION FOR NON-TAX RESIDENTS

Employees in France who are not tax residents are only taxed on income from French sources. Remuneration paid in return for work carried out on French soil is taxable in France.

As such, salaries are subject to a 20% deduction at source for the portion of income over €41,327 and employers based in France who pay salaries to non-resident employees must comply with this. Non-resident salaried employees are still required to file an income tax return with the French tax authorities at the *Centre des impôts des non-résidents* (non-resident tax service), and, if necessary, pay any difference between the amount deducted at source and the tax due.

In order to avoid double taxation, tax deducted at source in France usually gives rise to an equivalent tax credit in the country of residence (depending on the tax treaty between France and the country of residence).

Furthermore, most international taxation treaties make provision for temporary secondments, whereby income earned through salaried work in a country is not judged to be taxable in that country if the beneficiary resides there for less than 183 days per year and if their remuneration is paid by or on behalf of an employer who is not resident in that country.

A working example of the tax system with reference to the income of an expatriate employee in France



A highly skilled employee, employed by a company based in the US, and who has not been resident in France for tax purposes since January 1, 2008, is seconded by their employer to a company based in France as of January 1, 2013. They regularly travel abroad for professional reasons.

→ Their net annual salary for 2013 amounts to €200,000, including an “expatriation bonus” of €60,000.

→ Their “net comparative salary” in France amounts to €150,000.

Their pay corresponding to work undertaken abroad amounts to €33,000.

The following are exempt from income tax for the year 2012:

→ An “expatriation bonus” of up to €50,000, the remainder (€10,000) being taxable in the event that the expatriate employee’s taxable income (€140,000), is lower than the “net comparative salary” (€150,000).

→ The employee’s pay corresponding to work undertaken abroad, up

to a limit of €30,000 [(200,000 – 60,000 + 10,000) x 20%], if the taxpayer has chosen this exemption option.

Total exemption: €80,000, i.e.: €50,000 + €30,000.

If, however, the employee chooses the overall ceiling of 50%, they will benefit from a higher exemption equal to €83,000 (i.e. €50,000 + €33,000), which falls below the ceiling of €100,000 (€200,000 x 50%).



Economic immigration: international mobility for company directors (non-EU/EEA/Switzerland)

STATUS/ POSITION	VISA AND RESIDENCE PERMIT ISSUED	MAXIMUM PERIOD OF RESIDENCE IN FRANCE	ELIGIBILITY CRITERIA	APPLICATION FILING	REQUIREMENT TO OBTAIN WORK PERMIT	ACCOMPANYING FAMILY
Company director “Exceptional Economic Contribution”	Long- or short-stay visa + “Exceptional Economic Contribution” residence permit	Permanent residence permit: 10 years, renewable	<ul style="list-style-type: none"> → Must run the company or hold an interest of at least 30% → Must invest at least €10 million → Or must create or maintain at least 50 jobs 	At the <i>Préfecture</i> local to the planned investment site	N/A.	Yes. Spouse receives 10-year residence permit
Company director residing in France	Long-stay visa + “Skills and Expertise” residence permit	Three years, renewable	<ul style="list-style-type: none"> → Must create and run a company, certain conditions apply (intra-group mobility or creation of two jobs and investment of at least €300,000). → Must be an existing appointed paid company director. → Must be the representative of the branch or liaison office. 	Initial application: at the consulate in the applicant’s country of residence. To change status: at the <i>Préfecture</i> local to the applicant’s place of residence.	N/A. The applicant is a company director who does not have the status of employee as defined by French employment law.	Yes. “Private and Family Life” residence permit issued for three years (renewable). The spouse can freely seek employment.
Company director residing in France (ineligible for a “Skills and Expertise” permit)	Long-stay visa + “Business Activity” residence permit	One year, renewable	<ul style="list-style-type: none"> → Must create and run a business company or be a self-employed entrepreneur → Must be an appointed company director (Director of a limited liability company, Chairman of simplified company, etc.) → Must be the representative of the branch or liaison office 	Initial application: at the consulate in the applicant’s country of residence. To change status: at the <i>Préfecture</i> local to the applicant’s place of residence.	N/A. The applicant is a company director who does not have the status of employee as defined by French employment law.	Yes. “Visitor” residence permit issued. The spouse must obtain a work permit to seek paid employment.
Company director not residing in France	Schengen short-stay “business trip” visa. Option to obtain a circulation visa.	90 days maximum per six-month period	→ Must be the company’s legal representative	Consulate in the applicant’s country of residence	N/A. The applicant is a company director who does not have the status of employee as defined by French employment law.	No.

EU: European Union - 27 countries

EEA: European Economic Area - EU + Iceland, Liechtenstein and Norway - 30 countries

Schengen Area: 25 Member States of the EU

Local employment authorities (*Unités territoriales*, formerly DDTEFPs)

OFII: French Immigration and Citizenship Office (*Office français de l’immigration et de l’intégration*) which serves as ‘one-stop shop’ in eight *départements* (Paris, Hauts-de-Seine, Yvelines, Rhône, Haute-Garonne, Isère, Nord, and Puy-de-Dôme) for “Expatriate Employee”, “European Union Blue Card” and “Skills and Expertise” applicants.

Economic immigration: International mobility for skilled employees (non-EU/EEA/Switzerland)



STATUS/ POSITION	VISA AND RESIDENCE PERMIT ISSUED	MAXIMUM PERIOD OF RESIDENCE IN FRANCE	ELIGIBILITY CRITERIA	APPLICATION FILING	REQUIREMENT TO OBTAIN WORK PERMIT	ACCOMPANYING FAMILY
Employee on intra-group transfer	Long-stay visa + “Expatriate Employee” residence permit	Three years, renewable	<ul style="list-style-type: none"> → Must be on secondment or expatriation within same business group → Must be paid gross monthly salary of at least 1.5 times the statutory national minimum wage (SMIC) → Work contract must be valid for at least three months 	<p>Local employment authorities (<i>Unité territoriale</i>) where work is to be performed in France: the employment authorities issue the work permit and send the file to the consulate (through the OFII).</p> <p>or:</p> <p>OFII ‘One-stop shop’ in the départements concerned. The employer forwards all documentation to the OFII which acts as a single point of contact between the <i>Unité territoriale</i>, the company and the Consulate.</p> <p>Consulate: issues long-stay visa (filed at same time)</p>	<p>Yes. The employer sends the application file to the local employment authorities, which review the application within 10 days.</p>	<p>Yes. “Visitor” permit if residence is less than six months. Three-year “Family and Private Life” permit if residence is more than six months.</p>
Highly skilled employee (Intra- European transfer)	Long-stay visa + “European Union Blue Card” residence permit	Three years, renewable	<ul style="list-style-type: none"> → Must hold a degree certifying at least three years of higher education or have at least five years of professional experience → Must have an employment contract lasting at least one year → Must earn a salary worth at least 1.5 times the average gross salary (€4,396 gross per month as of January 1, 2013) 	<p>OFII ‘One-stop shop’ in the <i>départements</i> concerned or: Local employment authorities (<i>Unité territoriale</i>) where work is to be performed in France</p>	<p>Yes.</p>	<p>Yes. “Private and Family Life” permit for same duration as holder of the “European Union Blue Card”.</p>
Employee (secondment < three months)	Short-stay visa + temporary work permit	90 days maximum	<ul style="list-style-type: none"> → Must be a salaried employee of the foreign company prior to the secondment → Must be seconded for an assignment on the foreign company’s behalf or to provide a service with a company based in France 	<p>Local employment authorities (<i>Unité territoriale</i>): issue work permit Consulate: issues short-stay visa</p>	<p>Yes. The employer sends the application file to the local employment authorities.</p>	<p>No.</p>
Employee from outside group (secondment > three months)	Long-stay visa equivalent to a “Temporary Worker” residence permit	Depends on length of assignment: three to 12 months, renewable subject to certain restrictions.	<ul style="list-style-type: none"> → Must be a salaried employee of the foreign company prior to the secondment → Must be seconded for an assignment on the foreign company’s behalf or to provide a service with a company based in France 	<p>Local employment authorities (<i>Unité territoriale</i>): issue work permit. The employment authorities send the file to the OFII, which forwards it to the consulate. Consulate: issues long-stay visa</p>	<p>Yes. The employer sends the application file to the local employment authorities.</p>	<p>No. May apply for a “Visitor” visa.</p>

EU: European Union - 27 countries

EEA: European Economic Area - EU + Iceland, Liechtenstein and Norway - 30 countries

Schengen Area: 25 Member States of the EU

Local employment authorities (*Unités territoriales*, formerly DDTEFPs)

OFII: French Immigration and Citizenship Office (*Office français de l’immigration et de l’intégration*) which serves as ‘one-stop shop’ in eight *départements* (Paris, Hauts-de-Seine, Yvelines, Rhône, Haute-Garonne, Isère, Nord, and Puy-de-Dôme) for “Expatriate Employee”, “European Union Blue Card” and “Skills and Expertise” applicants.

BCTG & Associés

BCTG is organized in a way that enables it to offer a complete range of services in the field of business law both in France and abroad, with solid experience in the following fields in particular: commercial law and corporate law, competition law (French and European), distribution and consumer law, insolvency and bankruptcy law, intellectual property law, employment and social security law, real estate law.

SECONDMENT AND EXPATRIATION FOR COMPANIES SENDING EMPLOYEES TO FRANCE

Companies with their registered offices in other countries may sometimes send employees to work in France. A foreign company must use the secondment procedure when sending an employee to carry out specific temporary work in connection with a supply of services, or as part of an intra-group transfer. In the latter case, the transfer must not be for profit, and may relate to a temporary assignment or training. In all other cases, foreign companies must use the expatriation procedure.

Procedures for sending foreign employees to France

Secondment

Foreign employers wishing to send employees on secondment to France must be lawfully established in their home country and must carry on stable, significant and continuous activity there.

Seconded employees must usually work for the foreign employer and must be performing this work in France for a limited period at their employer's request.

Seconded employees must have been employees before being seconded, and may not be recruited by the foreign company for the sole purpose of being seconded to France.

The foreign employer (if not located within the

European Economic Area – excluding Bulgaria and Romania – or Switzerland) must first apply for a work permit for its employee (either an “Expatriate Employee” residence permit or a European Union Blue Card) and declare the secondment to the Labor Inspectorate at the place of work to which the employee is to be seconded.

The employee's relationship with the foreign employer remains unchanged throughout the secondment. As such, rules on entering into and terminating employment contracts in force in the country where the employer is established continue to apply, except in certain specifically defined areas (discrimination, professional equality, working hours, minimum wage, health and safety at work and illegal working). It is recommended that the foreign company enter into an amendment to its employment contract with the seconded employee.

Consequently, the seconded employee continues to be counted as part of the originating company's workforce and continues to be paid by that company.

Expatriation

Expatriation is when a foreign employee is directly

recruited by a company based in France and enters into an employment contract with that company. The employee's initial employment contract with their home company is suspended for the period during which they are working in France. The French employer must apply for a work permit (specifically, an "Employee" residence permit) if the employee is a national of a country not located within the European Economic Area (excluding Bulgaria and Romania) or Switzerland, and must complete the necessary formalities that apply when recruiting a new employee. Since the foreign employee is accountable to the French company, they are subject to all the provisions of French employment law (*Code du travail*). The foreign employee is therefore paid by the French company and counted as part of its workforce.

Social security arrangements for seconded and expatriate employees:

The principle is that, except where there is an international agreement to the contrary, all foreigners in salaried employment in France must be registered with the French social security system under the same terms as French workers, and are subject to the same contributions.

In return, foreign employees are eligible for benefits under the standard French social security system under the same conditions as French contributors.

However, some employees may be covered by provisions relating to secondment contained in bilateral social security agreements. To date, France has entered into social security agreements with more than 30 countries.

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TAXATION OF FRENCH HOUSEHOLDS IN 2013: LESS ONEROUS THAN IT WOULD SEEM

The French Government Budget Act for 2013 was subject to numerous debates and revisions before being adopted at the close of 2012. So are French households now really at a tax disadvantage compared with their neighbors in Germany and the United Kingdom?

Before answering this question, some clarification is necessary. Income in France is subject to a number of deductions with different names:

- Income tax: the classic progressive tax scale applied to households.
- Social security deductions: comprising a number of different deductions, such as the CSG, CRDS, and *prélèvement social*, which are not social security contributions per se.

In addition to the above, social security contributions, in the strictest sense of the term, are due only on professional revenues: salaries and self-employment income. Ordinary social security contributions remain at relatively high rates of around 23% of gross pay for employees and nearly 50% for employers. However, these contributions are often capped. As such, on income above these caps, the employee rate is reduced to around 9% and the employer rate to around 26%.

A new tax has also been introduced, the “CHR” (Contribution on High Revenues) of either 3% or 4% on the highest income brackets (over €250,000 for single taxpayers, and over €500,000 for couples who are married or in a civil partnership). Social

security deductions on investment income have also been increased by two percentage points from 13.5% to 15.5%.

Contrary to popular belief, tax changes introduced in December 2012 did not drastically increase the overall tax burden on French households. The top marginal rate of 41% rose to 45%, while the CHR and social security deductions remain unchanged. What has changed drastically, however, is the taxation of investment income. Apart from certain tax-sheltered vehicles (life insurance for example), advantageous flat rates have been replaced by a progressive tax scale.

In three scenarios where gross annual employment incomes of €30,000, €200,000, and €2 million are compared with other countries, households in France fare better than those in Germany but less well than those in the UK (except for the third scenario of €2 million, where French households take home 3% less in net terms than German households).

These gross to net estimates account for all types of personal income tax, wealth tax, and social security deductions. However, what we refer to as social security deductions in France include benefits that are not always provided in other countries, such as supplementary retirement for example. In Germany and the UK, most skilled employees contribute to a supplementary retirement plan in addition to the basic state pension. Interestingly

enough, starting this year, UK-based employers will be obliged to offer such additional coverage to their employees. When these additional costs for obtaining equivalent benefits to those in France are factored in, the gap is reduced to the extent that French households are equally well or even better off than their German or UK counterparts in all scenarios, except for the case of a gross income of €2 million.

For a more comprehensive view, we should also consider benefits in each country. For example, a typical French household enjoys a high-quality subsidized education system, costing them between €0 and €4,000 per child per year. In the UK, where private school attendance is higher, average costs per child per year amount to £11,600.

Moreover, careful tax planning can help mitigate the burden of income tax. Employees arriving in France from abroad, for example, can benefit from the very competitive *impatrié* status. For the same gross income, this status for expatriates enables employees to receive net take-home pay which is at least 20% higher than in the UK or Germany.

CHRISTINA MELADY,
Tax Partner

4 BUSINESS TAXES IN FRANCE

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4 BUSINESS TAXES IN FRANCE

A large part of France's corporate tax system is designed to promote business investment, regional development and international expansion. France's efforts to develop a fair tax system are also evident in its policies designed for corporate groups. France has signed bilateral tax treaties with most of the countries it trades with (more than 100 countries) and thus provides foreign investors with outstanding protection against double taxation.

The French tax authorities have a helpdesk within the Public Finances Directorate (*Direction générale des finances publiques* – DGFIP) to provide support and information to non-resident companies in France. Foreign companies can obtain any tax-related information and even advance rulings (*rescrits*) from the tax authorities regarding investment projects (safee@dgfip.finances.gouv.fr).

I. CORPORATE TAX IN LINE WITH EU STANDARDS

1. TAXATION BASED ON REALIZED EARNINGS

Any foreign entity doing business for profit in France is liable to pay French tax on its earnings in France (principle of territoriality). This rule applies regardless of the types of entities:

- Subsidiaries
- Branches
- Permanent establishments

If a branch or a permanent establishment is not a separate legal entity, its earnings from activities in France are reconstituted using the financial statements of the foreign company. Each individual tax treaty defines the notion of a permanent establishment as a fixed place of business or a dependent agent (as defined in Article 5 of the OECD Model Tax Convention). One of the most common examples of this in practice is when a foreign company sends one of its employees to France to prospect the French market, it runs no risk of being considered a permanent establishment in France. But once the employee signs contracts in France on behalf of the foreign company, the company is deemed to have a permanent establishment in France, and is liable to pay tax on the profit earned by this business in France.

An “advance ruling” procedure (*rescrit*) enables any company already set up in France, or planning to do so, to ask the tax authorities to rule whether or not it has a permanent establishment in France; the authorities will then reply within three months.

2. CALCULATING TAXABLE EARNINGS

Income subject to corporate tax (*impôt sur les sociétés* – IS) 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. They include:

- Depreciation and amortization (excluding goodwill and land)
- Provisions
- Rent for buildings and equipment
- Salaries
- Social security contributions
- Specific taxes and duties
- Goods purchased
- Energy consumption
- Advertising
- Financial expenses, etc.

All types of expenditure borne by a business are deductible if they are spent on items the company needs to operate, and providing they are legitimate and justified. However, special rules apply to certain expenses:

-Up to €3 million of the net financial charges (the difference between financial income and financial charges in the same category) that companies pay which are subject to corporate tax (IS) are fully deductible. For amounts above €3 million, deductible financial charges are capped at 85% for the tax years 2012 and 2013 and at 75% as of January 1, 2014. Other rules apply to financial transactions between companies in the same group, specifically with regard to the risks of maximizing intra-subsidiary interest rates or optimizing due to undercapitalizing subsidiaries with the highest debt.

- 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.
- So-called “sumptuary” expenses and private passenger vehicles for which the deductible depreciation allowance and lease payments are capped, depending on the situation, at €18,300 or €9,900 for the least environmentally friendly cars. The thresholds include all taxes (including VAT).
- 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.

3. GENEROUS DEPRECIATION RULES

Fixed assets are depreciated on a straight-line basis over their expected useful life. In the case of certain production assets bought new with a minimum three-year depreciation period, acceleration multiples ranging from 1.25 to 2.25 may be applied to the straight-line depreciation rates, depending on the normal useful life of the assets concerned (declining balance scheme).

Equipment and tools used for scientific and technical research can be depreciated on an accelerated declining balance basis. The acceleration multiples in this case range from 1.5 to 2.5.

SMEs that construct or hire a firm to construct an industrial or commercial building for the purposes of operating their business in a rural regeneration

area (ZRR) or urban regeneration area (ZRU) prior to January 1, 2014 are eligible for a one-time depreciation equal to 25% of the total cost once construction is completed. The residual value of construction is depreciated over the normal useful life (the first annuity is added to this one-time depreciation).

4. ALLOWABLE PROVISIONS FOR DEPRECIATION

These are allowed if they can be justified and if they relate to clearly identified claims, inventories, securities or tangible and intangible assets. Allowable provisions include provisions for contingencies, work in progress, price increases, annual leave, etc.

5. TAX RATES ON COMPANIES

Corporate tax (*impôt sur les sociétés* – IS) rates are as follows:

- For large companies: standard rate of 33.33% plus, for companies with taxable profits at the standard rate of over €2,289,000, an additional “social contribution” of 1.1% , i.e. a rate of 34.43%.
- For small and medium-sized businesses (SMEs): reduced corporate tax rate of 15% up to €38,120 of profits and standard 33.33% rate on the remainder. SMEs are exempt from paying an additional “social contribution” .
- 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%. This affects patents, inventions that can be patented and manufacturing processes as well as improvements made to patents and patentable inventions.
- Permanent establishments located in France that hold equity interests in French and foreign companies are only taxed at a rate of 5% of these companies’ redistributed dividends. Companies are eligible for this reduced tax rate if they own a stake of at least 5% in each company and have owned the securities for at least two years.
- Capital gains on the sale of shareholdings held for at least two years are totally exempt except for the 12% representing expenses. This exemption no longer applies to transferred securities of compa-

nies located in a state considered non-cooperative for tax purposes.

- 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.

¹ Contribution at rates of 3.3% calculated on the standard corporate tax amount (i.e. $3.3\% \times 33.33 = 1.1\%$), minus a €763,000 rebate.

² Intended for SMEs with at least 75% of their shares owned, directly or indirectly, by individuals, or for companies satisfying the same conditions with an annual turnover of less than €7,630,000, subject to having fully paid up share capital.

³ If no arm's-length relationship exists (companies in the same group), transfers are not eligible for a reduced rate.

6. CARRYING LOSSES FORWARD (OR BACK)

Losses recorded in a given year can be carried forward indefinitely against future profits and, to a lesser degree, can also be carried back against profits made in the previous year.

7. GROUPS OF COMPANIES: THE FRENCH TAX SYSTEM PROVIDES FLEXIBLE RULES FOR TAX CONSOLIDATION

Groups of companies are eligible for tax breaks under French law, specifically when the parent company owns a stake of at least 5% in its subsidiaries (cf. section 1.5). However, under the tax consolidation scheme, companies in the same group may opt for overall taxation. This enables groups of companies to offset income and losses recorded in France from their consolidated businesses and eliminate intercompany transactions. Tax credits that apply to one company in the group, for example the research tax credit, can be transferred to the consolidating company that is subject to corporate tax, and thus be deducted from tax to be paid by the group.

The tax consolidation option may apply once the French subsidiaries in the consolidated group are at least 95% owned, directly or indirectly, by a French parent company. The financial years of the parent company and its subsidiaries must also coincide. Groups may choose this option for a five-year period. It automatically ceases to apply if ownership conditions are no longer met.



Losses can be carried forward indefinitely

Annual losses of up to €1,000,000 (plus 50% of subsequent profits exceeding this figure) may be carried forward.

Example 1:

A company records a loss of €900,000 in the tax year ending in 2013.

In 2014, it makes a profit of €1,500,000.

The company can then deduct the entire loss recorded in 2013, leaving a taxable profit for the tax year 2014 of €600,000.

Example 2:

For the tax year ending in 2013, a company records a loss of €2,000,000.

In 2014, it makes a profit of €1,500,000.

The loss carried forward to 2014 is €1,300,000 [= €1,000,000 + (50% x €500,000)] and the company's taxable profits will be €250,000 (= €1,500,000 - €1,250,000).

The portion of the loss recorded in 2013 that cannot be deducted from the company's 2014 profits, i.e. €750,000 (= €2,000,000 - €1,250,000) can then be carried forward to the subsequent tax years.

SMEs can deduct from their income the deficits of their branches or subsidiaries in which they have a direct stake of at least 95%, if the latter are established in a European Union Member State (or in a State which has signed a tax treaty with France containing an administrative assistance clause) and are subject to a tax equivalent to corporate tax. This benefit is bound by the European Union 'de minimis' policy cap (€200,000 for a three-year sliding period).

French subsidiaries owned through a European company (located within the European Union, Norway or Iceland) not subject to corporate tax in France can now be considered part of a consolidated group.

Since January 1, 2012 companies in corporate groups have been able to choose to apply the optional VAT payment consolidation scheme. Only the consolidating company will have to pay the VAT balance on behalf of the group's companies. This balance will be calculated as the difference between taxes owed and any tax credits due on the tax returns filed by the group's members. The parent company must directly or indirectly hold a stake of at least 50% in the subsidiaries' capital or voting rights. As such, the scope of the VAT payment consolidation will not in theory match the scope of tax consolidation in the corporate tax system. This option has been available since January 1, 2013.

II. WAYS TO REPATRIATE EARNINGS

Earnings may be repatriated in three ways:

- Transfer or distribution of net profit from branches and subsidiaries.
- Interest on loans and advances granted by the foreign parent company.
- Royalties or management fees.

1. NO TAX OBSTACLES TO THE INVOICING OF INTEREST, ROYALTIES OR MANAGEMENT FEES

The amounts invoiced must be justified and in line with the prices for arm's-length transactions between independent companies. The French authorities may demand evidence that transfer prices are in line with actual market prices.

2. REDUCED RATES OF WITHHOLDING TAX AND EXEMPTIONS

2.1 Dividends paid out to a resident of the European Union (EU)

Dividends distributed to a European parent company are exempted from the withholding tax if its headquarters are located in the European Union and it holds a stake of at least 10% in its French distributing subsidiary.

Carry-back rules allow the current year's loss to be offset only against taxable income in the previous year and only up to the profit recorded in the previous tax year or €1,000,000, whichever is smaller. This results in a non-taxable claim against the French Treasury for previously paid taxes. The Treasury reimburses this

tax receivable after five years if the company fails to deduct it from their forthcoming corporate tax bills. It may also be used as collateral with credit institutions (Dailly Act).

Example:

In 2013, a company subject to corporate tax records taxable income

of €1,500,000. In 2014, it declares a taxable loss of €3,000,000.

Since the offset losses cannot exceed €1,000,000, the company will only be able to carry back €1,000,000. The remaining €2,000,000 (= €3,000,000 - €1,000,000) can be carried forward.

Carry-back rules



Since January 1, 2012 the withholding tax rate has been 21% on dividends collected by an individual residing in an EU country, Iceland or Norway.

2.2 Dividends paid out to a resident outside the EU

Most of the tax treaties France has signed with major industrial nations provide for the application of a withholding tax on dividends with a standard rate of 5% for companies (subject to a minimum stake in the subsidiary created in France) or 15% for individuals. The new tax treaties signed by France (with Japan and the United States) provide for no withholding tax to be applied when dividends are paid (subject to specific conditions of stake ownership).

If no tax treaty exists, the withholding tax is 30%.

2.3 Additional corporate tax contribution on dividends distributed by a company established in France

Dividends paid out as of August 17, 2012 by a company established in France are subject to an additional contribution of 3%. However, dividends paid out by an SME (as per the European Union definition) or by an entity not subject to corporate tax, dividends paid out as shares, and dividends paid out within consolidated groups (cf. section I.7) are all exempt.

Foreign companies established in France as branches are subject to the 3% contribution due to the sums that cease to be available for operations in France.

2.4 Earnings from securities and royalties

For interest and royalties paid to foreign countries, tax treaties set out rates that vary from 0 to 15%.

2.5 Higher rates for “tax havens”

As of January 1, 2013, a 75% withholding tax has applied to the distribution of investment income (primarily dividends and interest) from a French source received through financial institutions located in tax havens officially referred to as “Non-Cooperative States or Territories” (NCSTs), regardless of the beneficiary’s actual income tax residence.

⁴List of NCSTs set out in the Ministerial Order of February 12, 2010 and modified by Ministerial Order of April 4, 2012: Botswana, Brunei, Guatemala, the Marshall Islands, Montserrat, Nauru, Niue and the Philippines.

III. VALUE ADDED TAX AND CUSTOMS DUTY

1. VAT: A NEUTRAL TAX FOR COMPANIES

Value added tax (VAT) is a tax that consumers pay on the consumption of goods and services.

When companies are formed, the French tax authorities assign them an EU VAT number.

Companies merely collect the VAT on their own sales and deduct the amount of VAT that they have paid on purchases of goods and services. This is reported in a monthly, quarterly or annual statement based on sales and the amount of VAT paid during the previous year. Depending on the size



The holding company scheme

Holding companies established in France, and which have held a stake of at least 5% for two years or more in each of its French or foreign subsidiaries, are only taxed at a rate of 5% on their redistributed dividends (cf. section I.5). This scheme pre-

sents considerable advantages because it results in a minimum effective tax rate of 1.67% (5% x 33.3%) on the dividends paid out by their subsidiaries. Moreover, when securities that have been held for at least two years are transferred, tax

is levied on 12% of the net gain (cf. restrictions in section I.5). Dividends distributed by holding companies are taxed according to the rules explained in section II.2. Holding companies are also eligible for the tax consolidation scheme.

of the company, this declaration is sent to either the corporate tax office (*Service des impôts des entreprises* – SIE) or the large business tax office (*Direction des grandes entreprises* – DGE) before the deadline set by the French tax authorities.

If companies have paid more VAT than they have collected, the VAT credit will be refunded to them on request.

Exports of goods outside the European Union are fully exempt from VAT.

France's standard VAT rate on sales of goods and services is 19.6%, but there are several reduced rates. There is a 7% tax rate on restaurants, hotels, public transport, newspapers and magazines and certain leisure activities. The rate on food and certain agricultural products is 5.5% while the rate on medications is either 5.5% or 2.1%. As of January 1, 2013, the rate on all books, including those downloaded online, is 5.5%.

2. UNIFORM CUSTOMS REGULATIONS THROUGHOUT THE EU

Goods move freely within the European Union:

Customs duty is only charged once on imports from outside the EU, even if they are subsequently shipped from one Member State to another. Goods entering France for re-export to another EU Member State are not subject to any VAT (as VAT is paid in the country where the goods are delivered to end users). VAT payments are suspended until a later stage for transactions involving goods subject to EU custom transit procedures or placed in a bonded warehouse. This purpose of this measure is to defer VAT payments to a later time.

Companies are not required to complete any administrative formalities for the movement of most types of goods between EU countries. They are only required to file a “declaration of trade in goods” (DEB) form for statistical purposes. Companies importing or exporting goods worth more than €460,000 a year to or from another Member State must file a DEB form each month. The form provides information about product categories, countries of origin and destination, values and weights.

Computerized customs clearance accelerates formalities and release of goods. Companies may opt for electronic transmission of DEB forms to the customs' data center (CISD) and online filing. The DEB must be filed electronically when the shipments or intakes conducted during the previous calendar year exceed €2,300,000, excluding taxes. Clearance is through the relevant customs department.

Companies providing services to businesses located in other EU Member States must file an EU VAT return with the French customs authorities if the company in the other Member State has already paid the VAT. This form must be filed online when sales exceed €32,600.

Clearance of non-European Union goods:

Imports and exports of goods between EU Member States and other countries require a customs declaration, which must be filed using the Single Administrative Document (SAD). The main items on the SAD are the name of the company, the type of declaration (according to the source of the merchandise), and the type, origin and value of the goods, net of tax.

Invoices and any documents required to claim preferential tariff treatment or for inspection of certain imports (agricultural products, etc.) must also be provided. The SAD information is used to calculate the duties and taxes due, and for physical and statistical identification of the goods.

IV. LOCAL TAXES PAID BY COMPANIES

1. LOCAL ECONOMIC CONTRIBUTION (*CONTRIBUTION ECONOMIQUE TERRITORIALE – CET*)

The *contribution économique territoriale* (CET) comprises the corporate property contribution (*cotisation foncière des entreprises* – CFE) and the contribution for value added by businesses (*cotisation sur la valeur ajoutée des entreprises* – CVAE). This reform means that tax is no longer levied on investments classified as productive, which include machines, tools, movable property and equipment.

The CET is capped at 3% of the company's value added.

At the same time, a network flat tax (*imposition forfaitaire de réseau* – IFER) was introduced that only pertains to certain utilities companies (facilities that generate electricity with wind turbines, hydro turbines or from photovoltaic or hydraulic sources; electrical generators; radio transmitters; rail rolling stock; and mainframes for the copper access network). The IFER is payable in addition to the CET and is calculated on the basis of a scale specific to each sector.

1.1 The corporate property contribution (CFE)

The CFE is assessed annually by the municipalities that set the tax rate for businesses located in their area.

The tax base comprises the rental value of fixed assets subject to the corporate property contribution (buildings and land used for business purposes) that the company occupied at the end of the closing of the financial year N-2, with N being the tax year.

The land registry rental value for industrial businesses is equivalent to 8% of the cost of land, buildings and equipment. The rental value for industrial businesses receives a 30% deduction when calculating the CFE. The rental value of commercial premises and offices is set by the tax authorities. Facilities intended for photovoltaic-based electricity production (solar panels) are exempt from the CFE.

When a company is created in Year N, the rental value of all the premises, equipment and land the company owns as of December 31 of Year N is eligible for a 50% deduction on taxes paid in Year N+1. As of January 1, 2014, CFE tax notices will be completely digitized.

1.2 The contribution for value added by businesses (CVAE)

The CVAE is assessed on the value added (VA) companies realize during the previous calendar year (January 1 to December 31) or the last 12-month financial year if this does not coincide with the calendar year.

Only companies with annual pre-tax turnover of over €500,000 must pay the CVAE.

The CVAE rate is 1.5% for companies with an annual pre-tax turnover of over €50 million. Below this amount, companies are subject to a reduced CVAE rate (variable depending on turnover).

The CVAE is calculated based on VA that is capped at either 80% or 85% of turnover depending on whether the company's turnover is under or over €7,600,000.

1.3 Exemptions for the CET:

The following are **exempt** from the CET at the discretion of the local authorities:

- Subject to European Union caps on state aid, new companies operating in specific regional zones as well as companies formed to take over ailing



Measures to simplify customs procedures

In an effort to simplify administrative and tax procedures, and in order to improve the competitiveness of businesses based in France, the following measures have been adopted:

→ A simplified goods collection procedure that allows the operator to continue their customs formalities.

→ Paperless incentive measures have led to a fully digitized customs sys-

tem, electronic payment and automatic reconciliation. These efforts are a vehicle for the authorities to simplify and facilitate customs formalities and make them more secure.

→ The ICS (Import Control System) and ECS (Export Control System) have been developed to improve security for goods flows through the transmission of logistics and trade data.

→ A national 'one-stop shop' has been set up that liaises with the other government authorities.

→ Companies can make a single monthly VAT payment for imports, to be paid on the 25th of the month following the date of import.

→ The VAT deposit on bonded imports when using deferred payment facilities has also been phased out.

businesses (for a period of two to five years only).

- Innovative new companies (*jeunes entreprises innovantes* – JEI) for seven years after their startup date and for up to €200,000 over three years.
- New and expanded industrial businesses or businesses dedicated to scientific and technical research activities located in certain areas for two to five years, subject to EU caps and approval. Companies do not require approval if they create a minimum number of jobs and meet minimum investment levels.

- Businesses based in an innovation cluster for a period of five years.

Also worth noting is that companies are exempt from the CET⁵ in their startup year and that the CFE tax base is reduced by 50% in the second year.

⁵ Unless the company is already setup as of January 1 of that year.

2. PROPERTY TAX

Companies are subject to property tax on the rental value of land (property tax on unconstructed land)

Working example: calculating the CET



A COMPANY MAKES THE FOLLOWING CAPITAL INVESTMENTS IN THE YEAR 'N':

Land and buildings (fixed assets subject to the property tax)	€30 million
Production equipment and tools (fixed assets not subject to the property tax)	€70 million
Estimated annual value added (after cap is applied)	€50 million
A local tax rate of 27.26% determined by the local authorities.	

CALCULATING THE CFE:

Rental value (RV) of fixed assets subject to the property tax	N	N+1	N+2
Land and buildings (fixed assets subject to the property contribution)	No CET due	€30m	€30m
The RV is 8% of these fixed assets, i.e. 30 x 8%		€2.4m	€2.4m
30% deduction of RV for industrial investments		30%	30%
RV after deduction		€1.68m	€1.68m
50% reduction in the second year (N+1)		-50%	
RV after reduction		€0.84m	€0.84m

No CET is due in the first year (N), while there is a 50% reduction in the tax base of the CFE component in the second year. Production equipment and tools are fully exempt.

CFE due from the company	N	N+1	N+2
Tax base		€840,000	€1,680,000
Rate		27.26 %	27.26 %
CFE due		€228,984	€457,968

CALCULATING THE CVAE:

CVAE due = €50 million x 1.5% = €750,000 (no reduced rate since the annual turnover is presumed to exceed €50 million).

CALCULATING THE CET:	N	N+1	N+2
CFE due		€228,984	€457,968
CVAE due		€750,000	€750,000
CET due		€978,984	€1,207,968

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 (see “Working example”) 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 (*communes* and *départements*).

Property tax (*taxe foncière* – TF) 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.

There are a large number of property tax exemptions, which include:

- ▶ New professional, industrial and commercial buildings are partially exempt from property tax on constructed land for the first two years after construction is completed.
- ▶ Tools and other equipment and operational material resources for industrial units (excluding property facilities).
- ▶ Facilities intended for the production of photovoltaic-based electricity (solar panels). These facilities are also exempt from the CFE (see “Working Example”).
- ▶ Companies operating in specific regional zones that are creating a new business, expanding operations or taking over ailing businesses may benefit from temporary exemptions (between



Working example: calculating property tax

AN INDUSTRIAL COMPANY MAKES AND COMPLETES THE FOLLOWING INVESTMENTS IN 2013:

Land	€100,000
Buildings	€600,000
Production equipment	€1,500,000

The tax base is calculated using the rental value of land and buildings only:

Land: 100,000 x 8%	€8,000
Buildings: 600,000 x 8%	€48,000
Hence, the gross rental value	€56,000
Standard 50% rebate	-50%
Net rental value after rebate	€28,000

Tax rate decided by local authorities:

<i>Commune</i>	15.00%
<i>Département</i>	12.41%
Total	27.41%

PROPERTY TAX DUE OVER THE THREE FOLLOWING YEARS:

	TAX BASE	RATE	2013	2014	2015	2016
To the <i>commune</i>	€28,000	15.00%	-	€4,200	€4,200	€4,200
To the <i>département</i>	€28,000	12.41%	-	Exemption		€3,475
Total			-	€4,200	€4,200	€7,675

The company is exempt from property tax in 2013 as it is its startup year (assuming the company is created after January 1). The company is also exempt from paying property tax to the *département* in the two years following the completion of the buildings (assumed in this example to have been completed in 2013).

two and five years) at the discretion of the local authorities.

- ▶ Buildings owned by companies eligible for the innovative new companies (JEI) tax status, which may be exempt at the discretion of the local authorities for a period of seven years. Local authorities may also agree to exempt businesses located in an innovation cluster from property tax.
- ▶ For individuals, new housing units completed as of January 1, 2009 with an overall energy performance level higher than the level required by the legislation in force (minimum exemption period of five years).

V. A WIDE RANGE OF TAX INCENTIVES FOR INVESTORS

1. TAX CREDITS

1.1 France's research tax credit is one of the most generous in the world

Manufacturing, trading and agricultural companies that spend money on research are eligible to receive a tax credit which can then be offset against their corporate tax liability. If they do not owe any tax due to a lack of profits, they will receive the research tax credit (*crédit d'impôt recherche* – CIR) in the form of a cash rebate after a three-year period. SMEs (as defined by the European Union), innovative new companies (JEI), startups and ailing companies qualify for an immediate research tax credit rebate (in Year N+1).

Starting in 2013, French innovation agency OSEO and France's Public Investment Bank (*Banque publique d'investissement* – BPI) have arranged for SMEs more than three years old that are previous recipients of France's research tax credit to be granted the research tax credit upfront in the year in which expenditure is incurred (in Year N instead of Year N+1). This measure will help SMEs and startups increase their cash flow in the year payments are incurred instead of waiting to file the research tax credit return before being reimbursed later. Other types of companies can still cash their

research tax credit at a banking institution if they do not want to hold on to the credit for three years.

To be eligible for the research tax credit, expenditure must be on basic research, applied research (test model of a product, operation or method) or experimental development (use of prototypes or pilot equipment). Companies may request an advance ruling from the tax authorities to see whether their R&D operations qualify for the research tax credit; the tax authorities are then required to respond within three months. As of January 1, 2013 the application can be submitted after operations have begun, but at least six months before the research tax credit return is filed (form no. 2069).

For expenditure incurred after January 1, 2013, the research tax credit amounts to 30% of total annual expenditure on research activities up to €100 million, and 5% of annual expenditure above this level. Eligible research expenditure includes:

- Personnel costs (gross salaries and social security contributions) for researchers and research technicians working directly on research, plus an additional 50% of these amounts as flat-rate operating expenses.
- Gross salaries and social security contributions for junior final-year doctoral and post-doctoral research personnel that are counted in the research tax credit base at 400% of their value for the first two years of their first permanent contract. Thereafter, their salaries are recorded as research personnel costs.
- Depreciation of infrastructure and equipment used directly for research operations, plus an additional 75% as flat-rate operating expenses.
- Spending on technology watch (up to €60,000 per year).
- 50% of standardization costs.
- Depreciation of patents acquired for research purposes.
- Bonuses and payments relating to patent insurance contracts (up to €60,000 per year).
- Expenses incurred for the filing, maintenance and protection of patents and plant variety rights (*certificats d'obtention végétale* – COVs).
- 200% of spending on research contracted out to public-sector research agencies, higher education institutions offering Master's programs, technical

centers, accredited public interest foundations in the research sector, scientific partnership foundations and public-sector scientific partnership institutions.

- Spending on research contracted out to accredited private-sector research agencies, or certified experts, up to triple the total amount of other research expenses eligible for the research tax credit.

If there is an arm's-length relationship between the company placing the order and the subcontracting company, the subcontracting expenses are capped at €10 million. However, if no arm's-length relationship exists (i.e. a group of companies), the subcontracting spending cap is set at €2 million. This €10 million cap is raised to €12 million when these expenses are contracted out to public-sector partners (research institutions, universities, public-service foundations, etc.)

Consultancy fees incurred regarding the research tax credit application process that either exceed €15,000, excluding tax, or 5% of the research tax credit tax base less any government support for R&D are deducted from the research tax credit tax base. These expenses are fully deducted from the research tax credit tax base when they are calculated proportionately to the credit obtained.

For expenditure incurred as of January 1, 2013, SMEs that use innovation expenses for projects to design prototypes, new products or pilot equipment may receive a special research tax credit of 20%. Eligible innovation expenses are capped at €400,000 per year, which means a company can receive a tax credit of up to €80,000 per year within the limits set by the European Union state aid cap for innovative operations. As of January 1, 2014, the research tax credit procedure will be expanded to include innovation expenses.

1.2 A tax credit to boost corporate competitiveness and employment

A new competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi* – CICE) was introduced in 2013. It amounts to 4% of remuneration paid in 2013 for all salaries up to 2.5 times the statutory national minimum wage (SMIC), and will amount to 6% of remuneration paid out in subsequent years.

The CICE is not capped and can be offset against corporate tax (IS) a company owes for the year in which the payments were made. The remainder of the tax credit is a government credit that can be used to pay taxes owed over the next three years or reimbursed if it is not spent during that time. Certain companies like SMEs, innovative new companies (JEIs) and ailing companies may receive the credit immediately.

The CICE only covers gross pay up to 2.5 times the statutory national minimum wage (SMIC), i.e. €42,906.50 in total per annum as of January 1, 2013 (based on a 35-hour work week). Salaries higher than this threshold are completely excluded from this tax credit.

The CICE credit calculated during the year these salaries are paid and before the tax credit is offset in Year N+1 can be transferred to a lending institution. SMEs will also receive a partial guarantee from state innovation agency OSEO to carry out this type of pre-financing at a commercial bank or be able to request pre-financing directly from OSEO.

1.3 Family tax credit initiative helping employees with children to achieve a better work-family balance

Companies can obtain a tax credit equal to 50% of the cost of child care for children under three years old paid for by the company's employees or 25% of the cost of issuing universal employment service vouchers (*chèques emplois universels*) to make access to personal services easier (child care at home, domestic help, etc.).

The tax credit is capped at €500,000 per company per year. It can be offset against the company's corporate tax liability for the year in which the spending was incurred.

If the tax credit is greater than the tax due for the year in question, the difference is granted as a rebate.

1.4 Cinema/audiovisual tax credit to encourage creativity in France

Cinema and audiovisual production companies which pay corporate tax can obtain a tax credit (cinema or audiovisual, as applicable) for their production

expenditures. The tax credit is available for projects carried out in France to produce approved feature-length films and audiovisual productions.

The tax credit rate (cinema or audiovisual, as applicable) is calculated for each financial year and amounts to 20% of eligible technical expenses. Eligible expenditure items include: salaries and social security contributions for authors, performance artists, extras, technicians and manual labor, spending on technical materials, rents for film sets and film-editing expenses. Transport, catering and accommodation expenses incurred in France are also eligible, subject to certain limits. The related productions must be produced primarily in French. The cinema tax credit is capped at €4 million, regardless of the type of production.

The audiovisual tax credit (documentaries, fiction, animations) is capped at €1,250 or €1,300 per minute produced and delivered, depending on the type of production.

The tax credit (cinema or audiovisual, as applicable) can be offset against the company's corporate tax liability for the year in which the spending was incurred. If the tax credit is greater than the tax due for the year in question, the difference is granted as a rebate.

1.5 Tax credit for video games

Video game development companies subject to corporate tax are entitled to a tax credit for video game development expenses which meet specific criteria and are approved by the National Center for

Cinema and Animation (*Centre national du cinéma et de l'image animée* – CNC). To be eligible for the tax credit, games must incur development costs higher than or equal to €150,000, and also contribute to French or European cultural creativity in the video-gaming field, as well as variety and quality. The tax credit equals 20% of total eligible expenditure, which essentially includes: depreciation of new assets and expenditure for salaried staff directly assigned to create games, copyrights, other costs, overheads and subcontracting up to €1 million. The tax credit is capped for all companies at €3 million per financial year.

2. TEMPORARY EXEMPTION FROM THE CONTRIBUTION ECONOMIQUE TERRITORIALE (CET) AVAILABLE IN AILING REGIONS

In certain designated areas in France (regional aid areas (*zones AFR*), urban enterprise areas (ZFU), employment priority areas (BER), military restructuring areas (ZRD), etc.), local authorities (*communes, départements, régions* and intermunicipal authorities) have the right to grant full or partial temporary exemptions from the *contribution économique territoriale* (CET) to companies that set up or expand their operations or take over ailing businesses. The maximum exemption period is five years. These measures are in effect for new company establishments created before December 31, 2013.

Tax Rebate for International Productions (TRIP)



In order to improve France's investment attractiveness, this tax credit has been extended to cinematographic or audiovisual productions produced by companies based outside France. This new measure ("TRIP") applies to expenditure incurred until

December 31, 2016. The tax credit amounts to 20% of expenditure in France, capped at 80% of the film's total production budget. The tax credit is capped at €10 million per film (and not per company). To qualify, films must be approved

by the National Center for Cinema and Animation (*Centre national du cinéma et de l'image animée* – CNC), which ensures that films contain elements of French culture, national heritage or landscape.

3. TEMPORARY EXEMPTION FROM CORPORATE TAX (*IMPÔT SUR LES SOCIÉTÉS – IS*) FOR NEW COMPANIES

3.1 Companies created before December 31, 2013 located in certain areas may qualify, subject to certain conditions, for a temporary exemption from corporate tax, diminishing over time.

The exemption is 100% for the first 24 months, after which tax is levied on earnings at a rate of 25% in the third year, 50% in the fourth year and 75% in the fifth year.

These exemptions are restricted to companies engaging in new business and which are not more than 50% owned by other companies.

Companies benefiting from these measures may also be exempted at the discretion of the local authorities from paying the CET and/or property tax for a maximum period of two to five years.

Furthermore, companies subject to corporate tax (IS) set up before December 31, 2013 in order to take over an ailing industrial business may also, subject to certain conditions, receive exemption from corporate tax (IS) for the 24 months following the takeover as well as an exemption, at the discretion of the local authorities, from the CET and/or the property tax for a maximum period of two to five years.

A seven-year tax exemption is planned for businesses located in regions classified as military restructuring areas (ZRD) as part of the “defense modernization plan”, which foresees the closure of 83 sites or units between 2009 and 2016. Companies that relocate to employment priority areas (BER) in the Champagne-Ardenne and Midi-Pyrénées regions before December 31, 2013 are also fully exempt from corporate tax for seven years.

3.2 Innovative new companies (*jeunes entreprises innovantes – JEI*) are entitled to generous tax advantages

Specific measures exist to help new companies whose research and development spending accounts for at least 15% of their tax-deductible costs.

The “innovative new companies” tax status grants beneficiaries the following exemptions:

- Full exemption from corporate tax (IS) in the first profitable year and then a partial exemption (50%) in the following profitable year.
- Exemption, at the discretion of the local authorities, solely for innovative new companies created before December 31, 2013, from the CET and/or the property tax for a period of seven years. Total tax breaks are capped at €200,000 in any three-year period.
- Furthermore, the salaries paid to these companies’ research personnel are fully exempt from employer social security contributions for four years and then on a diminishing basis for the following four years. These tax exemptions are capped at a monthly gross salary of €6,435 per employee per month in 2013. The total exemption for employer social security contributions during that same year is limited to €185,160 per company per year.

These measures are for SMEs created in the last eight years with under 250 employees, turnover of less than €50 million or total assets of less than €43 million that are majority owned (over 50%) by individuals or by companies that meet the same criteria.

Sales of shares in these companies are exempt from capital gains tax if the seller has held the shares for three or more years and if the direct or indirect ownership of the seller, their spouse/partner and their ascendants/descendants has not exceeded 25% of profit and voting rights since the shares were acquired.

These tax and social security measures have been extended to new university companies (*jeunes entreprises universitaires – JEU*). New university companies are SMEs that are less than eight years old, at least 10% owned, individually or jointly, by current students, Master’s degree postgraduates or postdoctoral students who received their degree within the last five years, or by people working in teaching and research fields and who fund at least 15% of research expenditure.

VI. SPECIAL TAX SYSTEM FOR CERTAIN HEADQUARTERS

These centers must be set up solely for the provision of specialized services. Headquarters may provide only management, administration, coordination and auditing services, while logistics centers handle only packaging, labeling and distribution. To be eligible, services must only be provided to companies in the same group and the majority of these must be located abroad. The tax rules are based on a fixed cost-plus formula that is arrived at in agreement with the tax authorities. This agreement eliminates the risk of a change in the cost-plus rate applied by the company during a subsequent tax audit. Tax is assessed at the standard rate on earnings that is derived by applying the agreed cost-plus formula to expenditure incurred by headquarters, logistics centers or R&D coordination centers. The cost-plus rate applied is usually between 6% and 10%; agreements are usually reached for periods of three to five years.

As part of the tax regulations seeking to eliminate expatriation costs, headquarters and logistics centers may pay supplementary remuneration that is fully or partially exempt from personal income tax to their expatriate employees. Companies must apply to the tax authorities to benefit from these measures, which may not be combined with the new scheme for expatriate employees: potential beneficiaries must opt for one or the other.

Subventium

Subventium is a consultancy firm specializing in obtaining public funding for innovative companies.

Thanks to its multidisciplinary teams, Subventium is able to offer you expertise designed to enhance performance on a daily basis via the implementation of a specific and rigorous working method.

VARIOUS SCHEMES TO SUPPORT R&D AND INNOVATION

Fostering and developing innovation in France is a priority for the French authorities. The government is aware of the critical importance of innovation and R&D and so has introduced measures to incentivize them throughout the country. The most significant of these are France's research tax credit, "innovative new company" status and innovation tax credit.

France's research tax credit is a scientifically-oriented tax arrangement introduced in 1983. Since 2008, it has become a leading instrument used by the French government to support R&D efforts by companies established in France. In 2011, research tax credit funding totaling €5 billion was granted to 18,000 companies. The scheme is open to all businesses subject to either corporate tax or income tax that carry out research and development work, irrespective of their size or business sector. The research tax credit takes the form of a tax claim against the State and is primarily used to pay business taxes.

The research tax credit is calculated by applying a rate of 30% to research expenditure incurred during the calendar year of up to €100 million;

above this threshold, the applicable rate is 5%. Eligible research expenditure is listed in the French General Tax Code (Article 244 *quater* B). The research tax credit is claimed, using tax form 2069 A, at the same time that the corporate tax return is submitted. If a company has no tax to pay, it may, under certain conditions, claim a rebate of its research tax credit.

"Innovative new company" (*Jeune entreprise innovante* – JEI) status was established in 2004 and aims to foster the development of SMEs. Since it was launched, more than 4,500 companies have qualified for significant tax and social security benefits under the scheme. Up to the end of 2010, innovative new companies had qualified for €724 million in exemptions from social security contributions and €74 million in tax exemptions. Eighty-four percent of innovative new companies work in the business services sector, while most of them are based in the Ile-de-France, Rhône-Alpes and Provence-Alpes-Côte d'Azur regions.

To be eligible for innovative new company status, a company must be an SME as defined by EU law¹ and meet certain criteria². Research expenditure

taken into account when considering eligibility for innovative new company status is defined by reference to the expenditure listed in Article 244 *quater* B concerning the research tax credit. Innovative new company status introduced by the French Government Budget Act for 2004 (Article 44 *sexies*-O of the General Tax Code) may be granted to companies less than eight years old established between January 1, 2004 and December 31, 2013.

The French Government Budget Act for 2013 introduced a new tax credit known as the innovation tax credit (*Crédit impôt innovation – C2I*). This scheme, available solely to SMEs as defined in EU law, aims to provide financial support to companies incurring innovation expenditure. The innovation tax credit is calculated based on qualifying expenditure incurred with effect from January 1, 2013 at a single rate of 20%. Eligible expenditure is capped at €400,000. Expenditure already taken into account when calculating the research tax credit may not be included when calculating the innovation tax credit.

Activities connected with the design of prototype and pilot versions of new products are eligible for the innovation tax credit. The French Government Budget Act for 2013 defines a new product as a tangible or intangible item that has not yet been brought to market and differs from existing or previous products by virtue of superior

technical performance, eco-design, ergonomics or functionality. Qualifying expenditure is broken down into six categories: depreciation, personnel costs, operating expenses, expenses incurred filing patents and designs, expenses incurred defending patents and designs, and external expenses.

¹SMEs as defined by EU law are enterprises with fewer than 250 employees and either annual turnover of less than €50 million or a balance sheet total of less than €43 million.

²An innovative new company must meet the following criteria: it must be an SME less than eight years old that is independent and genuinely new, with R&D expenditure accounting for at least 15% of the company's total expenses.

MARIE-ODILE SENAND,
Director

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Fidal

Created in 1922, Fidal has 85 years of experience in all areas of corporate law. It operates 95 offices in France and employs 200 lawyers specializing in international issues.

RULES FOR INVESTORS ON TRANSFERRING SHARES

Tax rules on income from capital are being aligned with those on income from employment. This has resulted in the scrapping of the 19% flat rate tax (plus social security contributions) on capital gains from the sale of shares by private individuals in favor of the progressive income tax scale taking effect from January 1, 2013, with certain exceptions. However, various mechanisms, which must be approved by a Board before they may be applied to individuals, are available to capital investors.

1- Capital gains: tax incentives to encourage long-term investment

a. Deduction based on length of share ownership taking effect for tax due in 2013

To encourage long-term share ownership, net gains from the transfer of company shares for consideration will be covered as of January 1, 2013 by a system of tax deductions ranging from 20% for shares held for more than two years and less than four years at the date of the transfer to 30% for shares held for between four and six years and up to 40% for shares held for more than six years.

b. Exemptions for entrepreneurs

Taking effect from January 1, 2013, capital gains on sales of shares by entrepreneurs in 2012 and subsequent years may optionally be taxed at a flat

rate of 19%, subject to meeting certain criteria relating to the company's activities (with lead holding companies qualifying for the reduced rate of 19%), a threshold, continuous ownership of the shares during the five years preceding the sale, and the duties undertaken.

c. Reinvestment deferral

Tax on sales of shares may qualify for deferral if at least 50% of the capital gain net of social security contributions is reinvested in shares in an industrial or commercial company within 24 months. Only that portion of the sale proceeds that is actually reinvested is tax-exempt.

d. Deduction in favor of retiring directors of SMEs

Retiring directors of SMEs are eligible for a tax deduction on capital gains from the sale of their shares up to December 31, 2017, based on the length of share ownership. This deduction is equal to one-third for each year of share ownership over and above six years, resulting in full exemption once shares have been owned for more than eight years.

e. Shares in innovative new companies

Under certain conditions and at the express option of the taxpayer, capital gains from the sale of shares in innovative new companies (*jeunes entreprises innovantes* – JEI) by individual equity investors are exempt from income tax.

f. Investment via venture capital and innovation-focused mutual funds

Capital gains arising from the sale or redemption of units in venture capital (FCPR) and innovation-focused (FCPI) mutual funds by private individuals are tax-exempt subject to a five-year holding period.

2-Tax incentives to encourage investment in SMEs

Persons liable for wealth tax (ISF) who subscribe for the initial capital or for a new equity issue by an operational SME, an innovation-focused mutual fund or a local investment fund may apply to their wealth tax liability an amount corresponding to 50% of the amounts so subscribed, up to a maximum of €45,000 a year.

As regards income tax, taxpayers who are resident in France for tax purposes are eligible for a reduction in income tax equal to 18% of amounts subscribed up to December 31, 2016, either in the initial capital or in a new equity issue by a company, subject to a maximum of €50,000 for taxpayers who are single, widowed or divorced and €100,000 for couples subject to joint taxation. Eligibility for these reductions is subject (i) to meeting certain criteria, including in particular ownership of the shares up to the fifth year following the year of subscription and non-redemption of the amount subscribed before the tenth year, and (ii) partially to overall caps on tax benefits.

3- Rules on transferring tax residences outside France: exit tax

Taxpayers who are resident in France for tax purposes for at least six of the ten years preceding

the date on which they transfer their tax residence outside France are subject to income tax and social security contributions on any unrealized gains made from the sale or exchange of shares subject to tax deferral rules.

However, suspension of payment is automatically granted to the taxpayer if their tax residence is being transferred to an EU Member State or a country within the European Economic Area. Suspension may also be granted upon request to taxpayers transferring their tax residence to a country outside the EU.

If the taxpayer returns to France, automatic relief is also available on all taxes within eight years of the transfer date for unrealized gains, and also on any such unrealized gains after eight years, with the exception of social security contributions, for which the taxpayer remains liable.

VINCENT BERGER AND CEDRIC PHILIBERT,
Attorneys

5 GOVERNMENT SUPPORT FOR BUSINESS

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5 GOVERNMENT SUPPORT FOR BUSINESS

A broad and varied framework of support has been set up in France in response to the needs of investors. This support depends on the type of investment project (productive investment, research and development, innovation, training, etc.), its location (priority development areas or non-priority areas) and the type of company conducting the project (large company, mid-size company or SME). The creation of France's Public Investment Bank in 2013 consolidates this array of state aid and financing to help companies, particularly those with fewer than 5,000 employees, to expand in France and increase their exports.

Support from the French authorities comes in various forms:

- > Subsidized or interest-free loans
 - > Grants for physical investment projects and R&D
 - > Reduced real estate costs
 - > Tax exemptions
 - > Exemptions from employer social security contributions
 - > Tax credits
 - > Covering certain expenses (e.g. training costs for new employees, etc.)
 - > Government guarantees
 - > Equity investments
- Support can be provided at national level and by regional and local authorities.

I. RECEIVING SUPPORT FOR INVESTMENT AND JOB CREATION

There are a variety of financial incentives for business investment and job creation. Support is permitted for either investment outlays (buildings,

land and equipment) over three years or the cost of job creation arising from the investment (estimated salaries and social security contributions over two years). Investment projects receiving aid are required to remain in the same region for five years (large companies) or three years (SMEs).

NB: All of these rules apply to aid granted before December 31, 2013, in accordance with European Union regulations.

1. INVESTMENT AND JOB CREATION INCENTIVES FOR LARGE COMPANIES

Investment projects by large companies may be given support in certain parts of the country eligible for regional aid ('zones AFR') except in certain sensitive sectors ineligible for investment support (e.g. steel making and synthetic fibers). The location of a project is a determining factor in assessing the extent of support available.

Outside of these regional development areas, government support allocated to large companies for an investment project is capped at €200,000 per company over three years ('de minimis' support within the EU). SMEs are still eligible for invest-



IFA assistance

The Invest in France Agency helps foreign investors to ascertain which forms of government support their projects may be eligible to receive

and to prepare their applications. The IFA can also act as an intermediary between foreign businesses and any French government body

(ministries, local authorities, government agencies, etc.) that can facilitate their investments in France.

ment support throughout the country amounting to 10-20% of the investment (unless '*de minimis*' support is more advantageous).

1.1 Investment support for large companies depends on their location in EU-recognized areas for regional funding

In accordance with the zoning for regional aid (*aides à finalité régionale* – AFR) in France approved by the European Commission for the period from 2007 to 2013, the limit on aid ranges from 10 to 15% of the investment for large business, and from 20 to 35% for SMEs. The maximum total amount of support for productive investment and job creation is calculated in accordance with the location of projects and the size of the companies receiving support.

If an investment project exceeds €50 million, government intervention must be reduced to comply with EU rules (see “In detail” about large projects).

1.2 Government support within regional aid areas

To obtain the maximum amount of support available in a given regional aid area (10 to 15% of the investment for large companies and up to 35% for SMEs)

companies can receive various types of support simultaneously. This aid comes in the form of subsidies or repayable advances (from the State or from local authorities), aid for real estate or tax/social security contribution exemptions. Each of these measures comes with its own set of conditions. In most cases, they can only be claimed in regional aid areas. However, some measures may be activated outside these areas, although they are then capped at €200,000 per company over three years for large companies (or the ceiling, described above, assigned to SMEs).

> Grants for industry and services (*Prime d'aménagement du territoire* – PAT)

PAT grants are based on the number of jobs created. Grants are made on a case-by-case basis, and take into account the features of each project (number of jobs created and total amount of investment). The ceiling is €15,000 per job created and can only be claimed in a regional aid area (see “In detail” about PAT grants). Applications are reviewed by the Interministerial Commission for Business Location Aid (CIALA).

> Interest-free loans for industry

The purpose of the *aide à la réindustrialisation* business development loan scheme is to help finance investment projects throughout France using repayable advances.

Assessing the size of a company (excluding agri-food sector)

1. EU REGULATORY DEFINITION OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)

→ **Medium-sized** enterprises satisfy all of the following criteria: fewer than 250 employees, annual turnover under €50 million or total balance sheet assets of under €43 million and free of any controlling interest (25% of equity or voting rights) by a large company.

→ **Small enterprises** have fewer than 50 employees and annual turnover or total balance sheet assets of under €10 million. They are also independent of any large company. Calculation of employee numbers, turnover and total balance sheet assets must factor in all the busi-

nesses in which the company has a direct or indirect interest exceeding 25%. Employee and finance thresholds must be exceeded in two consecutive financial years for the company to gain or lose SME status.

2. DEFINITION OF A MID-SIZE COMPANY¹

Mid-size companies are companies that have:

→ between 250 and 5,000 employees;

→ total balance sheet assets of under €2 billion;

→ turnover that remains below €1.5 billion.

Under EU regulations on state aid, mid-size companies are subject to

the same rules as large companies (except in the agri-food sector), yet they are eligible for the measures designed for them under French law.

3. EU REGULATORY DEFINITION OF A LARGE COMPANY

→ EU regulations on state aid stipulate that a **large** company is an enterprise that does not meet the aforementioned criteria for SMEs.

For more information:

¹ European Commission recommendation of May 6, 2003 concerning the definition of micro, small and medium-sized enterprises

² Definition as per the French government Economic Modernization Act of August 4, 2008.

The project must somehow contribute to developing business in or transferring business to France, diversifying or expanding production or upgrading industrial processes, and may be associated with the takeover of a company or establishment. Expenses that are eligible for aid comprise the pre-tax cost price of buildings, equipment and machines plus internal or external engineering-related project costs. The building-related expenses may not exceed 25% of the total qualifying investment budget.

The aid comes in the form of interest-free repayable advances. The advances are deferred for a maximum period of two years as of the program's completion date and then repaid in quarterly installments over five years, unless the French Minister for Industry makes an exception after reviewing the case. The CIALA is responsible for reviewing applications.

>Local government support

local authorities may grant various forms of support to business investment projects in regional aid areas. These may include subsidies or supplements to PAT grants and support to finance business premises (land and buildings), such as reduced

purchase prices and funding for real estate projects as part of a lease contract, within the restrictions applying to regional aid in the area concerned (15-35% of the investment depending on the size of the company). Rent support is limited to €200,000 per business over three years ('*de minimis*'). Local authorities have the power to use the European Union aid available in their areas.

>Main tax and social security contribution exemptions

The advantage of tax and social security contribution exemptions is that they can be triggered automatically by the company as soon as the required conditions are met. Tax exemptions apply to the local economic contribution (CET) and/or corporate tax as well as property tax:

- Exemptions from the CET and/or corporate tax are generally subject to authorization by the local authorities. Their decision stipulates the duration (between two and five years) and the extent of the exemption being granted. Some exemptions do not require authorization by the local authorities and apply automatically for a five-year period.
- Corporate tax exemptions are possible in some regional areas, mainly in military restructuring



Large projects

A large project is defined as having eligible costs in excess of €50 million. It is implemented over a period of up to three years by a single business or several businesses which constitute an economically indivisible whole.

→ Member States are required to inform the European Commission of

support they provide for productive investment where the investment exceeds €50 million.

→ Member States are required to notify the European Commission of aid exceeding **€11.25 million in areas where the aid ceiling is 15%, and exceeding €7.5 million where the ceiling is 10%.**

In these instances, authorization is required from the European Commission prior to receiving any state aid.

Large investment projects in areas eligible for regional aid are subject to automatic reductions in permitted support in accordance with the size of the projects, as shown below:

Size of investment	Adjusted aid ceiling	Ceiling in reduced regional aid areas (Zones AFR réduites)	Ceiling in normal regional aid areas (Zones AFR normales)
Less than €50 million	100% of ceiling	10%	15%
€50 to €100 million	50% of ceiling	5%	7.5%
Over €100 million	34% of ceiling	3.4%	5.1%

and high-unemployment areas, and last for seven years. Companies created for the express purpose of taking over an ailing industrial business receive a two-year corporate tax exemption.

- Social security contribution exemptions consist of reduced employer contribution rates which require investment projects to be located in areas particularly affected by economic restructuring programs.

In cases where projects are located both in EU-recognized regional aid areas and in these priority development areas, the social security contribution exemptions can be combined with the measures described above in EU-recognized areas. Otherwise, total state aid is limited to €200,000 per company over a three-year period ('*de minimis*').

Grants for industry and services (*Prime d'aménagement du territoire – PAT*)



PAT grants are distributed by the DATAR (*Délégation interministérielle à l'aménagement du territoire et à l'attractivité régionale*) and are available to businesses for company creations, expansions, conversions or takeovers of existing businesses.

ELIGIBILITY:

1. In the case of company creations, investments on the site designated for funding must involve either:

- the net creation of at least 25 permanent jobs if eligible investment is more than €5 million, or
- the net creation of at least 50 permanent jobs if eligible investment is less than €5 million.

2. In the case of expansions or changes to existing operations,

investments on the site designated for funding must meet one of the following conditions:

- the net creation of at least 25 permanent jobs and an increase of at least 50% in employment on the site, or
- the net creation of at least 50 permanent jobs, or
- eligible investments of at least €10 million.

3. PAT grants may be available for takeovers of existing businesses subject to all three of the conditions below being met:

- A severe deterioration in the local labor market.
- The planned takeover will lead to a sustainable, structural improvement in the competitiveness of the

business and contribute to the diversification of its customer base.

- The takeover involves the preservation of at least 80 jobs and eligible investments of at least €5 million (excluding capital buyback).

The amount granted may not exceed the equity of the recipient company together with any partners' accounts frozen for the duration of the investment program.

+ For more information:

Ministerial decree no. 2007-809 of May 11, 2007 relating to the granting of grants (PAT) for industry and services (list of eligible NAF codes in the Ministerial Order of March 3, 2010). Application dossiers for aid can be downloaded from the DATAR website. They comprise a letter of intention and a form.

Eligibility conditions and extent of interest-free loan

	ELIGIBLE OPERATIONS		Maximum loan
	Expanded and new industrial operations or services to industry	Investments to raise competitiveness in industrial operations or services to industry	
SMEs and mid-size companies (ETIs)	Investment of at least €5 million and the creation of at least 25 jobs over 36 months	Investment of at least €10 million and 25 jobs maintained for 36 months	30% of eligible investment costs ⁽¹⁾
Large corporates	Investment of at least €50 million and the creation of 100 jobs over 36 months	-	15% of eligible investment costs ⁽¹⁾

⁽¹⁾ Loans may not under any circumstances exceed: • €10 million per company • €100,000 per job created • The equity of the beneficiary company • The gross grant equivalent threshold established by European Union regulations for state aid.

►Public-sector redevelopment companies

Several large public-sector industrial groups have set up industrial redevelopment companies to support economic development in their regions.

These companies provide support to new investors in the form of medium- and long-term loans, sub-market rates, unsecured lending, and equity funding through the acquisition of temporary minority interests.

2. SUPPORT FOR INVESTMENT AND JOB CREATION OUTSIDE DESIGNATED REGIONAL AID AREAS

In the rest of France, support for investment may still be possible for small and medium-sized companies. Aid is capped at 10% of the investment for medium-sized companies and 20% for small companies (or €200,000 over three years if this is more favorable). If a large company is behind the project, aid is capped at €200,000 per company over three years:

►Support for SMEs:

France's central government and regional authorities may grant subsidies to small and medium-sized companies to help them purchase technology-rich equipment. Such support is available throughout France, and it is particularly focused on designated regional aid areas.

►Real-estate support for SMEs or large companies (except for Ile-de-France (Paris region), excluding deprived urban areas (ZUS) or rural regeneration areas (ZRR)).

►Support can also be provided through the European Regional Development Fund (ERDF) in accordance with the Operational Program, negotiated region by region and approved by the European Commission.

►Loans and guarantees for SMEs and/or mid-size companies depending on the company's project (until December 31, 2012): For example, SMEs and companies with fewer than 500 employees (owned by a mid-size company) are eligible for an unsecured low-interest regional regeneration loan (*prêt pour la revitalisation des territoires* – PRT). PRTs are designed to support investment programs that create or maintain jobs (to develop business, take over a facility, make extensive modifications

to a production process, diversify production or raise working capital) in areas that qualify for this measure upon request from the State Prefect (see zoning for the French regional regeneration fund). Loans range from €100,000 to €1 million over a maximum period of 10 years and must be associated with foreign funding (co-funding rule).

II. RECEIVING FUNDING FOR TRAINING AND RECRUITMENT

The French government has developed a variety of instruments to provide financial incentives for businesses to create jobs and train employees.

1. FUNDING FOR JOB CREATION

1.1 Government employment funding

Businesses of all sizes can receive support for job creation unrelated to any investment project.

The main forms of funding in this area are:

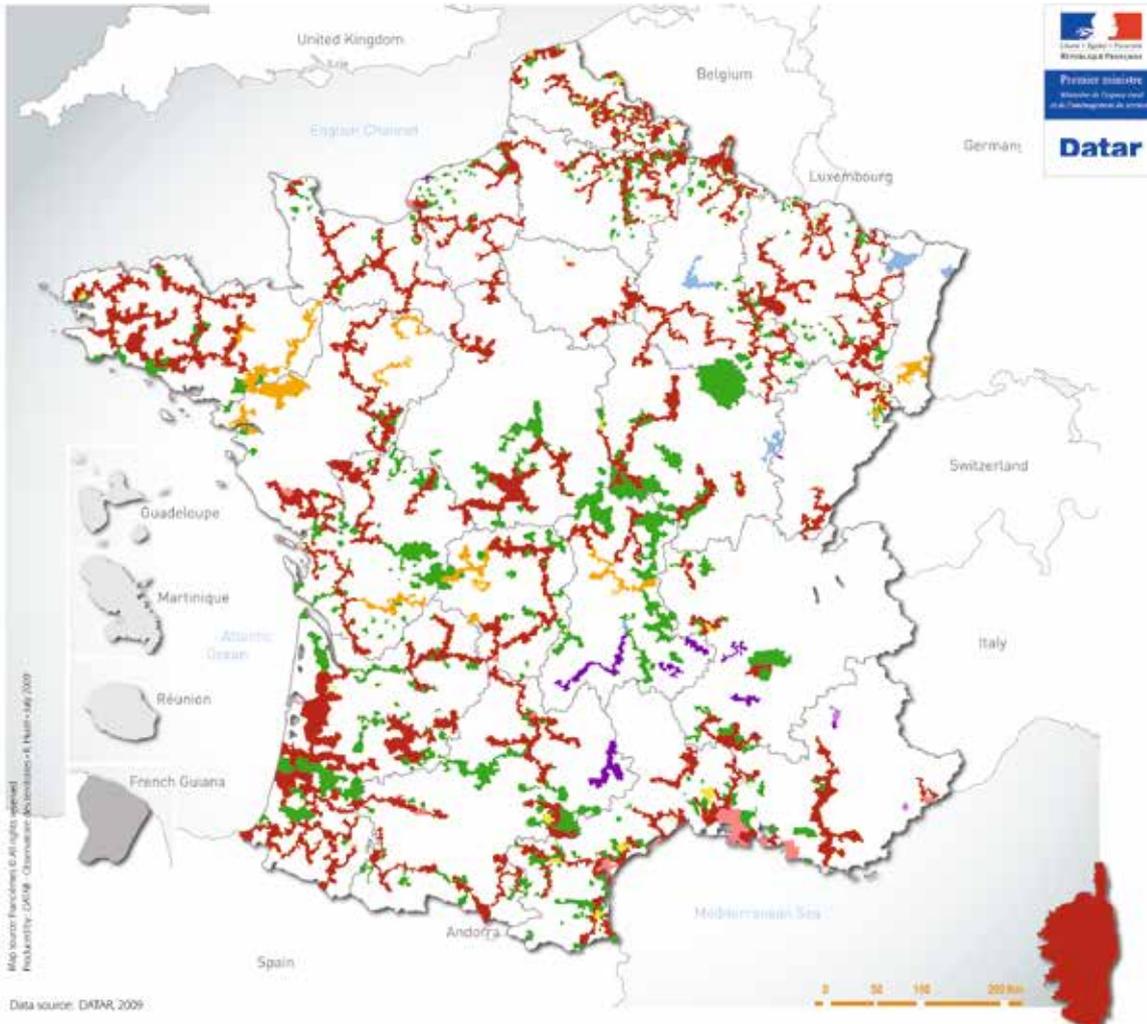
►Exemptions or relief on social security contributions, with a particular focus in certain regional aid areas: urban regeneration areas (ZRU), rural regeneration areas (ZRR), urban enterprise areas (ZFU), military restructuring areas (ZRD) and, since January 1, 2007, employment priority areas (BER).

►Subsidized employment contracts which may be aimed at specific employees and, depending on the contract, qualify for contribution exemptions and/or subsidies (e.g. 'professionalization' contracts, integration contracts, intergenerational contracts).

1.2 Employment incentives

►Some forms of aid and partial exemptions from social security contributions depend on the category of employee recruited. They are granted automatically and independently from the investment incentives described above. In this respect, reduced employer contributions for low-wage earners mean that companies pay reduced social security contributions for wages under 160% of

Map of regional aid areas
(Decree of July 27, 2009 modifying decree n°2007-792 of May 7, 2009)



<p>Permanent areas [2007-2013] not limited to SMEs</p> <p>Normal rate Rate of aid for large companies: 15% Rate of aid for medium companies: 25% Rate of aid for small companies: 35%</p> <p>Reduced rate Rate of aid for large companies: 10% Rate of aid for medium companies: 20% Rate of aid for small companies: 30%</p> <p>Area eligibility:</p> <p>Partial Total </p>	<p>Permanent areas [2007-2013] limited to SMEs</p> <p>Normal rate Rate of aid for medium companies: 25% Rate of aid for small companies: 35%</p> <p>Reduced rate Rate of aid for medium companies: 20% Rate of aid for small companies: 30%</p> <p>Area eligibility:</p> <p>Partial Total </p> <p>Area eligibility: Total </p>
<p>Transitional areas [2007-2008]</p> <p>Rate of aid for large companies: 10% Rate of aid for medium companies: 20% Rate of aid for small companies: 30%</p> <p>Area eligibility:</p> <p>Partial Total </p>	<p>Overseas French territories totally eligible [2007-2013] not limited to SMEs</p> <p>Normal rate: Rate of aid for large companies: 50% Rate of aid for medium companies: 60% Rate of aid for small companies: 70%</p> <p>Increased rate: Rate of aid for large companies: 60% Rate of aid for medium companies: 70% Rate of aid for small companies: 80%</p> <p>Area eligibility:</p> <p>Partial Total </p> <p>Area eligibility: Total </p>

For more information:

To find out whether your investment project is located in an area that is eligible for financial support, consult the geographical area questionnaire on the DATAR website: www.territoires.gouv.fr

the statutory national minimum wage (SMIC). These reduced employer contributions amount to around 21% on behalf of employees being paid the SMIC.

- France’s competitiveness and employment tax credit (CICE) was introduced in 2013 at a rate of 4% of their gross annual payroll for all salaries of less than 2.5 times the statutory national minimum wage (SMIC) and 6% with effect from 2014.

2. FUNDING FOR EMPLOYEE TRAINING

Enhancing workforce skills is a key priority in France and this is reflected in a variety of programs to support business training initiatives.

These programs can partly cover costs including payments to training leaders, travel expenses for training leaders and employees being trained, other overheads, depreciation of training equipment, related consultancy fees and the time taken off work by employees being trained.

The level of funding depends of the type of training and the size and location of the business.

To benefit from maximum allowable levels of support for their training programs, companies of all sizes may take advantage of the various forms of aid described below.

- Aid from local authorities.

The National Employment Fund (*Fonds national pour l’emploi* – FNE) intended for companies

experiencing financial hardship whose employees have urgent training needs. The competent local employment authority (*Unité territoriale*) may provide support for a variety of initiatives:

- Training initiatives providing between 50 and 1,200 hours of theoretical and practical training
- Initiatives helping employees adapt to a new position requiring the equivalent of at least 120 hours in lost work time.

- European funding channeled through regions.

The European Social Fund and European Regional Development Fund may cover a portion of operating expenses relating to training, salary expenses for employees participating, and ancillary expenses. The initiatives can be co-funded by government support of up to 50%.

- Tax credit for spending on management training in SMEs.

This applies to individual entrepreneurs, managers, CEOs and directors of SMEs. The tax credit is limited to 40 hours of training per year. Depending on circumstances, it may be offset against personal income or corporate tax.

- EDEC professional development contracts.

Businesses can also call on their professional and inter-professional organizations to receive technical and financial support covering 25% to 80% of training expenses.

- Companies can also receive training support for future employees through the *Pôle emploi*



Training aid rates

	LARGE COMPANIES	SMEs
Targeted training: Training with direct application to the employee’s tasks and developing skills not transferable to other businesses or other types of work. An increase of 10 percentage points is awarded when the training is provided to disadvantaged or disabled employees.	25%	35%
General training: Training not limited to applications in the employee’s current or planned position, instead developing skills that are in large part useable in other businesses or positions and thus significantly enhancing the recipient’s employability. An increase of 10 percentage points is awarded when the training is provided to disadvantaged or disabled employees.	50%	70%

(National Employment Office). The pre-hiring training initiative (*action de formation préalable à l'embauche* – AFPE) and operational hiring program (*programme opérationnel d'embauche* – POE) are training subsidies employers receive once the employee they choose to hire has been fully trained (subject to certain conditions):

- ▶ support of up to €5 net/hour for internal training, up to €2,000 per employee;
- ▶ support of up to €8 net/hour for external training, up to €3,200 per employee.

The AFPE and the POE are granted at the discretion of the local branch of the National Employment Office. The professional development joint collection agency (*organisme paritaire collecteur agréé* – OPCA) to which the company contributes can add to this funding to cover all or part of training costs. Where the amount of support granted to a company exceeds €2 million, the European Commission must be notified.

III. RECEIVING SUPPORT FOR INNOVATION, RESEARCH AND DEVELOPMENT

France has a very favorable environment to incite companies to conduct R&D operations and increase their innovation capacity.

Government support for innovation, research and development in the private sector is chiefly provided by France's research tax credit. This is calculated at 30% of annual research expenditure on R&D operations carried out in France. Since 2013, this research tax credit has been extended to encompass innovation spending by SMEs of up to €400,000. Furthermore, the "innovative new company" (JEI) status enables eligible companies to receive special benefits to encourage their development in France (tax relief, social security

R&D aid rates



		COMPANIES WITH 250 OR MORE EMPLOYEES	MEDIUM-SIZED ENTERPRISES	SMALL ENTERPRISES - SMES WITH MAX. 50 EMPLOYEES
Funding for R&D projects	Fundamental research	100%	100%	100%
	Industrial research	50%	60%	70%
	Industrial research involving cross-border cooperation between companies with the participation of at least one SME or research body	65%	75%	80%
	Experimental development	25%	35%	45%
	Experimental development involving cross-border cooperation between businesses with the participation of at least one SME or research body	40%	50%	60%
Funding for technical feasibility studies	Preparatory studies for industrial research	65%	75%	
	Preparatory studies for experimental development	40%	50%	

contribution exemptions, and exemptions on capital gains from equity transfers).

In addition to this extremely attractive tax environment, the French authorities have created state funding tools for R&D projects within the EU framework which are administered by various ministries (notably the ministries for the economy, industry, research and ecology) and public-sector organizations, including France's Public Investment Bank, National Research Agency (*Agence nationale de la recherche*) and OSEO, among others. Regional and local authorities can also provide additional support in this area.

1. AID FOR R&D AVAILABLE THROUGHOUT FRANCE

Subsidies may cover a portion of R&D expenditure including related payroll expenses, equipment procurement, expenses for contracted research, intellectual property and patent rights, as well as overheads.

The level of support depends on the stage of R&D underway, which may concern fundamental research, industrial research or experimental

development. Government contributions to large businesses conducting shared experimental R&D projects may cover up to 40% of the total cost.

2. EXISTING GOVERNMENT SUPPORT FOR R&D PROJECTS

To benefit from maximum permitted levels of support for their research and development programs, businesses may take advantage of the various forms of aid described below:

- ▶ Regional development grants for research, development and innovation (*Prime d'aménagement du territoire – PAT*) can be as much as €15,000 for each job created or involved in the R&D project (or €25,000 per job in the case of a cooperative project). They are available for R&D projects leading to the net creation of at least 20 permanent jobs or eligible expenditure of at least €7.5 million.
- ▶ Grants from the Ministry responsible for industry (Company competitiveness fund; R&D strategic line for international projects with high value added).
- ▶ OSEO support for SMEs and mid-size companies is in the form of grants, repayable advances or assistance towards the recruitment of R&D personnel.



Aid for research and development in innovation clusters

Innovation clusters bring together entities from the industrial, scientific and public-sector communities working in the same region. They are a source of innovation as their proximity encourages the spread of information and skills, thereby facilitating the emergence of more innovative projects. They also boost France's investment attractiveness given the international profile gen-

erated by such a concentration of stakeholders. Businesses participating in one of France's innovation clusters and conducting an R&D project approved by that cluster may be eligible to receive subsidies from public organizations supporting R&D. Limits on subsidies for an experimental development project are raised from 25% to 40% when the project is conducted within an

innovation cluster. Businesses situated within an area eligible for R&D support inside an innovation cluster may also, provided agreement is obtained from the local authorities, receive exemptions from the local economic contribution (CET) and property tax for five years, amounting to as much as €200,000 per company over a rolling three-year period.

Subsidized R&D employment contracts

CIFRE (*Conventions industrielles de formation par la recherche*) contracts offer post-graduate students an opportunity to prepare

their doctorate in the workplace, which receives an annual fixed grant of €14,000. These contracts are administered by the National

Association for Technical Research (*Association nationale de la recherche technique*).

- National Research Agency (*Agence nationale de la recherche*) assistance supports fundamental and applied research, public-private partnerships and dissemination of public research results to business and industry. It operates on the basis of calls for proposals.
- Local-authority support for R&D projects may be in the form of grants, interest-free loans and advances, or loans and advances at rates below the bond-market average, and interest subsidies setting rates at between zero and the bond-market average.
- Support from the ADEME (French Environment and Energy Management Agency) for R&D projects, in particular for R&D project feasibility studies.
- Support for innovation in service-sector processes and organization may be available from local authorities and the DATAR. Limits are 15% of related spending for large companies, which can only benefit if they are working with an SME, 25% for medium-sized companies and 35% for small companies.
- Funding is available from the French government's €35 billion "National Investment Program", which focuses largely on research and development. These funds are administered by various bodies (OSEO, France's Public Investment Bank, ADEME, etc.) and may be awarded through calls for projects in support of programs of excellence in the form of grants, repayable advances and equity or quasi-equity investments. For further information about current calls for projects, please visit: <http://investissement-avenir.gouvernement.fr>

IV. SUPPORT FOR ENVIRONMENTAL INVESTMENTS

The French authorities may award grants to companies for investments that protect the environment. These subsidies may cover up to 50% of expenditure for large companies and 60% for SMEs. In principle, the amount of support is calculated according to the additional investment costs arising from environmental protection. Depending on the measure being

claimed, any profits or operating costs associated with the additional investments may have to be deducted from this base.

Eligible investments are expenditure on property, plants and equipment to reduce pollution, noise, odors, and to protect the environment. Consideration may also be given to expenses relating to technology transfers through operating licenses and the acquisition of expertise, patented or otherwise.

The level of funding depends on the type of investment for environmental protection:

- SMEs may receive funding of either 10% or 15% over a three-year period to support investments that comply with EU standards in advance.
- Companies may also receive decision-making aids (pre-diagnostic, diagnostic and project study) for a range of areas, including waste, air pollution, noise control, energy efficiency, renewable energies, polluted sites and grounds, transport.
- All businesses may receive support depending on the size of the business of between 35% and 55% of investments which exceed applicable EU standards.
- Three types of investments may benefit from higher rates: energy saving investments, combined heat and electricity generation and investment in renewable energy may benefit from investment support.
- Investments in renewable energy sufficient to supply an entire community may benefit from aid covering up to 50% of total spending.

Government agencies and other public bodies able to provide support for environmental investments include the Agency for the Environment and Energy (*Agence de l'environnement et de la maîtrise de l'énergie* – ADEME), the Water Agency (*Agence de l'eau*), and guarantee funds for investments in energy savings and renewables (FOGIME and FIDEME).

OSEO

OSEO FUNDS BUSINESS GROWTH AND INNOVATION

French innovation agency OSEO has been charged by the French government to help companies grow and become more competitive.* OSEO steps in on “risky projects” where the capital market falls short, and is positioned as a neutral market institution working in partnership with banks and financial institutions.

OSEO works in three complementary areas, offering a range of financial products geared to the needs of companies

1. Funding innovative corporate projects

Through its “funding for innovation” activities, OSEO offers early-stage funding for research and development programs in the form of interest-free loans, repayable advances and grants.

During the later stages of such programs, OSEO shares the risk with banks and venture capital organizations. Risk-sharing arrangements include mezzanine loans, the Innovation Development Contract (a specific guarantee that can be topped up by local authorities), and, starting in 2013, the new Innovation Loan for use during the industrial and commercial launch phase.

For collaborative projects, OSEO offers support of up to €10 million per project through its Strategic Industrial Innovation (ISI) program.

Another of OSEO’s key missions is to award “innovative company” status, which makes companies eligible for investment from innovation-

focused mutual funds (FCPIs). OSEO is also responsible for administering advance tax rulings governing the eligibility of company spending plans for France’s research tax credit. It also offers specific “pre-financing” for SMEs incurring expenditure eligible for the research tax credit (up to 80% of the amount declared during the previous financial year).

2. Bank loan guarantees

OSEO’s second focus is providing loan guarantees to banks and venture capitalists in order to make bank loans and venture capital more readily available for the most high-risk projects. OSEO supports bank lending by shouldering between 40% and 70% of the risk, depending on the type of project.

Under France’s “National Pact for Growth, Competitiveness and Employment”, OSEO also provides a way to boost cash flow for healthy microbusinesses and SMEs through a special purpose guarantee fund. In 2013, OSEO will work with partner banks to channel €500 million in funding in this way.

3. Financing in partnership with commercial banks

OSEO’s financing activity complements that of commercial banks through a range of medium- and long-term loans and finance leases, as well as mezzanine loans for financing intangible investments. In this connection, it provides uncollateralized, deferred-payment, near-equity loans of up to €3 million.

OSEO also supports banks in providing short-term financing for trade receivables by financing receivables against public- and private-sector customers. In this regard, from 2013, OSEO has introduced pre-financing for the competitiveness and employment tax credit (CICE). This scheme enables entrepreneurs to immediately benefit from the positive cash flow effect of the CICE, without having to wait until June 2014, when tax in respect of 2013 is due to be paid.

Additional funding for international expansion, environmental energy and equity

OSEO plays a key role in financing international corporate expansion via products such as its International Guarantee, International Development Contract and Export Loan. Aggregate risk exposure is capped at €1.5 million.

OSEO also provides financing for sectors of the future such as biomass and methanization programs that provide alternatives alongside wind and solar photovoltaic power. The eco-energy loan, aimed at the smallest companies, was also successfully launched in 2012.

Commitments in 2013

This year will see OSEO's financing activities merged with the equity activities of Caisse des Dépôts – FSI, FSI Régions**, CDC Entreprises and Innovation Capital – to form France's new Public Investment Bank (BPI). The BPI will be an important instrument in boosting competitiveness and employment, and will finance innovation, seed funding, development, international expansion, company transformation and company transfers. With a capital base of more than €20 billion, the BPI will work closely with companies' usual partners, among which France's regions will be called to play a major role.

** OSEO supports independent companies with up to 5,000 employees.*

*** With funding of €350 million, FSI Régions is a powerful and effective funding instrument to boost the equity of SMEs.*

FRANÇOIS DROUIN,
Chief Executive

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GLOSSARY

Below is a list of French terms that foreign companies are likely to encounter when locating their business operations in France, followed by a brief explanation in English. Readers should be aware that the technical terms in English serve only as a guideline and do not necessarily correspond entirely to the same concepts as the French terms. For further information, please contact the IFA.

A

Activité professionnelle commerciale, artisanale, industrielle → *Commercial, entrepreneurial or industrial activity*

Activité professionnelle salariée Salaried employment → *Aides à finalité régionale Regional aid*

Autorisation provisoire de travail → *Temporary work permit*

B

Bail commercial → *Commercial lease*

Bail professionnel → *Professional lease*

Bureau de liaison → *Liaison office*

C

Carte de séjour mention “commerçant”
→ *“Business Activity” residence permit*

Carte de séjour mention “salarié en mission”
→ *“Expatriate Employee” residence permit*

Carte de séjour mention “scientifique-chercheur”
→ *“Research Scientist” residence permit*

Carte de séjour mention “compétences et talents”
→ *“Skills and Expertise” residence permit*

Carte de résident pour “contribution économique exceptionnelle” → *“Exceptional Economic Contribution” residence permit*

Cadre dirigeant → *Senior executive*

Cadre de haut niveau → *Highly skilled employee*

Centre des impôts → *Tax office*

Centre d'affaires → *Business center*

Changement de statut → *Change of status*

Code du Travail → *French Labor Code (employment laws)*

Comité d'entreprise → *Works Council*

Commune → *City or municipal authorities*

Contrat à durée indéterminée (CDI)
→ *Permanent contract*

Contrat à durée déterminée (CDD)
→ *Fixed-term contract*

Conseil d'administration → *Board of directors*

Conseil de surveillance → *Supervisory board*

Contribution économique territoriale (CET)
→ *Local economic contribution (replaced the local business tax in 2010)*

Convention collective → *Sector-specific collective agreement on labor relations*

Convention fiscale → *Tax agreement*

Convention de sécurité sociale → *Social security agreement*

Crédit d'impôt recherche → *Research tax credit*

D

Déclaration unique d'embauche
→ *Employee hiring form*

Décret → *Decree*

Département → *For administrative and political purposes, France is divided into 27 régions and 101 départements (broadly equivalent to a county in English-speaking countries). Départements are further subdivided into communes.*

Détachement / salarié détaché
→ *Secondment/seconded employee*

Direction régionale des entreprises, de la concurrence, de la consommation, du travail et de l'emploi – DIRECCTE
→ *Regional Directorate for Enterprise, Competition, Consumption and Employment*

Dirigeant → *Director*

E

Entreprise individuelle → *Sole proprietorship*

Entreprise de taille intermédiaire (ETI)
→ *Mid-size company*

Entreprise Unipersonnelle à Responsabilité Limitée (EURL) → *Single-shareholder limited liability company*

Expatriation / Expatrié → *Expatriation / Expatriate*

Extrait K-bis → *Company registration certificate*

G

Gérant → *Manager*

Grefe du tribunal de commerce

→ *Commercial Court Registry*

Groupement d'intérêt économique (GIE)

→ *Economic interest grouping (business consortium)*

I

Impatrié → *Tax status granted to expatriate employees in France, subject to certain conditions*

Impôt sur les sociétés (IS) → *Corporate tax*

Impôt de solidarité sur la fortune (ISF)

→ *Wealth tax*

Inspection du Travail → *Labor Inspectorate*

Installation classée (IC) → *Regulated facility (aka "classified installation" in France)*

M

Mairie → *Municipal offices*

Mandataire social → *Company director (representing the company)*

O

Office Français de l'Immigration et de l'Intégration (OFII) → *French Immigration and Integration Office*

P

Personne morale → *Corporate entity*

Personne physique → *Private individual*

Plan social → *Layoff plan / redundancy plan*

Pôle emploi → *National Employment Office*

Prestation de service → *Service provision*

Procédure d'introduction → *Admission procedure*

Préfecture → *The office of the Prefect, who is the local representative of national government in each French région/département.*

Prime à l'aménagement du territoire (PAT)

→ *Development grant*

Prud'hommes → *Labor or employment tribunal*

R

Récépissé → *Receipt*

Région → *See entry for "département"*

Registre du commerce et des sociétés (RCS)

→ *Company Register*

Résidence fiscale → *Tax residence*

S

Salaire minimum interprofessionnel de croissance (SMIC) → *Statutory national minimum wage*

Salarié → *Employee*

Sécurité sociale → *Social security*

Service des impôts des entreprises (SIE)

→ *Corporate tax office*

Société anonyme (SA) → *Public Limited Company (PLC)*

Société à responsabilité limitée (SARL)
→ *Limited liability company (LLC) / Private limited company (Ltd.)*

Société civile → *Non-trading partnership (e.g. real estate or medical services)*

Société en commandite par actions

→ *Limited partnership*

Société en nom collectif → *General partnership*

Société par actions simplifiée (SAS)

→ *Simplified company*

Stagiaire → *Intern / Trainee*

T

Taxe d'habitation → *Housing tax*

Taxe foncière → *Property tax*

Taxe sur la valeur ajoutée → *Value-added tax*

Travailleur temporaire → *Temporary worker*

V

Visa de circulation → *Circulation visa*

Visa court séjour / Visa de long séjour

→ *Short-stay visa / Long-stay visa*

Visa de long séjour valant titre de séjour

→ *Long-stay visa equivalent to a residence permit*

Voyageur de commerce, représentant ou placier (VRP) → *Business traveler, representative or travelling salesperson (special legal status)*

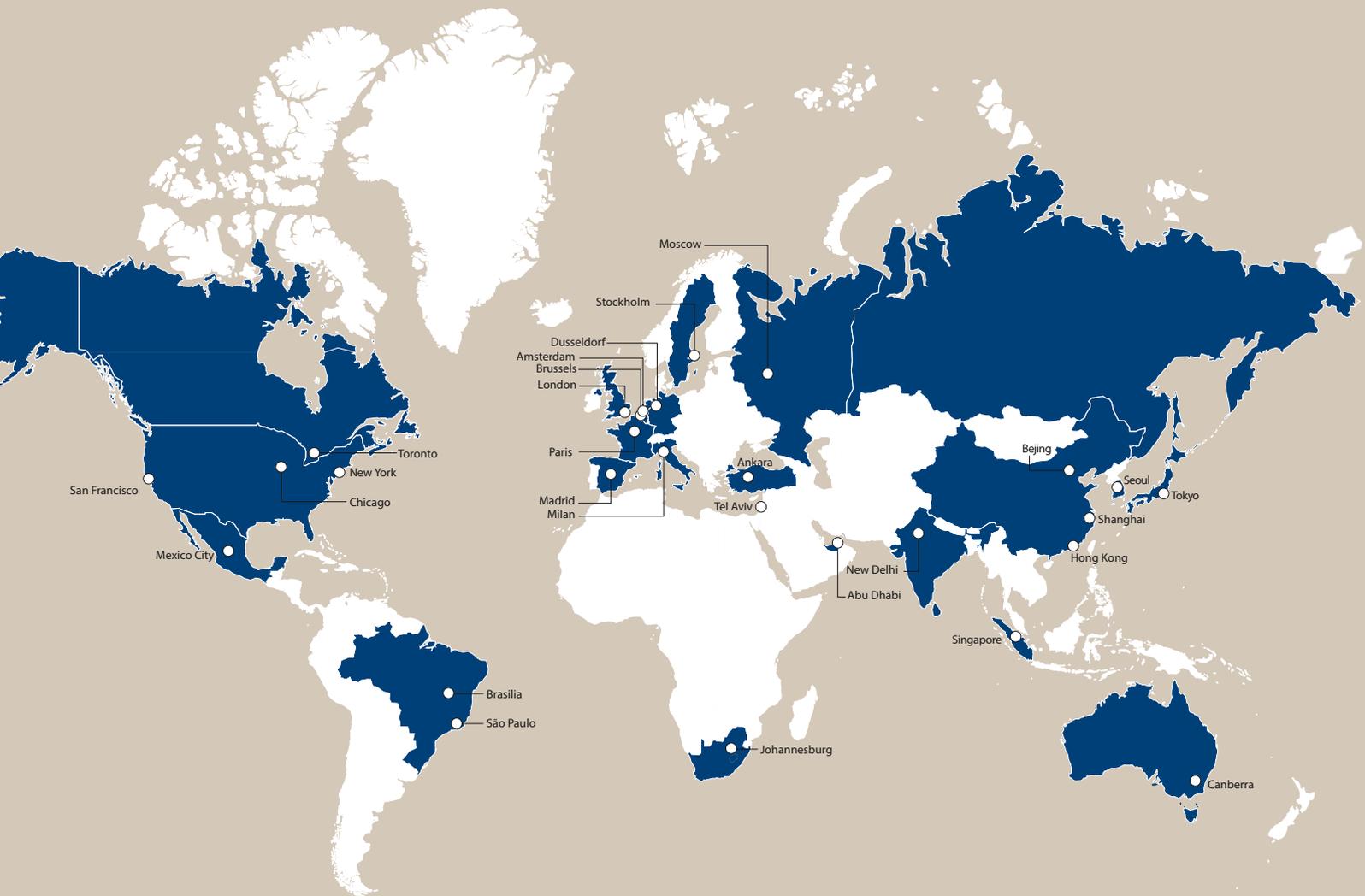
USEFUL CONTACTS

NAME	LINKS
Administration douanière Customs authorities.	www.douane.gouv.fr
Agence de l'environnement et de la maîtrise de l'énergie (ADEME) French Environment and Energy Management Agency. Government agency responsible for the application of environment, energy and sustainable development policy. The ADEME helps finance projects in five sectors (waste management, land preservation, energy conservation/renewable energy sources, air pollution and noise pollution) and assists efforts towards sustainable development.	www.ademe.fr
Ambassades et consulats français à l'étranger French Embassies and Consulates.	www.mfe.org/index.php/Annuaire/Ambassades-et-consulats-francais-a-l-etranger
Autorité de la concurrence Competition Authority – rules on anti-competitive practices and must be notified of large concentrations between undertakings.	www.autoritedelaconcurrence.fr
Autorité des marchés financiers (AMF) Financial Market Authority – financial regulations.	www.amf-france.org
Centre de formalités des entreprises (CFE) Business Formalities Center. CFEs provide a one-stop service for companies, enabling them to file a single document to register the establishment, modification or cessation of their business activity. In general, CFEs are either chambers of commerce and industry or the local Commercial Court Registry.	www.annuaire-cfe.insee.fr/AnnuaireCFE/jsp/Controleur.jsp www.cfenet.cci.fr/ www.infogreffe.fr/infogreffe/index.jsp www.guichet-entreprises.fr
Centre des liaisons européennes et internationales de sécurité sociale (CLEISS) Center of European and International Liaisons for Social Security. Acts as a liaison body between French social security organizations and those in other countries, with regard to international regulations and social security agreements.	www.cleiss.fr
Centre national des firmes étrangères (CNFE) National Center for Foreign Firms. For foreign companies without a permanent establishment in France employing personnel.	www.strasbourg.urssaf.fr
Chambres de commerce et de l'industrie Chambers of Commerce and Industry. Information on setting up a business (examples of articles of incorporation) plus general advice concerning legal and tax issues.	www.cci.fr
Commission nationale de l'informatique et des libertés (CNIL) French Data Protection Authority. The CNIL checks that the law is respected through audits of computer data processing. "Sensitive" data processing is referred to the CNIL for authorization. The CNIL audits public use of individuals' national identification numbers and receives declarations regarding the processing of other data.	www.cnil.fr
Délégation interministérielle à l'aménagement du territoire et à l'attractivité régionale (DATAR) Interministerial Delegation for Regional Development and Economic Attractiveness. Department of the Prime Minister's office which works with the Ministry responsible for regional development. The DATAR is jointly responsible, with the DGCIS, for France's innovation clusters. The DATAR is also responsible for PAT grants which encourage businesses and job creation.	www.datar.gouv.fr
Directions régionales des entreprises, de la concurrence de la consommation, du travail et de l'emploi (DIRECCTEs) Regional Directorates for Enterprise, Competition, Consumption and Employment. Local units (<i>unités territoriales</i>) within each DIRECCTE issue work permits (foreign labor department), among other responsibilities.	www.direccte.gouv.fr
Direction générale de la compétitivité, de l'industrie et des services (DGCIS) The Directorate for Competitiveness, Industry and Services is responsible for the <i>aide à la reindustrialisation</i> (ARI) business development loan scheme. It is jointly responsible, with the DATAR, for France's innovation clusters.	www.industrie.gouv.fr/dgcis/index.php
Direction générale de la consommation, concurrence et de la répression des fraudes (DGCCRF) Directorate for Competition Policy, Consumer Affairs and the Prevention of Fraud. Responsible for the regulation and proper functioning of markets.	www.economie.gouv.fr/dgccrf
Direction générale du trésor (DG Trésor) Treasury Directorate. Receives declarations of foreign investment; authorizes investment in sensitive sectors.	www.tresor.economie.gouv.fr

NAME	LINKS
Direction générale des finances publiques (DGFIP) Public Finances Directorate. Help desk for non-resident companies since January 2012.	www.impots.gouv.fr
Direction régionale de l'environnement, de l'aménagement et du logement (DREAL) Regional Directorate for the Environment, Development and Housing – responsible for regulated facilities.	www.developpement-durable.gouv.fr/liste-des-21-DREAL
Fonds stratégique d'investissement (FSI) Strategic investment fund (state-funded venture capital).	www.fonds-fsi.fr
Greffe des tribunaux de commerce Commercial Court Registry. Business startups (documents to be submitted with the articles), corporate takeovers.	www.greffes.com/fr/formalites/guide-des-formalites www.greffe-tc-paris.fr
Institut national de la propriété intellectuelle (INPI) French Patent and Trademark Office. Government body that helps companies to protect their patents, trademarks, and design rights. Provides information on intellectual property rights and companies.	www.inpi.fr
Ministère de l'écologie, du développement durable et de l'énergie Ministry for Ecology, Sustainable Development and Energy. Regulations concerning building, demolition and renovation permits.	www.developpement-durable.gouv.fr/ http://vosdroits.service-public.fr/particuliers/F1986.xhtml
Ministère de l'économie et des finances Ministry for the Economy and Finance.	www.economie.gouv.fr
Ministère de l'éducation nationale Ministry for Education.	www.education.gouv.fr
Ministère de l'enseignement supérieur et de la recherche Ministry for Higher Education and Research.	www.recherche.gouv.fr
Ministère du commerce extérieur Ministry for Foreign Trade.	www.commerce-exterieur.gouv.fr
Ministère du redressement productif Ministry for Industrial Renewal.	www.redressement-productif.gouv.fr
Ministère du travail, de l'emploi, de la formation professionnelle et du dialogue social Ministry for Labour, Employment, Vocational Training and Industrial Relations. Procedures for hiring foreign salaried employees, addresses of regional employment offices, practical information on French employment law.	http://travail-emploi.gouv.fr/
Office Français de l'immigration et de l'intégration (OFII) French Immigration and Citizenship Office. Responsible for the reception in France of legal immigrants. "One-stop service" for employees and directors transferred within a group (trial underway in three départements).	www.ofii.fr www.immigration-professionnelle.gouv.fr
OSEO (Agence française de l'innovation) / Banque Publique d'Investissement Government body responsible for providing financial aid and support to SMEs and mid-size companies (ETIs), in conjunction with banks and investment organizations, at crucial phases in company life cycles.	www.oseo.fr
Pôle emploi National Employment Office – places the unemployed into work and administers benefits.	www.pole-emploi.fr
Portail de l'administration française French government portal.	www.service-public.fr
Préfecture de police de Paris Paris Police Headquarters. Issuing and renewing residence permits for foreign nationals residing in Paris.	www.prefecture-police-paris.interieur.gouv.fr
Textes législatifs et réglementaires en vigueur en France et convention collective French legislation and regulations in force and collective agreements.	www.legifrance.gouv.fr
Union européenne European Union.	www.europa.eu
Unions de recouvrement des cotisations de sécurité sociale et d'allocations familiales (URSSAF) Agency responsible for collecting social security contributions.	www.urssaf.fr

THE IFA NETWORK

With over 150 personnel working in 27 locations around the world, the IFA has a presence in most major business capitals. Where the IFA does not have a country office, economic missions based at the French embassy or consulate work on behalf of the IFA to promote France's economic attractiveness and detect foreign investment projects.



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DOING BUSINESS IN FRANCE

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It also coordinates initiatives to promote France's economic attractiveness.

The IFA network operates worldwide, with offices in France as well as in North and South America, Europe, the Middle East and Asia. In France, the IFA works in partnership with regional economic development agencies to offer international investors outstanding business opportunities and customized services.

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