

Prime Advisory Network

YOUR WEEKLY REPORT ON BUSINESS OPPORTUNITIES ACROSS THE GLOBE

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What is Prime Advisory Network

Prime Advisory Network is an international and highly professional network, made up of expert accountants, auditors and lawyers qualified to provide a complete consultancy service to companies and groups operating in several fields.

Thanks to a completely innovative communication technology for the management of the client, Prime Advisory Network represents the first “digital” global network of the accountant offices in the world.

Professionals can cooperate worldwide with each other in an integrated way, by managing their clients all over the world and expanding their services and of course growing the number of their customers.

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Country Report

I. GENERAL DATA

France officially the French Republic, is a country with territory in western Europe and several overseas regions and territories. The European, or metropolitan, area of France extends from the Mediterranean Sea to the English Channel and the North Sea, and from the Rhine to the Atlantic Ocean. Overseas France include French Guiana on the South American continent and several island territories in the Atlantic, Pacific and Indian oceans. France spans 643,801 square kilometers (248,573 sq mi) and had a total population of almost 67 million people as of January 2017. It is a unitary semi-presidential republic with the capital in Paris, the country's largest city and main cultural and commercial center. Other major urban centres include Marseille, Lyon, Lille, Nice, Toulouse and Bordeaux.

The European part of France is called Metropolitan France and it is located in one of the occidental ends of Europe. It is bordered by the North Sea in the north, the English Channel in the northwest, the Atlantic Ocean in the west and the Mediterranean sea in the southeast. It borders Belgium and Luxembourg in the northeast, Germany and Switzerland in the east, Italy and Monaco in the southeast, and Spain and Andorra in the south and southwest. The borders in the south and in the east of the country are mountain ranges: the Pyrenees, the Alps and the Jura, the border in the east is from the Rhine river, while the border in the north and the northeast melts in France uses a civil legal system; that is, law arises primarily from written statutes; judges are not to make law, but merely to interpret it (though the amount of judicial interpretation in certain areas makes it equivalent to case law).no natural elements. French law is divided into two principal areas: private law and public law. Private law includes, in particular, civil law and criminal law. Public law includes, in particular, administrative law and constitutional law.

France is a founding member of the United Nations and serves as one of the permanent members of the UN Security Council with veto rights. In 2015, France was described as being "the best networked state in the world", because it is a country that "is member of more multi-lateral organizations than any other country".

- Originally applied to the whole Frankish Empire, the name "France" comes from the Latin Francia, or "country of the Franks".
- France is a founding member of the United Nations and serves as one of the permanent members of the UN Security Council with veto rights.
- France, especially Paris, has some of the world's largest and renowned museums, including the Louvre, which is the most visited art museum in the world, the Musée d'Orsay, mostly devoted to impressionism, and Beaubourg, dedicated to Contemporary art.

France is a member of the G8, World Trade Organization (WTO), the Secretariat of the Pacific Community (SPC) and the Indian Ocean Commission (COI). It is an associate member of the Association of Caribbean States (ACS) and a leading member of the International Francophone Organization (OIF) of fifty-one fully or partly French-speaking countries.

As a significant hub for international relations, France hosts the second largest assembly of diplomatic missions in the world and the headquarters of international organizations including the OECD, UNESCO, Interpol, the International Bureau of Weights and Measures, and la Francophonie.

A member of the Group of 7 (formerly G8) leading industrialized countries, as of 2014, it is ranked as the world's ninth largest and the EU's second largest economy by purchasing power parity. With 31 of the 500 biggest companies in the world in 2015, France ranks fourth in the Fortune Global 500, ahead of Germany and the UK. France joined 11 other EU members to launch the euro in 1999, with euro coins and banknotes completely replacing the French franc (₣) in 2002.

France has a mixed economy that combines extensive private enterprise with substantial state enterprise and government intervention. The government retains considerable influence over key segments of infrastructure sectors, with majority ownership of railway, electricity, aircraft, nuclear power and telecommunications. It has been relaxing its control over these sectors since the early 1990s. The government is slowly corporatizing the state sector and selling off holdings in France Telecom, Air France, as well as in the insurance, banking, and defense industries. France has an important aerospace industry led by the European consortium Airbus, and has its own national spaceport, the Centre Spatial Guyanais.

According to the World Trade Organization (WTO), in 2009 France was the world's sixth largest exporter and the fourth largest importer of manufactured goods. In 2008, France was the third largest recipient of foreign direct investment among OECD countries at \$118 billion, ranking behind Luxembourg (where foreign direct investment was essentially monetary transfers to banks located there) and the US (\$316 billion), but above the UK (\$96.9 billion), Germany (\$25 billion), or Japan (\$24 billion). In the same year, French companies invested \$220 billion outside France, ranking France as the second largest outward direct investor in the OECD, behind the US (\$311 billion), and ahead of the UK (\$111 billion), Japan (\$128 billion) and Germany (\$157 billion).

II. FOREIGN INVESTMENT

According to the World Investment Report 2016, published by UNCTAD, France has risen in the ranking of the world's most FDI-attractive countries, moving from 20th to 11th place. After three years of decline, FDI inflow to France doubled between 2014 and 2015, from USD 15 billion to USD 44 billion. In 2016, FDI influx is estimated at USD 46 billion (UNCTAD, 2017). Paris is the world's second largest host to multinational headquarters, after Tokyo. Currently, 500 multinationals have their home office in Paris. The country ranked 29th out of 190 countries in the 2017 Doing Business report published by the World Bank.

The country's strengths include its position as Europe's third power, its highly-skilled workforce, its large industrial base, its agricultural resources and its geographic location in the center of Europe.

Strong Points

France is one of the world's top ten economic powers and is strategically located in the center of Europe. It is an innovative country with a highly developed tertiary sector. It has quality infrastructure, substantial agricultural resources and a large industrial base. The workforce is qualified and productive (the second in Europe in terms of hourly productivity). The business environment is conducive to investment and the legal environment is relatively transparent and stable.

Weak Points

The drawbacks of the French market: it has one of the highest taxation rates in the world, significant manpower costs and low competitiveness in some sectors, which can hinder economies of scale. Research suffers from insufficient collaboration between the public and private sectors. In recent years, low economic growth, lack of predictability in economic and budget policy and the increased complexity of the tax and labor regimes have been possible barriers to investment.

Government Measures to Motivate or Restrict FDI

Foreign companies enjoy the same government aid as French companies (aid for productive investment, R&D, professional training, job creation, etc.). The number of administrative formalities for foreign companies to set up in France has been significantly reduced in recent years.

To fight against the financial crisis, the French Government has implemented different measures: the implementation of a EUR 20 billion corporate tax credit program, and the elimination of a corporate social solidarity tax to attract investors; the creation of a research tax credit and tax incentives for innovative new companies; and the creation of new labor laws which strengthen vocational training and add elements of flexibility to the French labor market.

A GUIDE TO TAXES IN FRANCE

Once a resident in France, you are liable to pay taxes in France on your income worldwide and will need to file a French tax return as an expat. The French social security system is one of the most generous in the world but it's paid for by high social charges and French taxes.

There are three main types of personal taxes in France: French income tax (*impôt sur le revenu*); social security contributions (*charges sociales/cotisations sociales*); and tax on goods and services (*taxe sur la valeur ajoutée* TVA, or VAT in France). You will also have to pay occupier's tax (*taxe d'habitation*) or French property tax (*taxe foncière*), and if you're selling land or property or have assets more than EUR 1.3 million, there may be capital gains tax in France and French wealth tax, too.

This guide on taxes in France sets out a basis only, and expert advice should be consulted for your individual tax situation.

Who has to pay taxes in France?

You're liable to pay taxes in France if:

- France is your main place of residence or home – if your spouse and children live in France and you work abroad, you may still be considered a French tax resident.
- You are resident in France for more than 183 days in a calendar year – not necessarily consecutively.
- Your main occupation is in France.
- Your most substantial assets are in France.

Dual taxation

France has tax treaties with a number of countries that enables certain residents to avoid dual taxation (ie. paying tax in France and their home country).

Calculating your taxes in France

Official residents pay French taxes on worldwide income, which includes earnings from employment, investments, dividends, bank interest, pensions and property.

While the higher income you earn the more income tax you pay, the amount of tax you pay is not based on your earnings as an individual, but on your earnings as a household. You have to add up the earnings from everyone in the household and then divide by the number of 'parts' or people in the family (*parts familiales*). Working adults count as one whole part; the first two children count as half parts and successive children count as one part. That sum is assessed against France's tax bands and then multiplied by the number of 'parts' in the family. A tax advantage for each child is limited to EUR 1,512.

This method of calculating French income tax means that couples who are married or in a civil partnership (PACS), and families with children usually pay less income tax than individuals. Parents who are not married nor in a PACS are taxed separately and only one parent can claim responsibility for the household and so enjoy the lower tax benefits explained above. It may also be that some couples choose not to marry or enter a PACS in order to be taxed in France separately.

Income tax in France is not deducted at source from an employee's wage (although social security contributions are). This means that all resident taxpayers have to complete an annual tax return and have the money available to pay their tax bill.

French tax rates 2017

Starting in 2018, French taxes will be drawn from an employee's wage in a pay-as-you-earn (PAYE) system. To avoid double taxation when the French tax system transitions, in 2017 French residents will have access to income tax relief, meaning most residents won't have to pay income tax for part of the year. However, they'll still pay 2016 taxes as usual in their 2017 annual tax return.

The tax rates in France in 2017 (for income earned in 2016) are as follow:

- Up to 9,710: EUR 0 percent tax
- EUR 9,710 – EUR 26,818: 14 percent
- EUR 26,819 – EUR 71,898: 30 percent
- EUR 71,899 – EUR 152,260: 41 percent
- EUR 152,261+: 45 percent

French taxes for non-residents

Non-residents usually pay tax on their France-sourced income at a minimum French tax rate of 20 percent. Property tax in France for non-residents on the taxable gain of the sale of a French property is 19 percent for EU citizens and 33.33 percent for all others.

Filing your French tax return

If you are resident in France (or are a non-resident but have earnings from France) you have to complete an annual French tax return (*déclaration de revenus*) that determines the tax bill for the year. The French tax year is the same as the calendar year. Unmarried couples should complete separate French tax returns; married or PACS couples can choose to make joint or separate tax declarations (see above).

If you have previously submitted a tax return you will probably be sent a completed form automatically, for you to check, amend if necessary and return. If you don't get one or if it's your first time, you can get one from your local tax office (*centre des impôts*) or *mairie*, or online through www.impots.gouv.fr. It is your responsibility to make sure you complete and submit your French tax return, even if you think you will fall below the income threshold to pay any French tax.

You have to return the tax declaration by 18 May for the previous year, or 24 May to 7 June if you complete your French tax return online; exact dates vary according to location). If you don't meet the deadline you'll incur a fine of 10 percent of your tax bill. Read more in our guide to filing a French tax return.

French tax refunds and credits

You may be able to reduce your tax bill with French tax refunds, allowances and concessions.

French tax refunds are granted for a range of expenses, including:

- *la prime pour l'emploi* or PPE if you are working in a professional capacity and you earn under a certain level;
- employee social security contributions
- any professional/employment-related expenses (up to EUR 12,183 in 2016)
- if you support a person in your home over the age of 75
- rental losses from unfurnished properties (up to EUR 10,700)
- losses from business or professional activity
- child support payments for minors not part of your fiscal household

- energy conservation works on your home;
- if you invest money in or contribute to an assurance vie investment policy;
- if you are on a low income you might be able to get relief from local French property taxes.

You can visit the local Caisse d'Allocations Familiales (known as 'La Caf') to find out what French tax refunds are available and how to apply.

If you are relocating permanently to France and have a private sector pension, an annuity or interest, contact the tax authority in your home country to see if you can obtain tax relief at source at that end.

Paying your French taxes

You can pay your French tax bill (*les échéances*) in instalments on 15 February, 15 May and 15 September, or monthly online at www.impots.gouv.fr by the 15th of each month by direct debit.

Mandatory French taxes for residents 'Occupiers' French property tax: *Taxe d'habitation*

Every household in France – whether it's your main residence or second home, owned or rented – must pay an annual *taxe d'habitation* or 'occupier's tax'. Whoever is the occupier of a French property on 1 January is liable.

This French property tax is calculated by multiplying the average rental cost of houses in your area by a percentage set by the commune (ask for more information at your *mairie*/town hall). You can deduct 10 percent from the total for the first two children or elderly parents living in the house, and 15 percent for subsequent children/dependant relatives. Payment is due before 15 November but you can pay by monthly instalments starting 15 December.

TV licence tax

The *redevance audiovisuelle* (currently EUR 137) is a tax on any TV in your house, even if you only use it to watch DVDs, and appears on the same French tax bill. If you don't have one, you have to declare this on your annual tax return in France.

Wealth tax and capital gains tax in France

French wealth tax (*Impôt de solidarité sur la fortune*) is payable on total worldwide assets over EUR 1.3 million after five years of residence in France. French capital gains tax (*impôt sur les plus values*) is payable on the sale of buildings, land and shares.

French property tax: *Taxe foncière*

If you own a property in France, you will have to pay the *taxe foncière* or French property tax, even if you're renting it out. The bill arrives in the last quarter of the year and the amount is based on the

estimated annual rental value of the property multiplied by a percentage set by the commune (ask for more information at your *mairie*). You can pay your property tax in France in instalments or in advance by monthly direct debit.

VAT in France

Taxe sur la valeur ajoutée or TVA, or VAT in France, is a tax on certain goods and services, which is included in the sale price:

- The standard VAT rate in France is 20 percent
- There are reduced French VAT rates for certain pharmaceuticals, public transport, hotels and restaurants and tickets to sporting/cultural events (10 percent); food and books (5.5 percent); and newspapers (2.1 percent).

Corporate tax in France

When you are running your own company in France, you may be taxed under the personal income tax system (*Impôts sur le Revenu, IR*) or French corporate tax system (*Impôts sur les Sociétés, IS*). If you are operating as a sole trader or freelance worker under the new *micro-entreprise* regime, you will pay tax and social charges based on turnover (income from your business) under the *micro-fiscal simplifié* system.

Read more in our guide to French corporate taxes and self-employment, as well as how to start a business in France or set up as a freelancer or self-employed in France.

This is a basic guide to taxes in France and expert advice should always be consulted for your individual tax situation.

Social security taxes in France

Social security contributions (*charges sociales* or *cotisations sociales*) are collected by the state to fund France's welfare system: [French healthcare](#) and sickness cover, family benefits, pension, unemployment benefit and workplace accident cover.

The charges are split between the employer and the employee, with employers paying around 40–45 percent and most employees paying around 20–25 percent of gross earnings. The employer deducts the money from the salary every month. The self-employed pay around 40 percent of their earnings in social charges once their businesses are up and running.

French tax authority

- Service-Public is the website of the French civil service and has detailed information on all aspects of personal and business taxation and social charges.
- www.impots.gouv.fr is the website of the French Ministry of Economy and Finance, the body that collects income tax.

The right partners for you in France.

Meet our members

Studio Dr. Sordillo

The studio is located in the historic center of Paris. It mainly deals with the corporate taxation assists Italian companies to small and medium-sized businesses who are established in France and especially in Paris, establishing branches subsidiaries and VAT warehouses.

Our Network keeps on growing.

The strength of a team are its members and we are very proud to have professionals like you collaborating with us.

Enter our visibility Program for a bigger chance to exchange clients and reach new business opportunities abroad.

We asked all our members to send us a short description of their own firm and business opportunities in their country so that we can share it with our colleagues worldwide. So, if you haven't sent it yet, please reply to this email with the information you want us to publish, otherwise call our office at +44 20 3300 0658 for more information.

Prime Advisory Network coverage across the Globe.





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