

GIFT AND SUCCESSION DUTIES**Droits de Donation ou de Succession**

These are payable by the recipient.

Recipient	Exempt amounts	
	On death	Gifts*
	€	€
Spouse	Fully exempt	80,724
Partners under PACS	Fully exempt	80,724
Children / parents (each)	100,000	100,000
Handicapped persons (additional exempt amount)	159,325	159,325
Grandchildren (each)	-	31,865
Great grandchildren (each)	-	5,310
Nieces or nephews (each)	7,967	7,967
Siblings (each)	Fully exempt	-
(but only if single, five years cohabitation with the deceased and sibling over 50)		
Siblings (in other cases)	15,932	15,932
Other (each)	1,594	-

* Exemption applies to declared cumulative gifts made by the same donor to the same donee during the previous fifteen years. An additional one-off exemption applies to cash gifts to each of the children, grandchildren, great grandchildren and nieces/nephews, of €31,865, provided that the donor is under 80 years of age and the recipient is over 18 years of age.

Taxable amounts for gifts and successions

To direct descendants		Rate
€	€	%
0	-	5
8,072	-	10
12,109	-	15
15,932	-	20
552,324	-	30
902,838	-	40
Excess	1,805,677	45

Between spouses and partners under PACS

(gifts only – successions are exempt)

0	-	5
8,072	-	10
15,932	-	15
31,865	-	20
552,324	-	30
902,838	-	40
Excess	1,805,677	45

Between siblings

0	-	35
Excess	24,430	45

Between others

Remoter relatives	55 - 60
Third parties	60

STAMP DUTY**Droits d'Enregistrement**

Purchase of a business	%
- Up to €23,000	0
- Between €23,000 and €200,000	3
- Excess	5

Assets transferred to a new company for consideration in shares:

- to a company subject to corporation tax in certain circumstances (except where the shareholder is subject to corporation tax)	5
- to a company not subject to corporation tax	nil

Transfer of building (except where subject to TVA)	%
	5.09 to 5.81
Purchase of shares	
SA, SAS or SCA shares	0.1
SARL, SC (exempt amount: up to €23,000)	3
Companies where more than 50% of the company's assets are in French real estate (these sales must be formalised by a Deed written by a French notary, even if the company is not French).	5

CORPORATION TAX**Impôt sur les Sociétés (IS)****Main rates on profits**Basic tax is 33^{1/3}% on profits adjusted for tax purposes. The use of prior year losses is restricted.

Small businesses (as defined) benefit from a reduced rate of 15% up to €38,120 of profits, and then a reduced rate of 28% up to €75,000 of profits.

Small and medium sized businesses (as defined under European law) benefit from a reduced rate of 28% up to €75,000 of profits.

There is an additional tax of 3.3% of the basic tax after the first €763,000 of tax.

CICE

A tax credit applies in respect of employees whose annual remuneration is below 2.5 times the minimum wage. The tax credit is calculated as 7% of their wages.

Additional tax on rental income – CRL (Contribution sur les Revenus Locatifs)

Tax on gross rents from properties in France older than 15 years, held by companies not registered for TVA but subject to corporation tax. 2.5%

Tax returns

The filing date is three months after the end of the accounting period (extended to four months for 31 December year ends).

TAXATION OF BUSINESS PROFITSDepending on the nature of the entity, business profits (both income and capital gains) will be liable to either *Impôt sur les Sociétés (IS)* or *Impôt sur le Revenu des Personnes Physiques (IRPP)*, summarised as follows:

	IS	IRPP
<i>Société Anonyme (SA)</i>	✓	
<i>Société par Actions Simplifiée (SAS)</i>	✓	
<i>Société en Commandite par Actions (SCA)</i>	✓	
<i>Société à Responsabilité Limitée (SARL)*</i>	✓	
<i>Entreprise Unipersonnelle à Responsabilité Limitée (EURL)**</i>	✓	✓
<i>Entreprise Individuelle à Responsabilité Limitée (EURL)***</i>	✓	✓
<i>Succursale</i> (French branch of a foreign company)	✓	
<i>Société Civile (SC)</i> with a non-commercial activity***	✓	✓
<i>Société Civile (SC)</i> with a commercial activity	✓	
Associations with a commercial activity	✓	
Sole trader (including <i>Autoentrepreneur</i>)		✓
<i>Société en Nom Collectif (SNC)***</i>		✓

*Exception: a "family business" can opt for IRPP.

**For EURLs: if the shareholder is a company, or by option for an individual, IS applies.

***Or IS by option.

Profits subject to income tax are increased by 25% for tax purposes, unless the business is registered with a *Centre de Gestion Agréé* or an *Association Agréée*.**Taxation of a small (micro) business**

For small sole-trader businesses, taxable profits are calculated as a percentage of turnover as follows:

	Turnover threshold	Taxable profit
	€	%
Sales of goods	82,800	29
Provision of services and rents from furnished lettings	33,100	50
Furnished lettings with B+B type additional services	82,800	29
Unfurnished lettings	15,000	70
Agricultural activities	82,800	13
Other (BNC) activities	33,100	66

It is possible to opt for the "real" regime based on bookkeeping records instead.

Micro-businesses may also opt for a flat rate withholding tax based on turnover, subject to conditions. Withholding tax rates vary between 1% and 2.2%, depending on the activity.

VALUE ADDED TAX**Taxe sur la Valeur Ajoutée (TVA)**

	%
Standard	20.0
Reduced	10.0
Lower	5.5
The reduced rate applies for example to food at restaurants, books, hotels and "parahotels", etc. The lower rate applies mainly to basic food.	
There is no "zero rate" of TVA, but some activities are exempt, in which case VAT on purchases is not recoverable.	

Registration thresholds

	Turnover
	€
Sales of goods	82,800
Provision of services and non-commercial activities	33,100
Commercial companies are automatically registered irrespective of turnover level.	

FRENCH SOCIAL SECURITY SYSTEM**1 Mandatory contributions applicable to monthly salaries**

On average, employees' contributions vary between 20% to 22% of the gross salary, and employers' contributions vary between 40% to 45% of the gross salary.

2 Self-employed contributions (based on annual net income)

Industrial and commercial activities	Rate	Minimum	Maximum*
	%	€	€
French residents			
Health cover: - 1st contribution	6.50	none	none
- 2nd contribution	0.70	110	1,373
Pension contributions (capped)	25.75	801	19,140
Pension contributions (uncapped)	0.60	none	none
Death and disability cover	1.30	59	510
Contribution to family benefits	5.25	none	none
Solidarity contributions (CSG/CRDS)	8.00	none	none

*Corresponding to an income of €196,140.

Under EU legislation, EU residents have to pay French social security on their self-employed activity in France, unless they are employed or self-employed in their country of residence and can obtain the appropriate A1 form.

Non-resident self-employed contributions are not calculated in the same way (no CSG/CRDS but higher rate of health cover contributions).

Other professions

As above, except health cover 2nd contribution does not apply.

Pension contributions vary depending on the profession being carried on.

Micro-businesses (Autoentrepreneurs)

Micro-businesses may opt for a flat rate withholding based on turnover, subject to conditions. The flat rate is 13.4% for sales of goods and 23.1% for provision of services.

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The tax rates and allowances and other information contained in this card are based on official information available at the time of publication (January 2017). The reader should be aware that the French tax year is the calendar year, and that some rates are likely to change during the year.

Professional advice should be sought before taking any action based on this tax summary.

INCOME TAX

Impôt sur le Revenu des Personnes Physiques (IRPP)

The amount of tax payable in 2017 on 2016 income depends upon the level of income and the number of *parts*. The taxable unit is the household.

2016 income bands and rates

T = taxable income and N = number of *parts*

Value of T/N		Tax	
€	€	€	€
Up to	9,710	0	
9,710	– 26,818	(T x 0.14)	– (1,359.40 x N)
26,818	– 71,898	(T x 0.30)	– (5,650.28 x N)
71,898	– 152,260	(T x 0.41)	– (13,559.06 x N)
Excess		(T x 0.45)	– (19,649.46 x N)

Parts

Taxpayer	:	1 <i>part</i>	Child 2	:	1/2 <i>part</i>
Spouse or partner under PACS	:	1 <i>part</i>	Child 3	:	1 <i>part</i>
Child 1	:	1/2 <i>part</i>	Child 4	:	1 <i>part</i>

Examples (2016 income)

Rate	1 part (single person)			3 parts (married, 2 children)		
	Band	Cumulative Tax to Upper limit	€	Band	Cumulative Tax to Upper limit	€
%	€	€	€	€	€	€
0	0 – 9,710	0	0	0 – 29,130	0	0
14	9,710 – 26,818	2,395	29,130	73,467	7,716	7,716
30	26,818 – 71,898	15,919	73,467	143,796	28,814	28,814
41	71,898 – 152,260	48,868	143,796	– 304,520	94,711	94,711
45	Excess					

Relief in respect of *parts* for children is restricted to € 1,512 per half *part*.

These examples do not show the effect of other tax reductions for low incomes. After taking into account such reductions, no income tax is due for a single person with a taxable income up to € 14,471 (€ 36,970 for a married couple or couple under PACS, with two children).

Main allowances

	Rate %	Maximum deduction €
Flat rate expense allowance on net salaries (after deducting social security contributions)	10	12,183
Flat rate allowance on gross dividends from EU sources, or from a company based in a country having a tax treaty with France.		40

Non-French residents

Minimum tax rate on French income for non-residents	20
Other specific rules apply to non-residents.	

Solidarity contributions

Solidarity contributions (prélèvements sociaux) of 15.5% are levied on worldwide investment income, rental income and capital gains. This comprises three elements:

CSG (<i>Contribution Sociale Généralisée</i>)	8.2
CRDS (<i>Contribution au Remboursement de la Dette Sociale</i>)	0.5
Prélèvement social and additional contributions	6.8
	15.5

The surcharge applies to non-residents on their realised French property gains and rental income.

Additional contributions for high levels of income

The basis of the additional contribution is the “reference income for tax purposes” (*revenu fiscal de référence – RFR*), which includes capital gains and most income sources, even if not subject to French income tax or taxed at a lower rate.

Single person

€	€	%
0 – 250,000		0
250,000 – 500,000		3
Above 500,000		4

Married couples and partners under PACS

€	€	%
0 – 500,000		0
500,000 – 1,000,000		3
Above 1,000,000		4

For non-residents, the additional contribution may apply if their income (as defined) from French sources is in excess of the above limits.

TRANSITION TO TAX AT SOURCE IN 2018

French income tax has been assessed and collected in the year following receipt for most sources of income, including for earned income.

From 2018 salaries and some other income will be taxed at source. Income not taxed at source will be subject to payments of tax on account in the year of receipt.

A transitional relief is likely to ensure recurring income received in 2017 is not subject to payment of income tax in 2018, in which earnings will be received net of tax.

TAX DATES : RETURNS & PAYMENTS

Returns

Tax returns are based on the calendar year. Married couples and couples under PACS (*Pacte Civil de Solidarité*) must submit a joint tax return.

The deadline for filing income tax returns will be published later in the year. We expect that it will be around 19 May for paper returns, and two weeks later for online returns. Paper returns are progressively restricted to new tax payers only.

Payment dates - in 2017

First interim payment	15 February
Second interim payment	15 May
Final balancing payment	15 September

Tax may be paid in monthly instalments at the taxpayer's option.

21% provisional withholding tax on all dividends (also on foreign dividends received by French residents)

15th of the month following dividend payment
There is no automatic system of deduction of income tax at source from salaries. This will change with effect from 1.1.2018.

CAPITAL GAINS TAX

Impôt sur les Plus-Values

In general, capital gains tax is payable with the final balancing payment of income tax except on a sale of property, where it is withheld at source by the *notaire*. Special rules apply to certain assets.

Individuals

Shares and securities (except where companies' assets are mainly real estate)

French residents: subject to income tax and solidarity contributions at normal income tax rates.

The net taxable gain is progressively reduced, as follows:

-50% for shares owned between 2 and 8 years;

-65% for shares owned for more than 8 years,

- Higher rates of relief apply to SME shares, subject to conditions.

The reduction of the taxable gain applies to income tax but not to solidarity contributions (15.5% on the total net gain).

Non-residents (when taxable): 45% withholding (possible refund if effective income tax rate below 45%).

Property (and shares of companies owning mainly real estate)

The gain is progressively exempted for each complete year of ownership (whenever acquired) after five years, giving total exemption after 22 years, as follows:

– first 5 years : no taper relief;

– next 16 years : 6% per annum;

– final year: 4%.

Capital gains tax rates are as follows:

Individuals and individual shareholders of companies not subject to corporation tax	19
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Additional taxes on property gains

• An additional tax is levied on property gains above € 50,000. The rate varies between 2% and 6% (the maximum rate applies to gains above € 250,000).

• Solidarity contributions of 15.5% are also due. The tax basis for solidarity contributions is progressively reduced over 30 years (no reduction in the first five years, 1.65% reduction in the next 17 years, 9% for the final 8 years).

Main exemptions

– sale of principal residence;

– first sale of a property (rented or not), if the tax payer does not own his principal residence and is using the proceeds of the sale to buy his principal residence;

– sale price below € 15,000 (property);

– partial exemption for first sale of a French property by an EU national if:

- he/she has been French resident for tax purposes for at least two years at any point in time, and is non-resident at time of sale;
- the property is not rented and was fully available to the owner from 1 January of the year preceding the sale; this condition does not apply if the tax payer left France less than 5 years before the sale;
- the exemption is limited to € 150,000 of taxable gain, the excess being taxed at the above rates.

Companies are subject to less favourable treatment.

WEALTH TAX

Impôt de Solidarité sur la Fortune (ISF)

Taxable amount		Rate	Cumulative tax to upper limit	
€	€	%	€	€
0	– 800,000	0	0	0
800,000	– 1,300,000	0.50	2,500	2,500
1,300,000	– 2,570,000	0.70	11,390	11,390
2,570,000	– 5,000,000	1.00	35,690	35,690
5,000,000	– 10,000,000	1.25	98,190	98,190
Excess		1.50		

No wealth tax is due if net assets are below € 1,300,000, but if net assets are above € 1,300,000 then wealth tax is due from € 800,000.

French residents are liable in respect of worldwide net assets held at 1 January. Wealth tax may be reduced for French residents with low levels of income, subject to conditions.

Residents of other countries are liable in respect of net French situs assets held at 1 January. Subject to conditions, this regime also applies to those who have been French residents for under five years, after which liability is calculated on all assets wherever situated.

Principal exemptions include most business assets, works of art and a 30% deduction from the value of a French resident's principal residence.

TAXATION OF TRUSTS

Disclosure and taxation rules apply to trusts wherever situated, whenever:

- a settlor or a deemed settlor (as defined) is French resident;
- a trust (as defined) owns French assets (except financial assets);
- there are French resident beneficiaries;
- a trustee is French resident.

Deemed settlors are defined as those beneficiaries to whom the assets or beneficial interests are attributed following the death of the settlor. The provisions also apply to nominee arrangements.

TRUST1 forms need to be filed in the month following any trigger event affecting the trust (including distributions). TRUST2 forms need to be filed annually: the form includes a full description of trust assets, with a valuation as at 1 January.

In some cases trustee tax is due.

The penalties for non-compliance are punitive.

3% TAX

Companies or trusts which own French real estate, directly or indirectly, are subject to an annual tax of 3% of the market value of the property.

There are many cases where exemption can be claimed.