

## 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	Cumulative tax to upper limit
	%	€
0	-	8,072
8,072	-	12,109
12,109	-	15,932
15,932	-	552,324
552,324	-	902,838
902,838	-	1,805,677
Excess		

### Between spouses and partners under PACS

(gifts only – successions are exempt)

0	-	8,072	5	404
8,072	-	12,109	10	1,190
12,109	-	15,932	15	3,580
15,932	-	552,324	20	107,671
552,324	-	902,838	30	212,826
902,838	-	1,805,677	40	573,961
Excess			45	

### Between siblings

0	-	24,430	35	8,551
Excess			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)	%
Purchase of shares	5.09 to 5.81
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

### Company liquidation

Assets distributed to shareholders on liquidation are generally subject to 2.5% stamp duty (*Droit de partage*). The stamp duty does not apply to the refund of share capital.

## CORPORATION TAX

### Impôt sur les Sociétés (IS)

Main rates on profits	Profits	Rate
	€	%
Eligible small businesses (as defined)	Up to 38,120	15
	excess	25
Other businesses	Full profit	25

An additional tax of 3.3% may apply if the initial tax exceeds €763,000.

### 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 (usually extended to four and a half months for 31 December year ends).

## TAXATION OF BUSINESS PROFITS

Depending 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>	✓	✓
Sole trader (subject to standard regime)***		✓
Sole trader ( <i>Auto-entrepreneur</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	✓	
<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 (should be available to sole traders later in 2022).

Profits subject to income tax are increased by 10% for tax purposes, unless the business is registered with an *Organisme de Gestion Agréé*. The 10% uplift does not apply to micro-businesses. The uplift will disappear in 2023.

### 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	176,200	29
Provision of services and rents from furnished lettings	72,600	50
Furnished lettings with "meublé de tourisme" status	176,200	29
Unfurnished lettings	15,000	70
Agricultural activities	85,800	13
Other (BNC) activities	72,600	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	85,800
Provision of services and non-commercial activities	34,400

Commercial companies are automatically registered irrespective of turnover level.

## FRENCH SOCIAL SECURITY SYSTEM

### 1 Mandatory contributions applicable to monthly salaries

On average, employees' contributions (excluding income tax) 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*
	%	€	€
<b>French residents</b>			
Health cover: - 1st contribution	6.50	none	none
- 2nd contribution	0.85	140	1,748
Pension contributions (capped)	25.75	840	19,479
Pension contributions (uncapped)	0.60	none	none
Death and disability cover	1.30	61	535
Contribution to family benefits	3.10	none	none
Solidarity contributions (CSG/CRDS)	9.70	none	none

\* Corresponding to an income of €205,680.

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 (*Auto-entrepreneurs*)

Micro-businesses may opt for a flat rate withholding based on turnover, subject to conditions. The flat rate is 12.90% for sales of goods and 22.2% for provision of services (including training contribution).

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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 2022). 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 on 2021 income depends upon the level of income and the number of parts. The taxable unit is the household.

#### 2021 income bands and rates

T = taxable income and N = number of parts

Value of T/N		Tax	
€	€	€	€
Up to	10,225	0	
10,225 –	26,070	(T x 0.11)	– (1,124.75 x N)
26,070 –	74,545	(T x 0.30)	– (6,078.05 x N)
74,545 –	160,336	(T x 0.41)	– (14,278.00 x N)
Excess		(T x 0.45)	– (20,691.44 x N)

Parts			
Taxpayer	:	1 part	Child 2 : 1/2 part
Spouse or partner under PACS	:	1 part	Child 3 : 1 part
Child 1	:	1/2 part	Child 4 : 1 part

#### Examples (2021 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 – 10,225	0	0 – 30,675	0
11	10,225 – 26,070	1,743	30,675 – 62,978	3,553
30	26,070 – 74,545	16,285	62,978 – 149,090	29,387
41	74,545 – 160,336	51,460	149,090 – 320,672	99,736
45	Excess	Excess	Excess	Excess

Relief in respect of parts for children is restricted to € 1,590 per half part.

Tax reductions may apply for lower levels of taxable income.

#### Flat rate tax on investment income

Dividends and interest are subject to a flat rate tax of 12.8% (30% including solidarity contributions). In most cases the tax is withheld at source, but the income nonetheless needs to be reported on a French tax return.

It is possible to opt for taxation at standard rates, however the option would then apply to all investment income, as well as gains on sales of shares.

#### Main allowances

	Rate %	Maximum deduction €
Flat rate expense allowance on net salaries (after deducting social security contributions)	10	12,829

#### Non-French residents

	Rate %
Minimum tax rate on French income for non-residents – up to € 26,070	20
Minimum tax rate on French income for non-residents – above € 26,070	30

Minimum tax rates may be avoided if the average rate based on worldwide income would be lower.

French salaries and pensions paid to non-residents are subject to specific rates of withholding tax up to 20%.

#### Solidarity contributions

Solidarity contributions (prélèvements sociaux) of 17.2% are levied on worldwide investment income, rental income and capital gains. This comprises three elements:

	%
CSG ( <i>Contribution Sociale Généralisée</i> )	9.2
CRDS ( <i>Contribution au Remboursement de la Dette Sociale</i> )	0.5
Prélèvement de solidarité	7.5
	<u>17.2</u>

The contributions apply to non-residents on their realised French property gains and rental income. CSG and CRDS are not due by residents of EU member countries who are subject to the social security regime of a country which is not France (subject to conditions). In that case only the 7.5% contribution will apply.

#### 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, interest, dividends and most other income sources, even if not subject to French income tax or is taxed at the flat 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.

## 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 (there are a few exceptions to this principle).

The deadline for filing income tax returns will be published later in the year. We expect that it will be around mid-May, with a few extra days for online filing (online filing is not available if filing in France for the first time).

#### Tax payments re 2022 income

##### Tax payments on account (French residents)

French source salaries: tax deducted at source by employer  
 French source pensions: tax deducted at source by pension provider  
 Foreign source salaries and pensions: monthly direct debit payments to tax office  
 Most French source investment income: tax deducted at source (30% flat rate)  
 Foreign investment income: specific rules apply depending on income category  
 Self-employment income: monthly direct debit payments to tax office  
 Rental income: monthly direct debit payments to tax office.

##### Tax payments on account (non-residents for income taxable in France)

Non-residents are subject to withholding tax on some income categories (for example salaries or performance income) and tax payments on account on other income categories (for example French rental income).

##### Changes in personal situation affecting tax payments on account

Changes to the tax payer's personal situation are likely to affect the rate of tax deducted at source and the amounts of tax payments on account. Such changes should be declared on the tax authorities' website ([impots.gouv.fr](http://impots.gouv.fr)).

##### Balance of tax

The balance of tax on 2022 income will be payable once the 2022 tax return has been processed (payable in September 2023 in most cases).

## 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)

Gains on sales of shares and securities are subject to a flat rate tax of 30% (including 17.2% in respect of solidarity contribution).

It is sometimes possible to opt for taxation under the rules applicable prior to 2019, in which case all gains would be taxed under the old rules, and investment income would be subject to standard rates of income tax (rather than the flat rate tax).

Non-residents may be subject to tax at 12.8% on the sale of French shares, if they own more than 25% of the company.

##### 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

##### 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 are also due (rate: 17.2% or 7.5% depending on the circumstances). 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 (subject to conditions)

- sale of principal residence;
- sale of former principal residence by a non-resident, up to 31 December of the year following the move from his former 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);
- pensioners or invalids with very low income and who are not subject to wealth tax;

– partial exemption (limited to € 150,000 of taxable gain) 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; and
- the property is not rented and was fully available to the owner from 1 January of the year preceding the sale; or
- the tax payer left France less than 10 years before the sale.

Companies are subject to less favourable treatment.

## WEALTH TAX (REAL ESTATE)

### Impôt sur la Fortune Immobilière (IFI)

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

Since 1 January 2018, wealth tax only applies to real estate, net of eligible debts (as defined). Taxable real estate includes real estate owned directly as well as real estate owned indirectly through a company or other structure.

No wealth tax is due if such 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 real estate 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 real estate 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 and a 30% deduction from the value of a French resident's principal residence (debts on this asset being reduced accordingly).

The deduction of debts on real estate is limited:

- where the gross value is in excess of € 5,000,000; and
- where loans for the purchase of real estate are interest only.

## 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;
- there are French resident beneficiaries;
- a trustee or a protector 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.

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 (TVVI)

Companies, trusts or similar structures 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, subject to appropriate filings. Entities in the scope of 3% tax need to register in France to submit returns electronically.