

FRANCE: A COMPETITIVE TAX SYSTEM

KEY INFO IN

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POINTS

1

▶ COMPETITIVE LABOR COSTS

This tax credit boosts competitiveness through corporate tax savings worth 6% of gross payroll from January 1, 2018, excluding all salaries greater than 2.5 times the national minimum wage (SMIC). In 2019, it will be replaced by a long-term reduction in employer contributions.

2

▶ AN ATTRACTIVE RESEARCH SECTOR

France's research tax credit means that it offers companies extremely competitive R&D tax treatment. The tax credit amounts to 30% of annual R&D expenses, up to €100 million, and 5% above this threshold. It also encompasses innovation spending by SMEs, which can deduct 20% of eligible expenditure (to design prototypes or install pilot equipment) up to a total of €400,000 per year.

3

▶ CORPORATE TAX RATE CUTS

The corporate tax rate is due to fall gradually to 25% by 2022. From 2018, a tax rate of 28% will apply to the first €500,000 of all company earnings, and 33.33% above this threshold. The 33.33% tax rate will be lowered to 31% in 2019. For SMEs, the 15% reduced rate continues to apply.

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▶ VERY GENEROUS DEPRECIATION ALLOWANCES

Declining balance depreciation rates generate corporate tax savings, while all equipment assigned to R&D enjoys a higher depreciation coefficient.

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▶ A CLEAR LEGAL FRAMEWORK FOR FOREIGN INVESTORS

The “Tax4Business” service enables foreign investors to invest in France in a clear and secure legal framework (tax4business@dgfip.finances.gouv.fr). It provides investors with certainty about how taxation will apply in their cases and how tax law should be interpreted.

6

▶ FUNDING BUSINESSES THROUGH SAVINGS

In order to help fund businesses, a single flat tax (*prélèvement forfaitaire unique* – PFU) of 30% (12.8% income tax and 17.2% social security contributions) will now be the only tax applying to capital gains, except for certain types of bank accounts.

7

▶ PROMOTING R&D

In its Competitive Alternatives 2016 report, KPMG highlights France as the country offering the most generous R&D tax incentives. The effective tax rate for R&D services in France is the lowest of the 10 countries featured in the survey.

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▶ EXEMPTIONS FOR INNOVATIVE NEW COMPANIES

The 'innovative new company' status (*jeune entreprise innovante* – JEI) reduces taxes on earnings and capital gains for SMEs during their first eight years if their R&D expenditure equals 15% of their total costs. They may also receive exemption from certain employer social security contributions and local taxes (e.g. property tax, local economic contribution).

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▶ ATTRACTIVE TAX RULES FOR EXPATRIATES

Expatriate employees and executives taking up roles in France can receive exemption from income tax worth up to 50% of their total pay from tax relief on 'expatriation bonuses', as well as allowances for business trips outside France. Partial exemption is also available for investment income and on the wealth tax for assets held outside France.

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▶ BENEFICIAL TAX ARRANGEMENTS FOR HOLDING COMPANIES

Tax arrangements for companies with equity interests in other companies (i.e. holding companies) remain beneficial, as capital gains on disposals of equity interests are tax-exempt and interest on borrowings is tax-deductible.



For further information, please visit:
www.businessfrance.fr

Get in touch with a single point of contact
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**FOREIGN
INVESTMENT
DECISIONS
PER WEEK**

(BUSINESS FRANCE, 2017)



30%
OF R&D EXPENSES
ARE TAX-DEDUCTIBLE

(FRENCH GOVERNMENT FIGURES)

ACCESS TO A MARKET OF
66
MILLION CONSUMERS
AND GATEWAY TO THE EMEA



(INSEE, 2017)



**THE CICE
TAX CREDIT:
TAX RELIEF WORTH
6%
OF GROSS PAYROLL COSTS**

(FRENCH GOVERNMENT FIGURES)



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