

## STAMP DUTY

<b>Droits d'Enregistrement</b>	
	%
Purchase of a business (exempt amount: € 23,000)	5
<b>Assets transferred to a new company for consideration in shares:</b>	
- to a company subject to corporation tax (except where the shareholder is subject to corporation tax)	5
- to a company not subject to corporation tax	nil
<b>Transfer of building (except when subject to TVA)</b>	5.09
<b>Purchase of shares</b>	
SA, SAS or SCA shares (duty capped at € 4,000)	1.10
SARL, SC, or where more than 50% of the company's assets are in real estate	5

## CORPORATION TAX

### Impôt sur les Sociétés (IS)

#### Main rates on profits

The basic tax is 33 $\frac{1}{3}$ % on profits adjusted for tax purposes.

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

A reduced rate of 15% applies for small businesses (as defined) up to € 38,120 of profits.

#### Minimum "flat rate" corporation tax (IFA): Impôt Forfaitaire Annuel (IFA)

Turnover including TVA	€	€	€
less than 300,000			0
between 300,000 – 750,000			1,300
between 750,000 – 1,500,000			2,000
between 1,500,000 – 7,500,000			3,750
between 7,500,000 – 15,000,000			16,250
between 15,000,000 – 75,000,000			20,500
between 75,000,000 – 500,000,000			32,750
more than 500,000,000			110,000

IFA is due every year on 15 March, and is a deductible expense for corporation tax purposes. There are exemptions for new companies.

#### Tax payment dates

IS is payable in quarterly instalments on 15 March, 15 June, 15 September and 15 December with the balance falling due three months and 15 days after the company's year end.

#### Tax returns

The filing date is three months after the end of the accounting period (until now always extended by government announcement to four months for 31 December year ends).

#### 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

## 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>	✓	✓
<i>Succursale (French branch of a foreign company)</i>	✓	
<i>Société Civile (SC) with a non-commercial activity ***</i>		✓
<i>Société Civile (SC) with a commercial activity</i>	✓	
Associations with a commercial activity	✓	
Sole trader		✓
<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.

## VALUE ADDED TAX

### Taxe sur la Valeur Ajoutée (TVA)

#### Rates

	%
Standard	19.6
Lower	5.5

The lower rate applies for example to basic food (but not restaurants), books, hotels and "parahotels", cable and satellite television, etc.

There is no "zero rate" of TVA, but some activities are exempt.

#### Registration thresholds

	Turnover
	€
Sales of goods and rents from furnished lettings	76,300
Provision of services and non-commercial activities	27,000

## FRENCH SOCIAL SECURITY SYSTEM

### I Mandatory contributions applicable to monthly salaries

	€	%	%	%
		Total Employee	Employer	
<b>Social security</b>				
Basic health and state pension	full salary	15.55	0.85	14.70
Additional contributions	0 – 2,589	15.05	6.65	8.40
Contribution to family benefits	full salary	5.40	-	5.40
Professional injury risk	full salary	variable	-	variable
Solidarity contributions (CSG/CRDS)	97% of salary	8.00	8.00	-

	€	€	Total Employee	Employer	
			%	%	%
<b>Unemployment</b>	0	- 10,356	6.75	2.40	4.35
<b>Other mandatory contributions</b>					
<b>Employees with cadre (executive) status</b>					
Additional pension	0	- 2,589	7.50	3.00	4.50
	2,589	- 10,356	20.30	7.70	12.60
	10,356	- 20,712	20.30	by mutual agreement	
AGFF	0	- 2,589	2.00	0.80	1.20
	2,589	- 10,356	2.20	0.90	1.30
APEC	2,589	- 10,356	0.06	0.024	0.036
CET	0	- 20,712	0.35	0.13	0.22
Death & disability cover *	0	- 2,589	1.50	-	1.50
<b>Other employees</b>					
Additional pension	0	- 2,589	7.50	3.00	4.50
	2,589	- 7,767	20.00	8.00	12.00
AGFF	0	- 2,589	2.00	0.80	1.20
	2,589	- 7,767	2.20	0.90	1.30

\* Higher contributions may apply depending on the relevant Collective Bargaining Agreement (*Convention Collective*).

The above table reflects the complexity of a French payroll. Further contributions apply to employers with more than nine employees, or employers who are partially or fully exempt from TVA.

#### General

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. Employers may also pay for additional health cover or contribute to supplementary pension schemes (but there is no legal requirement to do so).

There is no automatic system of deduction at source from salaries for income tax.

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

Industrial and commercial activities	Rate	Minimum	Maximum**
	%	€	€
<b>French residents</b>			
Health cover: - 1 <sup>st</sup> contribution	0.60	75	186
- 2 <sup>nd</sup> contribution	6.40	795	9,942
Pension contributions	22.95	369	11,169
Death and disability cover	1.50	24	466
Contribution to family benefits	5.40	none	none
Solidarity contributions (CSG/CRDS)	8.00	none	none
<b>Non-residents subject to French social security*</b>			
Health cover: - 1 <sup>st</sup> contribution	2.40	298	746
- 2 <sup>nd</sup> contribution	10.10	1,255	15,689
Pension contributions	16.35	263	5,080
Death and disability cover	1.50	24	466
Contribution to family benefits	5.40	none	none

\* Depending on bilateral agreements.

\*\* Corresponding to an income of € 155,340.

Under EU legislation, EU residents have to pay French social security on their sole trader activity in France, unless they are also sole traders in their country of residence and can obtain the appropriate E101 form.

#### Other professions

As above, except health cover 2<sup>nd</sup> contribution is reduced by 0.5%.

Pension contributions vary depending on the profession being carried on.

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## TAX DATA 2006 FRANCE

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The tax rates and allowances and other information contained in this card are correct at the time of publication (January 2006). The reader should be aware that the French tax year is the calendar 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 2006 on 2005 income depends upon the level of income and the number of *parts*. The taxable unit is the household.

### 2005 income bands and rates

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

Value of T/N		Tax	
€	€	€	€
Up to	4,412	0	
4,413	– 8,677	(T x 0.0683)	– (301.34 x N)
8,678	– 15,274	(T x 0.1914)	– (1,369.48 x N)
15,275	– 24,731	(T x 0.2826)	– (2,762.47 x N)
24,732	– 40,241	(T x 0.3738)	– (5,017.93 x N)
40,242	– 49,624	(T x 0.4262)	– (7,126.56 x N)
Excess		(T x 0.4809)	– (9,841.00 x N)

**Parts**

Tax payer :	1 <i>part</i>	Child 2 :	1/2 <i>part</i>
Spouse :	1 <i>part</i>	Child 3 :	1 <i>part</i>
Child 1 :	1/2 <i>part</i>	Child 4 :	1 <i>part</i>

### Examples (2005 income)

1 <i>part</i> (single person)		3 <i>parts</i> (married, 2 children)			
Cumulative		Cumulative			
Rate	Band	Tax to Upper limit	Band	Tax to Upper limit	
%	€	€	€	€	€
0.00	0	– 4,412	0	0	– 13,236
6.83	4,412	– 8,677	291	13,236	– 26,031
19.14	8,677	– 15,274	1,554	26,031	– 45,822
28.26	15,274	– 24,731	4,277	45,822	– 66,520
37.38	24,731	– 40,241	10,024	66,520	– 80,482
42.62	40,241	– 49,624	14,023	80,482	– 99,248
48.09		Excess			23,728

Relief in respect of *parts* for children is restricted when the marginal tax rate is 37.38% or more.

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 € 8,388 (€ 17,212 for a married couple with two children).

The following deductions for tax purposes apply to salaries after deducting social security contributions:

	Rate	Maximum deduction
	%	€
Flat rate expense allowance	10	13,093
Additional allowance on remainder*	20	24,020

\* Withdrawn with effect from 1.1.2006

### 2006 income tax reform

In 2006, the highest rate of income tax will be reduced to 40% on income over € 65,000, with consequent adjustments to lower bands. However, several allowances will be withdrawn.

Tax Credits	Credit rate	Maximum tax credit
	%	
Charitable donations	60	20% of taxable income *
Employment of domestic staff	50	€ 5,000
Initial investment in unquoted companies	25	€ 5,000 **
Subscription for shares in certain innovation funds	25	€ 3,000 **

\* Slightly higher reductions apply in respect of donations to a specific list of funds.

\*\* Doubled for married couples and for other couples submitting a joint tax return.

### Non-French residents

	2005	2006
	%	%
Minimum tax rate on French income for non-residents	25	20

Other specific rules apply to non-residents.

## ADDITIONAL INCOME TAXES

### Solidarity contributions (*Contributions Sociales*)

An additional surcharge for “solidarity contributions” of 11% is 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	2.3
	11.0
	===

The above surcharge is assessed only on French residents.

## TAX DATES: RETURNS & PAYMENTS

### Returns

Tax returns are based on the calendar year.

Married couples and couples under PACS (*Pacte Civil de Solidarité*) have to submit a joint tax return.

2005 tax returns must be filed by the end of May 2006 for French residents and residents of most other countries.

### Payment dates

First interim payment after year end	15 February
Second interim payment after year end	15 May
Final balancing payment after year end	15 September

Tax may be paid in monthly instalments at the tax payer’s option.

Solidarity contributions	15 November
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## 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 deductible at source by the notaire. Special rules apply to certain assets.

### Individuals

Quoted shares and securities	Rate
	%
French residents (including 11% solidarity contributions – see above)	27
Non-residents	16

Subject to conditions, one third of the gain will in future be exempted for each complete year of ownership after five years, giving full exemption after eight years. The five year period cannot start before 1 January 2006.

### Property

10% of the gain is exempted for each complete year of ownership after five years, giving total exemption after fifteen years.

	%
Individuals resident in France (including social contributions of 11%)	27
Individuals resident in another EU country	16
Others	33 <sup>1/3</sup>

### Main exemptions

- sale of principal residence;
- sale price below € 15,000;
- 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.

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	–	750,000	0	
750,000	–	1,200,000	0.55	2,475
1,200,000	–	2,380,000	0.75	11,325
2,380,000	–	3,730,000	1.00	24,825
3,730,000	–	7,140,000	1.30	69,155
7,140,000	–	15,530,000	1.65	207,590
Excess			1.80	

French residents are liable in respect of worldwide net assets held at 1 January. Residents of other countries are liable in respect of net French situs assets held at 1 January.

Principal exemptions include most business assets and a 20% deduction from the value of a French taxpayer’s principal residence.

### Payment dates

French residents	15 June
Non-residents within EU	16 July
Others	1 September

## GIFT AND SUCCESSION DUTIES

### Droits de Donation ou de Succession

These are payable by the recipient.

Recipient	Exempt amounts	
	On death	Gift*
	€	€
Spouse	76,000	76,000
Partner under PACS	57,000	57,000
Children / parents (each)	50,000	50,000
Handicapped person	50,000	50,000
Grandchildren (each)	-	30,000
Siblings (each)	57,000	
(but only if single, five years cohabitation with the deceased and sibling over 50; otherwise € 5,000)		
Other (each)	1,500	-
Additional allowance shared between direct ascendants, descendants and spouse	50,000	-

\* Exemption applies to cumulative gifts made by the same donor to the same donee during the previous six years.

### Taxable amounts for gifts and successions

To direct descendants	Rate		
€	%		
0	–	7,600	5
7,600	–	11,400	10
11,400	–	15,000	15
15,000	–	520,000	20
520,000	–	850,000	30
850,000	–	1,700,000	35
Excess			40
<b>Between spouses</b>			
0	–	7,600	5
7,600	–	15,000	10
15,000	–	30,000	15
30,000	–	520,000	20
520,000	–	850,000	30
850,000	–	1,700,000	35
Excess			40

### Between partners under PACS

0	–	15,000	40
Excess			50

### Between siblings

0	–	23,000	35
Excess			45

### Between others

Remoter relatives	55	- 60
Third parties		60

### Reduction in tax for lifetime gifts

	%
Outright gifts if the donor is less than 70	50
Outright gifts if the donor is between 70 and 80	30
Reductions apply to gifts of a “bare ownership” or “usufruct”.	