

# FRANCE: A TAILORED TAX SYSTEM

PROMOTING  
COMPETITIVENESS  
AND INVESTMENT

KEY INFO IN

**10**  
POINTS

# 1

## ▶ COMPETITIVE EFFECTIVE CORPORATE TAX RATES

KPMG's *Competitive Alternatives* report (2014)

compares effective tax rates in 10 different countries:

- France is ranked first for R&D services
- France is ranked third for digital services
- France is ranked fourth for manufacturing

(Effective tax rates take into account differences in tax bases, tax credits and depreciation allowances).

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# 2

## ▶ COMPETITIVENESS AND EMPLOYMENT TAX CREDIT (CICE)

This tax credit boosts corporate competitiveness through tax savings worth 6% of gross payroll costs in 2015, excluding all salaries greater than 2.5 times the national minimum wage (SMIC), amounting to **€20 billion in annual savings for companies in 2014 and the years to come.**

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# 3

## ▶ UNRIVALED RESEARCH TAX CREDIT

A tax break amounting to 30% of annual R&D expenses, up to €100 million, and 5% above this threshold.

Total tax relief for research tax credit recipients amounted to more than €6 billion in 2013.

# 4

## ▶ TAILORED TAX SYSTEM FOR INNOVATIVE NEW COMPANIES (JEIs)

The “innovative new companies” status (*jeunes entreprises innovantes* – JEIs), provides for reduced corporate tax, local taxes and social security contributions over an eight-year period.

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# 5

## ▶ REDUCED RATE ON REVENUES FROM INTELLECTUAL PROPERTY RIGHTS

Revenues from intellectual property rights (royalties and capital gains on the sale of patents, etc.) are subject to a **reduced corporate tax rate** of 15%.

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# 6

## ▶ ONE OF THE MOST GENEROUS DEPRECIATION ALLOWANCE SCHEMES IN THE OECD

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

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# 7

## ▶ ATTRACTIVE TAX RULES FOR EXPATRIATES

Exemption from income tax on “expatriation bonuses” and allowances for business trips outside France for expatriate employees and executives taking up roles in France. Partial exemption is also available for investment income, the proceeds of intellectual property rights earned outside France, and certain capital gains on the disposal of securities and ownership interests outside France.

# 8

## ▶ “TAX4BUSINESS”, A CLEAR AND SECURE LEGAL FRAMEWORK FOR FOREIGN INVESTORS

This service enabling foreign investors to invest in France in a **clear and secure legal framework** (tax4business@dgfip.finances.gouv.fr). It provides answers to investors' questions about how taxation will be applicable to their cases, enables them to seek advance rulings (*rescrits*) from the tax authorities, offers multilingual tax-related information directly tailored to their needs, and provides access to further explanations in English.

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# 9

## ▶ 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. These various schemes, together with tax consolidation rules, provide an **especially strong incentive for leveraged buyouts** and for holding companies or group parents to establish themselves in France.

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# 10

## ▶ FALLING CORPORATE TAX RATE

Lower corporate tax starting in 2017 to a standard rate of 28% by 2020.



Get in touch with a single point of contact  
for your company

For large corporates:  
the Large Business tax office  
(*Direction des grandes entreprises* – DGE)

For SMEs:  
the local Corporate tax office  
(*Service des impôts des entreprises* – SIE)

[www.sayouitofrance.com](http://www.sayouitofrance.com)





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**THE CICE  
TAX CREDIT**

**€20**

**BILLION  
IN ANNUAL  
SAVINGS FOR  
COMPANIES  
IN 2014  
AND THE YEARS  
TO COME**

NEARLY  
**30%**

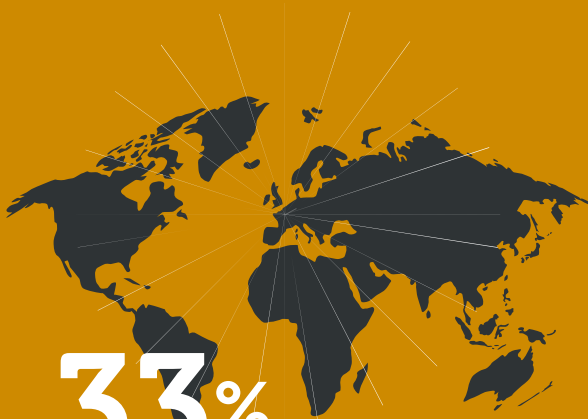
OF BUSINESS R&D  
CONDUCTED BY  
FOREIGN COMPANIES





ACCESS TO A MARKET OF  
**65**  
MILLION CONSUMERS  
AND GATEWAY TO THE EMEA





**33%**

**OF FRENCH EXPORTS  
ARE GENERATED BY  
FOREIGN COMPANIES**