

# Everything you need to know before doing business in France (March 2024)

*Please be advised that this document contains useful text from various websites which are noted at the end of the document.*

## **Setting up a business in France**

In principle, there are no administrative restrictions on foreign investment in France. Whatever your business development strategy, in France you will find an appropriate legal structure for the kind of business you wish to set up.

Investors can set up a permanent or temporary structure and enjoy full legal peace of mind; they are then free to drive their project forward in an uncomplicated and inexpensive environment.

France is an attractive destination for foreign investors, company founders, company directors and employees.

Recent government measures resolutely focused on openness are making France a destination of choice for them.

Companies in France can offer their employees optimum working conditions – due to a highly effective social security system and a vast array of bilateral social security agreements – while the costs of sending employees to work in France can be offset through one of the most attractive expatriate tax systems in Europe.

## **Choose the By-laws & Structure of Your French Company**

You'll need to choose the type of company structure for your business.

It's important to do your homework here as you'll need to find the structure that fits with the type of business you have and the amount of turnover your business does.

Each of this type of business has its own features, advantages, and disadvantages; The most common structures in France are:

- Individual Entrepreneurship (EI). An entrepreneur can carry out activities without registering as a legal entity. The main advantage of the sole proprietorship is the ease of creation and management. There are no

limits on the authorized capital and the number of partners. Individual entrepreneurs pay income tax (IR), in some cases corporate tax (IS).

- Limited Liability Company with a single shareholder (EURL). To open a company of EURL type, one person is enough, and the minimum authorized capital is 1 euro. The assets of the firm and the owner are protected and separated. For example, if the share capital is 1.000 euros, creditors can demand payment only of this amount, without affecting the property of the owner. In comparison with companies, where the turnover is accounted for, in EURL only profits are taxed. You can choose one of the taxation options (IR or IS), but if you choose corporate you cannot change the tax system in the future. The main advantage of this option is the easy transition of the company to a multi-user form of LLC, if there is a desire to attract companions.
- Limited Liability Company (SARL). The main advantage is the small authorized capital; in order to establish a limited liability company, it is enough to pay 1 euro. There can be a minimum of two partners and a maximum of 100. LLC also has the advantage of a clear and transparent legal framework, which guarantees stability in the management of the company. For example, the law implies the use of the majority rule for voting at general meetings. The disadvantage of an LLC is that it is more complicated to start a company and set up a structure than a sole proprietorship. LLC is taxed by corporate tax (IS) at a fixed rate on annual profits of 25%. Taxation for SARLs is flexible, so there is an option to switch to income tax for companies that have been operating for less than five years. There are also other requirements for those who qualify for the reduced rate: annual turnover of less than 10 million EUR, the company has no more than 50 employees and at least 50% of the LLC belongs to individuals.
- Public LLC (SA). SA is suitable for a large-scale project, because it allows you to engage in industry and to enter the securities market. The number of partners, regardless of the type of company is at least two, and if the shares are listed on the stock exchange, then — seven or more. The minimum authorized capital is 37.000 euros. Profit of SA is taxed by corporate tax, but there is an opportunity to switch to IR, if the company was established less than five years ago and is owned by individuals at least 50% of it, and managers from 34%. Also, the company must have no more than 50 employees, and the amount of capital or annual turnover is limited to 10 million euros.
- Simplified joint-stock company (SAS). The minimum number of partners is one and the maximum is not established. The amount of the authorized capital is regulated by the shareholders. An important advantage is that the president can be an individual or a legal entity, for example, another company or association. With regard to taxation, SAS is under the IS system. The company pays tax, the basis of which is the net profit. SAS can choose the IR regime, but only for the first five years after the opening. In this case the partners declare in the tax report the

profit corresponding to their shares in the company. The disadvantages include the complicated procedure of developing the Articles of Association of a joint stock company. The document should clearly establish the rules of appointment of management and control bodies, definition of their areas of responsibility and methods of making decisions at general meetings.

- Simplified joint-stock company with a single shareholder (SASU). The appeal of this legal status lies in its simplicity and flexibility due to the choice of taxation. The only obligation of SASU concerns management — it is necessary to appoint a president, who can be an individual or a legal entity. There is no minimum limit for the share capital. SASU is taxed with corporate tax (IS), but one can choose IR within five years after the creation of the joint-stock company. The main disadvantage is the need to pay a lot of attention to setting up articles of association, where it is important to anticipate different scenarios. Otherwise, one can face conflicts between partners if SASU turns into SAS.
- General partnership (SNC). In an SNC, partners are liable jointly and severally. The shares of the partnership are not intended to be freely available to any member, they are distributed according to a collective decision. The amount of the authorized capital is approved by the partners, of which there must be at least two. In SNC all partners are managers by default, but a separate act may appoint one or more persons to carry out the day-to-day operations of the company. It is important to choose a trustworthy and competent person to carry the obligations of the company to third parties. There is no taxation of the partnership. Each partner pays an income tax on their share of the profits. If desired, the company can choose corporate tax. The main disadvantage of the SNC is joint and several liability for the debts of all members of the partnership. That is, if the company is indebted to a creditor, he can sue any partner for all the debts of the company, even if the partner is not responsible for the actions committed by the organization.
- Limited partnership (SCA). SCA must have at least four shareholders (principal one and three partners). The required authorized capital is from 37,000 EUR or 225,000 EUR, if the partnership is engaged in the sale of securities. Management of the company must be provided by a supervisory board, which is appointed by the shareholders at a general meeting. The profit of the company is subject to corporate tax (IS). The disadvantages of the SCA are that the general partners must take all risks, without limit. Also, this form of business is cumbersome and multi-layered.

### **Set up a French Business Bank Account**

It is possible to open bank accounts remotely now (especially due to travel restrictions since the global pandemic), so once you've arranged your bank account

introductions with a bank manager, you need to be prepared to go through your business plan and answer any questions about your company.

French bank account managers can be very exacting about who they allow to open an account due to stringent laws to prevent money laundering. This is where your business plan comes in very handy as it puts an account manager's mind at ease if he can see all the facts in figures laid out.

### **Deposit Capital in Your French Bank Account**

For a EURL, SARL or SAS, the minimum share capital has been reduced to €1 but banks require more than this figure to set up an account.

The traditional share capital was 7.500 euros but a minimum amount could be deposited of around 4.000 euros. Please bear in mind that this is "working capital" and can be taken out of the account for use at any time.

Your share capital will be unblocked as soon as the banker receives the Kbis – the certificate of your new company - which normally takes about two weeks. If you end up not going through with the company formation, then your capital will be returned to you immediately.

### **Legal Publicity of Your New French Business**

The opening of the company has to be announced in the press. You have to publish an announcement in an authorized newspaper such as Le Parisien or Les Echos or a business publication so that your company is formally and publicly introduced into the business world.

### **Incorporation of Your French Business**

There are various documents and evidence you'll need to get together to incorporate your French company. You will need a completed application form, a certified copy of each director/shareholders passport, and two utility bills that are less than three months old to prove addresses (cell phone bills are not accepted).

These documents will then need to be sent to various administrations including the National Institute of Statistics and Economic Studies (INSEE), which will register your company with the national business directory. Your documents will also need to go to the tax office - the Centre des Impôts – and the commercial court called the Greffe du Tribunal de Commerce.

To make sure you're paying the right pension and labour payments, the social security office (URSSAF) will need to be informed as well as the Caisses Sociales and Inspection du Travail if you are employing or recruiting staff and the Centre des Formalités des Entreprises or Chambres des Métiers.

Once your documents have gone to all the right government departments, your application will receive all the official stamps that formalises your French company incorporation.

In terms of timescales, incorporation usually takes up to two weeks from the time the bank account is opened (as long as all the paperwork is in order) and VAT registration takes up to two weeks.

When you receive the 'Extrait Kbis' (the certificate of incorporation) you will be provided with a unique 14-digit registered number comprised of a SIRET and SIREN number which is your company ID number that must be written on all official documents, invoices and websites. These are the most important numbers you need when registering a business in France.

The SIRET is your 9-digit SIREN number plus a 5-digit code specific to your company. You will also have an APE (Activité Principale de l'Entreprise) or NAF code which identifies the main activity of your business.

Once the Kbis arrives, your bank manager can activate your business bank account and your share capital will be unblocked. You will also receive a welcome letter from the tax office with a VAT number and tax officer contact details. Your VAT number starts with the letters FR plus a 2-digit code followed by your SIREN.

### **Government support for investment projects**

France has a wide and varied framework of support in response to investor's needs. This support depends on the type of investment projects (physical investment, research and development, innovation, training, etc.), its location (priority development areas or non-priority areas) and the type of company conducting the project (large enterprise, mid-size company or SME).

France is a fertile ground for businesses and is much more attractive than the pervasive declinist rhetoric would suggest. Contrary to popular misconceptions, France has many advantages over its European neighbors, and offers a range of often little-known support schemes. Against this favorable backdrop, France offers a wide range of help and incentives to lower labor costs and tax.

France boasts the most generous research tax credit in Europe, with 30% up to €100 million in expenditure and 5% beyond, at an annual cost of €6 billion.

Business France identifies the tax deductions available for your investments (in terms of VAT and corporate tax) as well as the tax exemptions applicable in the event of setting up in a priority investment zone or in the event of taking over an ailing business.

### **Labor Market in France**

Since 2017 President Macron has kicked off a series of reforms aimed at profoundly transforming France's business model and, more broadly, the country itself.

In this context, various changes have been made to the French Labor Code with the aim of simplifying labor relations and increasing businesses' organizational flexibility.

Negotiated company-specific agreements now take precedence over industry-wide agreements in many areas, enabling businesses to adapt labor relations standards to their own needs (e.g. negotiation and adjustment of working time).

### New for 2024

Every year the Government's budget called "Loi de Finance" brings a series of changes that may impact freelancers.

Here are the key changes that may impact you or your business in 2024:

#### 1 - Minimum wage increased in 2024 - SMIC

The minimum wage in France, called SMIC, is increasing to roughly 1,400€ net per month. This is a key number to remember as an expatriate with a business visa or carte de séjour, as this is the *minimum income required to issue or renew a business visa*.

Minimum Wage in France in 2024 - SMIC:

- 1 398,69€ net per month (after social charges) - Roughly 1,400€.
- 1 766,92€ gross per month for employees.
- 16,784€ net per year - Roughly 16,800€.
- 21,203€ gross per year for employees.
- For employees, SMIC is based on a 35 hours/week contract

What are standard working hours in France?

Under French labour law the standard working week in France is 35 hours and a working day must not be more than 10 hours – this was passed as law in 2000.

Employees can work overtime above the standard 35 hour working week.

But, it's common for employment contracts to include an overtime policy for these instances – the two most common approaches being to offer one of:

- Réduction du temps de travail (reduction of working time), commonly known as RTT. Employees receive additional paid time off in exchange for overtime worked.
- Overtime pay rate above salary. Overtime pay is offered at 125% of regular salary for the first 8 hours, and 150% after that. Overtime pay is typically at least 110% of salary.

#### 2 - Gîtes and holiday rental income

The initial intent of the Government was to increase taxation on gîtes and holiday rentals. For now, we have a distinction between what we call professional and non-professional income. Non-professionals called LMNP (Loueur Meublé Non Professionnel) make less than 23,000€ per year and declare directly into their French

income tax form. While professionals make more than 23,000€ per year register a business and pay social charges.

Many people going professional choose the Micro Entrepreneur setup and strangely enough, for now, gites or AirBnB were classified under the buy-to-resell category "vente de marchandises".

Hence having a significantly higher turnover potential of 168,000€, while they provided a service. They also benefit from an important tax rebate to assess their business income (-71% instead of -50% if gite classified with Atout France).

The Government realised that it was missing an opportunity for taxes and aimed to change this category from marchandises to services commercial. Hence the yearly turnover going down from 168,000€ to 77,700€ per year for gîtes.

The major mistake happened when the term used in the text of law that was voted referred to "micro foncier", which has a maximum turnover of 15,000€! This is normally used for non-furnished rentals and land rental for farmers.

The Government realised the mistake the day after the law was passed and confirmed that a new law would be passed to fix this.

### 3 - New Income Tax Thresholds in 2024

This change refers to personal taxes and not business taxes, but it's good to know about it. The tax on your income earned in 2023, which you will declare in May 2024, is calculated based on income brackets. This income can be a salary, pension, business or rental income.

The income brackets have been revalued by 4.8% on 1st January 2024, to reflect inflation. The new tax bands are the following:

- Up to 11,294€ : 0%
- 11,295€ to 28,797€ taxed at 11%
- 28,797€ to 82,341€ taxed at 30%
- 82,342€ to 177,106€ taxed at 41%
- > 177,106€ taxed at 45%

### 4 - Recycling organic waste for professionals

France has been steadily implementing policies to reduce the amount of organic waste. Individuals have been equipped with paper recycling bins, as well as composting bins. Local councils have providing paper and plastic recycling bins to professionals too. From 1st January all professionals also have to handle organic waste. Specific bins called "composteur" might be provided by their local councils.

They may have to look at private service providers if they have to deal with large quantities of organic waste. This applies to any professional, but is a cause for more headaches in the food sector.

## 5 - Summer Olympic Games 2024 in Paris

. The summer Olympic & Paralympic games will take place in Paris from the end of July to early September 2024.

Finding a flat to rent anywhere near Paris around these months (and slightly before), will be hard. Prices are already going up and many people are keeping the bookings open for late rental at higher prices...

## 6 - Pôle Emploi becomes France Travail

If you are listed with the unemployment agency, are currently employed in France and plan to negotiate the end of your contract (rupture conventionnelle), just know that Pole Emploi will change its name to France Travail this year.

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The information and text in this document has been put together by Hubert Mazingue of Mazingue & Associés from the following sources:

[Everything you need to know before doing business in France - Business France Middle East](#)

[Start A Business In France in 8 Steps \(eurostartentreprises.com\)](#)

[Business in France: peculiarities of setting up a company, conditions of purchasing a ready-made business by foreigners \(iworld.com\)](#)

[labor-legislation-in-france-make-a-french-start-booklet-3.pdf \(businessfrance.fr\)](#)

[2024 Changes in France for Expats \(startbusinessinfrance.com\)](#)