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Country Question and Answer Chapters:

Chapter 16

France

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1 Tax Treaties and Residence

1.1 How many income tax treaties are currently in force in your jurisdiction?

France benefits from an impressive tax treaties network which applies to corporate tax, but also (depending on each treaty) to individual income tax, wealth tax, gift and/or inheritance tax as well as other French taxes. Approximately 130 bilateral income tax treaties are currently in force.

Very recently, France also signed amendments to existing tax treaties (with Germany and Luxembourg, among others) which will enter into force soon.

1.2 Do they generally follow the OECD Model Convention or another model?

The tax treaties which have been signed follow the OECD Model Convention most of the time, except for certain specifications and reservations.

1.3 Do treaties have to be incorporated into domestic law before they take effect?

Bilateral tax treaties signed by France follow, as a general rule, the OECD model. Variations of this model allow France to apply the specificities of French internal law. As an example, the concept of "*société à prépondérance immobilière*" (real estate company) is very often developed. The more recently negotiated amendments or tax treaties are more sophisticated than the previous and allow France to apply its extensive tax scope.

1.4 Do they generally incorporate anti-treaty shopping rules (or "limitation on benefits" articles)?

The most recently negotiated tax treaties or amendments of existing tax treaties state that anti-treaty shopping rules apply, for example, to dividends and interest.

1.5 Are treaties overridden by any rules of domestic law (whether existing when the treaty takes effect or introduced subsequently)?

A tax treaty or an amendment of an existing tax treaty becomes immediately applicable after its ratification by both states. Bilateral tax treaties override domestic law.

1.6 What is the test in domestic law for determining corporate residence?

Article 209 – 1 of the French Tax Code (FTC) provides that French or foreign resident companies are taxable in France on all profits made on business carried out in France under the territoriality principle. The concept of "business carried out in France" is not defined in the legislation. Cases have, however, held that the requirement is established when there is a routine commercial activity carried out in a place of business or through a representative or by operations comprising a complete commercial activity.

Under the French principle of restricted territoriality, profits (or losses) realised by a French company from business carried out outside France are not subject to French corporate tax.

2 Transaction Taxes

2.1 Are there any documentary taxes in your jurisdiction?

No documentary taxes *per se* exist in France. However, the sale of shares of French companies and of French or foreign companies qualifying as *sociétés à prépondérance immobilière* are subject to transfer duties under certain conditions. Transfer of goodwill is also subject to transfer duties.

2.2 Do you have Value Added Tax (or a similar tax)? If so, at what rate or rates?

European VAT rules apply in France, which is a member of the European Union. The standard VAT rate amounts to 20%. Three other rates may apply depending on the nature of goods or services (10%, 5.5% and 2.1%).

2.3 Is VAT (or any similar tax) charged on all transactions or are there any relevant exclusions?

All European exclusions apply in France. Some activities are excluded from the VAT scope, such as, for example, certain banking and financial transactions, as well as insurance and reinsurance activities. Renting out and sale of residential real estate are also excluded from the VAT scope under certain conditions.

2.4 Is it always fully recoverable by all businesses? If not, what are the relevant restrictions?

A taxpayer may recover VAT charged on goods and services used to realise the turnover, subject to VAT. The main exception to this principle is VAT on cars.

2.5 Does your jurisdiction permit "establishment only" VAT grouping, such as that applied by Sweden in the *Skandia* case?

The concept of VAT grouping does not exist in France. Under certain conditions, companies in the same group may elect to centralise the payment of VAT. Among other conditions, the "head" company should hold at least 50% of the share capital of its subsidiaries and all companies within the group should have the same tax year period.

2.6 Are there any other transaction taxes payable by companies?

Registration duties are due on the transfer of real estate, "*fonds de commerce*" (goodwill) or clientele and company shares.

Sale price of *fonds de commerce* and/or clientele is subject to registration duties at a rate of 3% (for amounts between €23,000 and €200,000) and 5% on amounts exceeding €200,000.

Purchases of French real estate are subject to registration duties at rates which may vary depending on the location of the real estate. A French notary should be appointed. Registration duties including the notary's fees may reach 7%.

The rate of registration duties applicable to the company's shares varies depending on the nature of the shares transferred:

- transfers of shares of a "*société par actions simplifiée*" (SAS) or a "*société anonyme*" running an industrial or commercial activity are subject to transfer duties at a rate of 0.1%;
- transfers of shares of a "*société à responsabilité limitée*" (SARL) running an industrial or commercial activity are subject to transfer duties at a rate of 3%; and
- transfers of shares of any company (French or foreign) whose assets are mainly composed of real estate property located in France (that is more than 50% of their market value) are subject to transfer duties at a rate of 5%.

2.7 Are there any other indirect taxes of which we should be aware?

France is the kingdom of indirect taxes.

Numerous indirect taxes apply to goods such as wines and alcoholic beverages, hydrocarbons, cigarettes, sugar, oils, etc.

3 Cross-border Payments

3.1 Is any withholding tax imposed on dividends paid by a locally resident company to a non-resident?

Unless tax treaties state otherwise, dividends are subject to a French withholding tax of:

- 21% when paid to residents in a country which is a member of the EU and EEA;
- 30% when paid to residents of a country which is not a member of the EU or EEA; and
- 75% when paid to residents of a non-cooperative state (i.e. a state which has not signed an exchange of information treaty with France).

However, most tax treaties signed by France provide either a reduced rate or a withholding tax exemption.

Under Directive 90/435/EEC relating to parent and subsidiaries companies, dividends are exempt from withholding tax if the recipient is a company resident in an EU country and has held at least 5% of the shares of the French subsidiary for at least two years. However, additional anti-avoidance rules applied on 1 January 2016 mean that the withholding tax exemption only applies if the ownership structure was not mainly motivated by benefitting from such an exemption.

3.2 Would there be any withholding tax on royalties paid by a local company to a non-resident?

Unless tax treaties state otherwise, royalties are, as a general rule, subject to a 33.33% withholding tax. When the recipient is resident in a non-cooperative country, royalties are subject to a 75% withholding tax.

3.3 Would there be any withholding tax on interest paid by a local company to a non-resident?

As a general rule, no withholding tax is levied on interest paid by a French company, except of course when the recipient is resident in a non-cooperative country.

3.4 Would relief for interest so paid be restricted by reference to "thin capitalisation" rules?

Like many other countries, France has legislation providing for certain limitations on interest expenses deduction, including thin capitalisation rules. However, as these different limitation rules apply all together, their articulation may be difficult to deal with.

French companies liable to corporate tax can only deduct from their annual taxable basis 75% of the net interest expenses occurring during the same year, unless the interest amount does not exceed €3 million.

In addition, the deduction of interest on loans granted by related parties is disallowed when the lender is liable to tax on the interest received from the borrowing company up to an amount which is less than a quarter of the French tax burden it would have been subject to, under standard conditions (in most cases if the effective tax rate is less than 8.33%).

Interest paid by a French borrowing company can be disallowed for French corporate tax purposes if its amount exceeds, cumulatively, the three following ratios:

- 1.5 times the company's share capital (debt/equity ratio);
- 25% of the company's earnings results before tax (interest coverage ratio); and
- the amount of interest received from affiliates (net paid interest).

Once the ratios have been met, the portion of interest which exceeds the highest of those is not deductible from the taxable results unless either of the following applies:

- it does not exceed €150,000 per year; or
- the borrowing company can prove that the overall debt/equity ratio of the group to which it belongs exceeds or equals its own debt/equity ratio.

Subject to restrictions, the portion of non-deductible interest from a year's taxable results can be deducted from the following fiscal year's results at a 5% reduction per financial year as from the second year.

The deductible interest rate paid to an affiliate company cannot exceed a certain percentage, which is published every year (2.15% for 2015).

Finally, within a French tax consolidation group, the deduction of a portion of interest paid by a tax group is disallowed and added back into the global taxable income when a member company acquires the shares of either of the following:

- a "head" company controlling, directly or indirectly, the purchasing company; that is, the acquiring company and the purchased company become members of the same group; or
- a company controlled directly or indirectly by the "head" company.

3.5 If so, is there a "safe harbour" by reference to which tax relief is assured?

Assuming the borrowing company demonstrates that its debt-equity ratio does not exceed the debt-equity ratio of its group, the thin capitalisation rules described below do not apply.

3.6 Would any such rules extend to debt advanced by a third party but guaranteed by a parent company?

Thin capitalisation rules also apply in this case; see our answer to question 3.4.

3.7 Are there any other restrictions on tax relief for interest payments by a local company to a non-resident?

All general anti-avoidance rules aimed to prevent internal and/or international tax evasion may also apply (see our answer to question 9.1).

3.8 Is there any withholding tax on property rental payments made to non-residents?

No withholding tax applies on property rental payments. Non-resident companies owning real estate properties located in France should comply with French accounting obligations and file an annual corporate tax return.

3.9 Does your jurisdiction have transfer pricing rules?

France has developed transfer pricing legislation, which states that the correct transfer price for a particular transaction between related parties must be that which the parties would have agreed at arm's length.

In order to determine the tax owed by companies that depend on or control enterprises outside France, any profits transferred to those enterprises indirectly through increases or decreases in purchase or selling prices or by any other means must be added back into the taxable income shown in the companies' accounts. The same procedure applies to companies that depend on an enterprise or a group that also controls enterprises outside France.

To enforce Article 57 of the French tax code, French tax authorities must prove both that a dependent relationship existed between the parties involved in the transaction under review and a transfer of profits occurred.

French legislation also requires certain companies to provide significant documentation to the French tax authorities in relation to transfer pricing.

4 Tax on Business Operations: General

4.1 What is the headline rate of tax on corporate profits?

French corporate tax is established on a strict territorial basis; that is, it is assessed on French source income and not on a worldwide basis. It is, in principle, levied at the standard rate of 33.33% on the net profit derived from all operations carried out in France. Double tax treaties may, however, allow France, under specific circumstances, to tax certain foreign source income.

Two co-existing parent-subsidiary regimes are applicable, based respectively on French domestic tax law and on EU regulations.

These regimes allow a qualifying parent company to benefit from reduced taxation on certain transactions on capital gains realised by the parent company on the sale of participations and dividends received from its subsidiaries.

French tax law also provides a tax consolidated regime ("*intégration fiscale*"); see our answer to question 4.4.

Large companies subject to corporate tax may also be liable to an additional contribution at the rate of 3.3%, assessed on the amount of corporation tax due exceeding €763,000. The additional contribution does not apply to companies whose annual turnover does not exceed €7.63 million, provided that at least 75% of the company is owned by individuals or by companies that themselves fulfil these conditions. A consolidated group (see our answer to question 4.4) is liable to pay this additional contribution if its global turnover exceeds €7.63 million.

Companies whose turnover exceeds €250 million in the period between 31 December 2013 and 30 December 2016 are liable to pay a temporary surtax at the rate of 10.7%, assessed on the amount of corporate tax due in respect of each accounting year.

See also our answer to question 4.6 relating to profits distributed by a French company to its shareholders.

French corporate tax is pre-paid in four instalments (in March, June, September and December). The debit/credit of corporate tax is due/refunded by 15 May the following year.

Losses incurred by a company subject to corporation tax can be carried forward without time limits. However, the offsetting of losses is limited to 50% of the current year profit insofar as the profits exceed €1 million. Any unused losses remain carried forward to the following years.

4.2 Is the tax base accounting profit subject to adjustments, or something else?

The determination of the taxable income is based on the company's accounting year, corrected to specific tax adjustments.

4.3 If the tax base is accounting profit subject to adjustments, what are the main adjustments?

The income of companies taxable under corporate tax law is determined by adjusting accounting profits and losses in conformity with specific tax regulations.

The major adjustments involved are the re-integration in the taxable income of the corporate tax itself and certain expenses considered unnecessary or extraneous to the purposes of the company, such as grants and subsidies granted to other companies. Some income, however, is subject to special tax provisions (notably, certain long-term capital gains, industrial property and trademarks, and income from subsidiaries).

4.4 Are there any tax grouping rules? Do these allow for relief in your jurisdiction for losses of overseas subsidiaries?

French tax law provides a tax consolidation regime, allowing a parent company to be liable for corporate tax (plus an additional contribution) on behalf of its whole group. The consolidated group includes French subsidiaries (foreign subsidiaries are excluded) which are liable to corporate tax and have a share capital 95% of which is held (directly or indirectly) by the parent company. A subsidiary can also be a part of a consolidated group when more than 95% of its share capital is held indirectly by a foreign EU company.

Under the tax consolidation regime, profits and losses incurred by all companies of the group are aggregated to determine a tax consolidated net result. Intragroup transactions are neutralised.

As explained before in questions 1.6 and 4.2, French corporate tax is applied on a strict territorial basis, under which neither losses incurred abroad by a company running a business in France nor losses incurred by its overseas subsidiaries can be offset against profits realised in France.

4.5 Do tax losses survive a change of ownership?

For French tax purposes, a change of ownership does not alter the carrying forward of tax losses, except if the activity of the company is substantially modified.

4.6 Is tax imposed at a different rate upon distributed, as opposed to retained, profits?

An additional 3% tax applies on profits distributed by French or foreign companies subject to French corporate tax when they do not qualify as small and medium-sized enterprises (SMEs). This category of SME is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding €50 million and/or an annual balance sheet total not exceeding €43 million.

4.7 Are companies subject to any significant taxes not covered elsewhere in this chapter – e.g. tax on the occupation of property?

France applies a lot of indirect taxes. Among others, the territorial economic contribution (TEC) and the annual 3% tax should be noted.

The TEC replaced the former business tax ("*taxe professionnelle*") in 2010. It is a local tax levied by the French department and regions made up of the following components:

- the "*cotisation foncière des entreprises*", which is based on the rental value of the real estate property used for the company's business; and
- the "*cotisation sur la valeur ajoutée des enterprises*", which is based on the added value by the business on a yearly basis.

The overall amount of TEC due by the company cannot exceed 3% of the annual "added value" produced by the company.

The annual 3% tax is due by French and foreign companies owning (directly or indirectly) one or more real estate properties located in France, the market value of which exceeds that of all other French movable/financial assets owned by the same company. In practice, because there are many legal exemptions, this tax is only due when the real estate located in France is not used for business and the identity of the ultimate owners has not been disclosed to the French tax authorities, or one of the intermediary companies involved in the ownership structure is based in a country which has not signed an exchange of information treaty with France, or reporting obligations have not been completed.

French tax law also provides that companies which are not subject to VAT on less than 10% of their preceding year's turnover are subject to a tax on salaries ("*taxe sur les salaires*"), based on wages paid at a progressive scale rate comprising between 4.25% and 20%.

5 Capital Gains

5.1 Is there a special set of rules for taxing capital gains and losses?

Capital gains are, as a general rule, included in the corporate tax basis and then subject to corporate tax as explained in question 4.1.

However, specific provisions allow one to apply a more favourable tax regime to capital gains on certain assets.

Capital gains on the sale of shares qualifying as "participation exemption" may benefit from a partial exemption (see our answer to question 5.2).

Capital gains on the sale of intellectual properties, patents and assimilated assets are, under certain conditions, subject to corporate tax at a reduced rate of 15%.

Capital gains realised on the sale of listed shares of real estate companies ("*sociétés à prépondérance immobilière*") are subject to a 19% reduced corporate tax. Shares of real estate companies which are not listed are still subject to corporate tax at the standard rate of 33.33%.

Finally, capital gains on certain qualifying venture capital, mutual funds and investment companies, may, under certain conditions (they should be owned for more than five years among other conditions), benefit either from a reduced rate of taxation of 15% or from a full exemption.

5.2 Is there a participation exemption for capital gains?

Sale of companies' shares benefit from a partial exemption (amounting to 88%), if among other conditions, the share has been held for more than two years.

5.3 Is there any special relief for reinvestment?

No special relief for reinvestment applies in France at the moment.

5.4 Does your jurisdiction impose withholding tax on the proceeds of selling a direct or indirect interest in local assets/shares?

Unless tax treaties provide otherwise, withholding taxes are levied in France either in the case of sale of a real estate property located in France by a foreign company, or in the case of sale of company shares (French or foreign), as described below.

Sale of a real estate property located in France by a foreign company is subject to a withholding tax amounting to 33.33%. Depending on the seller's country of residence, the taxable basis of this withholding tax may vary.

Assuming the seller is a company resident in a member state of the EEA, the 33.33% withholding tax is levied on the difference between the sale price and net book value of the real estate property.

Assuming the seller is a company resident in a state which is not a member of the EEA, the 33.33% withholding tax is levied on the difference between the sale price and the purchase price of the real estate, less an amount corresponding to 2% of the purchase value of the real estate per year of ownership of the sold real estate property. We are convinced that this rule restricts the free movement of capital, as does the obligation to appoint a French tax representative.

In both cases, the withholding tax levied at the time of the sale of the French real estate is a prepayment of corporate tax (at the standard rate of 33.33%), which is computed at the end of the fiscal year during which the real estate is sold. Assuming the 33.33% withholding tax exceeds the 33.33% corporate tax due, the excess can be refunded by a claim filed to the French tax authorities.

A withholding tax is also levied in case of sale of shares by a foreign company which is different depending on the quality of the company sold.

Assuming the company (French or foreign) sold qualifies as a real estate company ("*société à prépondérance immobilière*"), the withholding tax is levied at the rate of 33.33% on the difference between the sale price and the purchase price if the seller is a foreign company.

Assuming the French company sold does not qualify as a real estate company and that more than 25% of its share capital is held by a foreign company at the time of the sale or at any time during the five years preceding the sale, a 45% withholding tax applies.

Assuming the seller is resident in a non-cooperative state or territory, the withholding tax is increased to 75% on the capital gain amount. We are convinced that this rule restricts the free movement of capital.

6 Local Branch or Subsidiary?

6.1 What taxes (e.g. capital duty) would be imposed upon the formation of a subsidiary?

No tax would be imposed upon the formation of a French subsidiary by a foreign company.

6.2 What is the difference, if any, between the taxation of a locally formed subsidiary and the branch of a non-resident company?

As a general rule, there are very few differences between the taxation of a locally formed subsidiary and a local branch set up by a non-resident company.

Because a branch (as opposed to a subsidiary) does not benefit from a legal personality different to those of its head office, interest as well as royalties paid by a French branch to its foreign head office are not deductible for French tax purposes.

6.3 How would the taxable profits of a local branch be determined in its jurisdiction?

The French branch would only be subject to French corporate tax on profits realised in France, as would have been a French subsidiary (see our answer to question 4.1).

6.4 Would such a branch be subject to a branch profits tax (or other tax limited to branches of non-resident companies)?

Unless a treaty applies, corporate tax profits transferred by a French branch to its foreign head office are subject to a 30% withholding tax. A 75% withholding tax applies when the non-resident company is resident in a non-cooperative state or territory. Once again, we are convinced that this rule restricts the free movement of capital.

6.5 Would a branch benefit from double tax relief in its jurisdiction?

Branches of foreign companies are not considered resident for the application of tax treaties, and therefore cannot benefit from their provisions.

6.6 Would any withholding tax or other similar tax be imposed as the result of a remittance of profits by the branch?

See our answer to question 6.3.

7 Overseas Profits

7.1 Does your jurisdiction tax profits earned in overseas branches?

As explained before, according to the strict territorial regime of French corporate tax, profits realised by overseas branches of a French company are not taxable in France.

7.2 Is tax imposed on the receipt of dividends by a local company from a non-resident company?

As a general rule, dividends from abroad received by a French company are subject to French corporate tax.

However, according to the French parent-subsidiary tax regime, assuming the French company owns more than 5% of the shares of the distributing company for more than two years, dividends benefit from a 95% exemption for corporate tax purposes. This favourable regime does not apply when the subsidiary is resident in a non-cooperative state or territory.

7.3 Does your jurisdiction have "controlled foreign company" rules and, if so, when do these apply?

Article 209 B of the FTC provides that, when a French company, subject to corporate tax, either realises a business enterprise in a low-tax jurisdiction or controls directly or indirectly (for more than 5% if the company is listed, 50% in other cases) the capital of a company located in a low-tax jurisdiction, profits realised by such a company are subject to corporate tax in France even if they have not been distributed to the French shareholder.

8 Taxation of Real Estate

8.1 Are non-residents taxed on the disposal of real estate in your jurisdiction?

Foreign companies selling real estate located in France are subject to a 33.33% withholding tax as explained in question 5.4 above.

8.2 Does your jurisdiction impose tax on the transfer of an indirect interest in real estate located in your jurisdiction and, if so, what constitutes an indirect interest?

Unless tax treaties provide otherwise, foreign companies are subject to a 33.33% withholding tax on the sale of shares of companies (French or foreign) owning (directly or indirectly) real estate properties located in France having a fair market value exceeding the fair market value of other assets they own, as explained in question 5.4.

8.3 Does your jurisdiction have a special tax regime for Real Estate Investment Trusts (REITs) or their equivalent?

France does not know the concept of REITs. However, French tax law provides for a specific optional regime applying, under certain conditions, to listed real estate companies ("*sociétés d'investissements cotées*"). A French corporate tax exemption is granted provided that the major part of their results are distributed to their shareholders, corresponding to 95% of their rental income, 60% of their capital gains and 100% of dividends received from their subsidiaries.

9 Anti-avoidance

9.1 Does your jurisdiction have a general anti-avoidance or anti-abuse rule?

The French tax code provides numerous anti-avoidance or anti-abuse of law rules.

Some of them have a very wide scope and may function to avoid internal and international tax avoidance (theory of "*abus de droit*" or "*acte anormal de gestion*"). Others are specifically dedicated to avoiding international tax evasion.

The French tax authorities may use the theory of abuse of law ("*abus de droit*") provided by article L64 of the Tax procedure handbook ("*livre des procédures fiscales*") to challenge an operation (or a series of operations) which allow the taxpayer to avoid, reduce or postpone a French tax.

An abuse of law may be characterised when either the operation or the scheme used is fictitious or the taxpayer researched a literal application of a provision or decision that is contrary to the intention of the lawmaker and was motivated only by the intention of avoiding or reducing its tax burden. A penalty at the rate of either 40% or 80% applies when an abuse of law is characterised.

The theory of abnormal management act ("*acte anormal de gestion*") allows the French tax authorities to disregard an operation which has not been realised in the best interest of the company.

These general provisions may be difficult to apply because the French tax authorities may characterise the existence of "*abus de droit*" or of "*acte anormal de gestion*".

This is the reason why specific anti-avoidance provisions have been introduced in the French tax code which presume the existence of tax avoidance. Then the taxpayer should (sometimes) prove the absence of the intention of avoidance in order to escape the application of the presumption imposed by the law.

This is the case for: article 57 of the FTC (see our answer to question 3.9); 209 B of the FTC (see our answer to question 7.3); article 238 A of the FTC; and article 155 A of the FTC.

According to article 238 A of the French tax code, any payments made by a French company benefitting a company located in a low-tax country are not deductible for French tax purposes.

According to article 155 A of the French tax code, payments received by a non-resident (individual or company) corresponding to the remuneration of services rendered by a French taxpayer are, under certain conditions, taxable in France.

Finally, as explained before, any dividends, royalties, capital gains or income from a French source are subject to a 75% withholding tax when paid to a resident in a non-cooperative state or territory.

9.2 Is there a requirement to make special disclosure of avoidance schemes?

The requirement to make special disclosure of avoidance schemes has not yet been introduced in French tax law.

10 BEPS and Tax Competition

10.1 Has your jurisdiction introduced any legislation in response to the OECD's project targeting Base Erosion and Profit Shifting (BEPS)?

France has already introduced legislation in response to the OECD's project targeting Base Erosion and Profit Shifting, as a specific mechanism which aims to strive against the effects of hybrid mismatch arrangements. In this scope, when a company which is subject to corporate income tax is bonded to another company, wherever it is located in France or in foreign country, the loan's interests are deductible only if the borrowing company shows that the lending company is subject to income tax on the same interests.

10.2 Does your jurisdiction intend to adopt any legislation to tackle BEPS which goes beyond what is recommended in the OECD's BEPS reports?

France largely follows the recommendations of OECD's BEPS reports. Sometimes, it requires more transparency in regard to transfer pricing. Companies, when they are controlled by tax authorities, have to provide the French tax authorities with a copy of the rulings from which they benefit in other countries, in addition to other reporting obligations provided by OECD transfer pricing's recommendations.

10.3 Does your jurisdiction support public Country-by-Country Reporting (CBCR)?

The European Commission has, at the beginning of 2016, published directive drafts to fight against fiscal fraud and included a country-by-country reporting mechanism. However, the French Parliament took the lead and from 1 January 2016 imposed an obligation to report accounting and taxable results country-by-country. Companies which hold foreign subsidiaries or branches, establish consolidated accountings and realise a consolidated turnover of over €750 million, are subject to this specific reporting obligation.

10.4 Does your jurisdiction maintain any preferential tax regimes such as a patent box?

French legislation provides for multiple grants and tax incentives to attract new investors. They take the form of tax credits and exemptions at both a national and regional level. Investors must meet strict criteria to apply for these.

The main incentive provided by French tax legislation is the "R&D tax credit" ("*credit d'impôt recherche*"), which is a corporate tax incentive based on the research and development expenditure incurred by any trading company located in France, regardless of sector and size. This mechanism allows all companies to benefit from a 30% (under €100 million) or 5% (exceeding €100 million) partial refund (either by way of tax reduction or tax reimbursement). This mechanism was extended to innovation expenditures incurred by small and medium-sized companies (SMEs), offering a yearly tax credit of 20% for up to €400,000 of expenses (that is, a yearly tax credit of €80,000).

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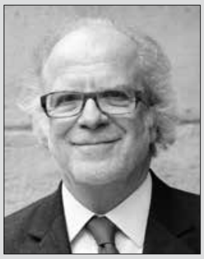
Maryse Naudin has a wealth of experience in French and international tax, as well as tax litigation in all aspects of French taxation with a particular emphasis on international tax issues (including European community freedoms and fundamental law principles). She now has more than 30 years' experience in advising and defending a varied clientele, from multinational corporations to high-net-worth individuals, in relation to cross-border tax issues. She has experience in setting up and structuring multinational large and medium-sized groups in Europe (notably in the e-business sector) and also has proven expertise in comparative corporate taxation of trading and holding companies within the EU. She negotiated, together with Jean-Marc Tirard, the first France-US transfer pricing APAs for Visteon Corporation (an American global automotive electronics supplier spun off from the Ford Motor Company in 2000).



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Jean-Marc Tirard is recognised as an authority in French and international tax law and has considerable experience in tax and estate planning for French and foreign high-net-worth individuals. He has more than 40 years' experience advising major French and foreign companies on domestic and international corporate tax issues as well as negotiating with tax authorities and handling tax litigation. He negotiated, together with Maryse Naudin, the first France-US transfer pricing APAs for Visteon Corporation (an American global automotive electronics supplier spun off from the Ford Motor Company in 2000). Jean-Marc is rated as one of the leading tax and private client French lawyers in various surveys (*International Tax Review*, *Chambers*, etc.) and has published many articles and books in French and English, including *La Fiscalité des Sociétés dans l'UE* (8th edition, 2010), translated into English as *Corporate Taxation in EU Countries* (Longmans).

TIRARD, NAUDIN
SOCIÉTÉ D'AVOCATS

Co-founded in 1989 by Jean-Marc Tirard and Maryse Naudin, Tirard, Naudin is a boutique law firm which specialises in international taxation. The founding partners are assisted by Ouri Belmin, who is in charge of the team in Paris. Tirard, Naudin is regularly involved in structuring acquisitions of French assets (especially real estate) on behalf of foreign investors. The firm also has proven experience in procedural and tax litigation with a particular emphasis on international tax issues, especially in respect of the major European freedoms and fundamental principles. Finally, Tirard, Naudin has particular expertise in issues related to the use of tools and concepts of Common Law in the context of civil law (particularly trusts). Clients of the firm include large companies and foreign institutional investors, as well as a prestigious private clientele. The firm also works as an expert on behalf of French and foreign colleagues.

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