# French Tax Law: Income taxes



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# SUMMARY


## #1 Corporation tax

P. 4

## #2 Personal income tax

P. 9

### #2.1 Income from entrepreneurship activity

P. 11

### #2.2 Income from salaried and similar activities

P. 12

# WARNING



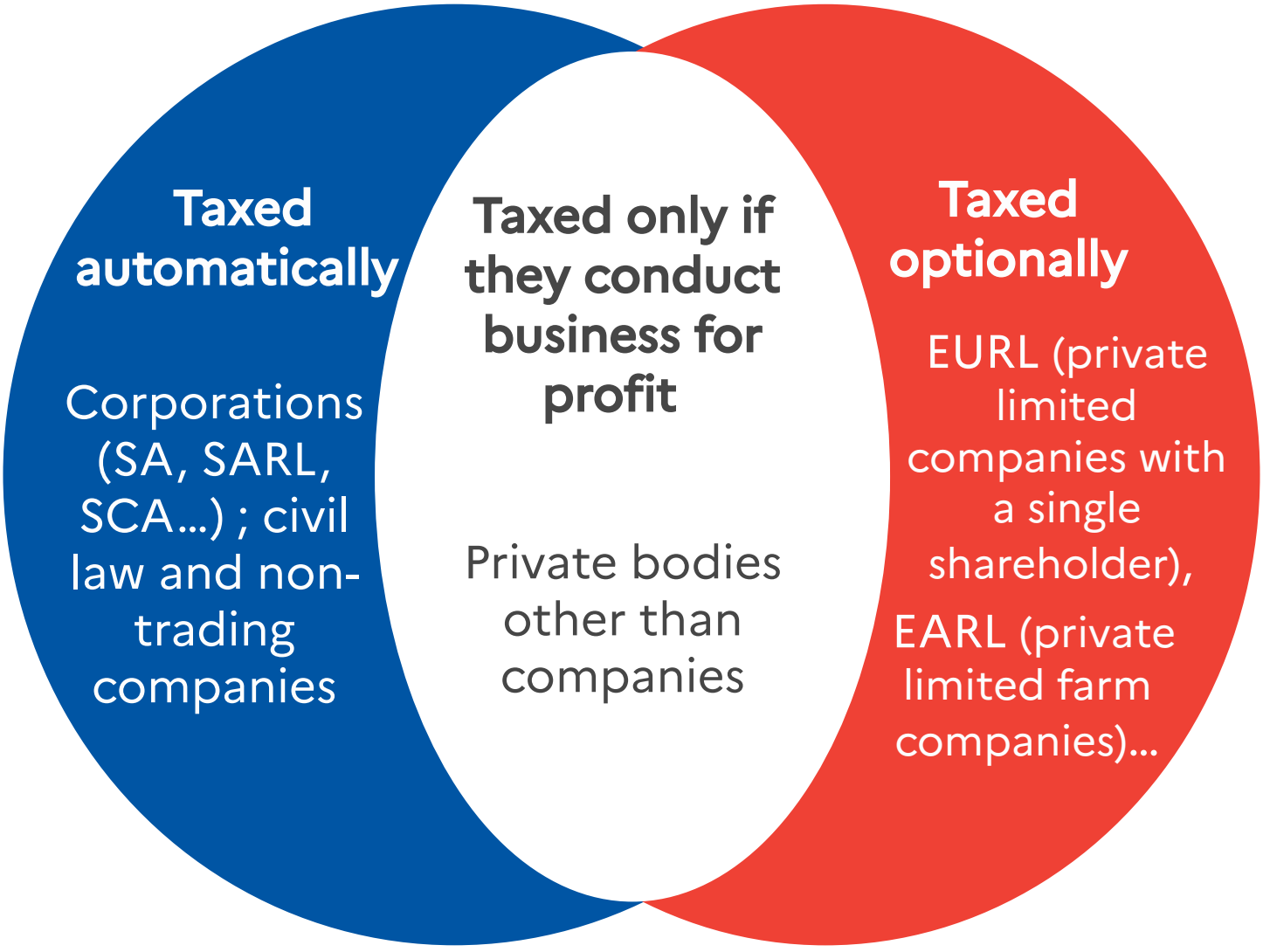
This document focuses on presenting the general rules of the French tax regime. Therefore, many of these processes can be subject to exceptions or special dispositions.



# Corporation tax

Corporation tax is a tax, in principle payable annually, on all profits generated in France by companies and other legal entities.

## Scope of Corporation Tax






**Profits made by companies operating in France are liable to corporation tax.**

Companies that carry on a regular business in France : in an autonomous establishment ; or through representatives without independent professional status ; or as part of operations forming a complete business cycle



## SOME ENTITIES IN PRINCIPLE LIABLE TO CORPORATION TAX CAN BE

**Excluded from corporation tax**

Health and social/medical-social cooperation groups, propriety holding companies...

**Partially or totally exempted from corporation tax**

Non-profit organisations and trade unions, open-ended investment companies...

Tax base

=

**Book profit**

+

**Additions** (ex: any expenses not related to the company's purpose or considered non-deductible )

−

**Deductions** (ex: changes in inventory, investment incentive)

# Corporation tax

| | |
|---|---|
| **25 %** | The standard corporation tax applied in absence of specific provision |
| **15 %** | Applied on the portion of profit up to 42,500€ for small and medium sized enterprises SMEs that have a turnover excluding VAT under 10,000,000€. |
| **10 %** | Specific rate for on net profits from the assignment, licensing or sub-licensing of patents and similar intangible assets also subtracted from profits |



**Corporation tax** =

**Tax base** x **Corporation rate**



Corporation groups can opt for a consolidation regime to booster their competitiveness

**Corporation taxpayers are liable to a social contribution equal to**

**3.3% of (the corporation tax – 763 000) for :**

Companies with a turnover excluding VAT ≥ 7.63m

Any tax credits and reductions like the "patronage" tax reduction or the Research Tax Credit (30% of the fraction of the eligible research expenditure inferior or equal to 100 million euro and 5% of the fraction exceeding it) are deducted from the gross tax.

Corporation tax must be paid before the **15th of the 4th month** following the end of the financial year.

For companies with financial years ending on the **31st of December**, corporation tax must be paid until the following **May 15th**

# 2 Personal income tax

**Personal income tax** is in principle a comprehensive tax levied on an individual's total income each year.



## Resident in France for tax purpose :

→ Taxable on all their income of French or foreign origin



## Persons not domiciled in France :

→ Taxable only on their income from French sources



## 2.1 Income from entrepreneurship activity



**Focus on industrial and commercial income from entrepreneurship** : includes profits made by individuals from industrial, commercial and craft activities.

**Tax base**

**For small enterprises** (turnover under €238 000) : simplified regime that reduces their accounting obligations

Rules = **Corporation tax's rules**

**For very small enterprises** (turnover under €77,700): usually taxed on a notional profit corresponding to a percentage of their turnover



For this kind of income, one is required to attach special declarations to ones annual tax return.

## 2.2 Income from salaried and similar activities



For wages, salaries, pensions and substitution income, tax is collected at source by the payer with the system of withholding at source for income tax.

**Personal income tax** based on the amounts declared by taxpayers, who are required to file a return reporting all income received in the previous year by the tax household.

**Tax credits** or **tax releases** can be applied depending on the characteristics of the household (ex: childcare expenses...)

Personal income tax depends on the situation and expenses of the **taxpayer's household** and a **progressive scale** fixed by income bracket with a rate between 0 and 45% that increases with the tax base.

## Contact us:

tax4business@dgfip.finances.gouv.fr

