

**Chandrawat
& Partners**

DOING BUSINESS IN FRANCE

enquiries@chandrawatpartners.com | www.chandrawatpartners.com

Table of contents

<u>Contents</u>	<u>Page no.</u>
Introduction	1
Economic overview	2
FDI policy	4
Key sectors	5
Advantages of doing business	6
Types of business	7
Minimum eligibility criteria for company registration	8
Taxation	9
Employment and labour laws	11
Employment Policies	12
How we can help?	13

Introduction



Companies looking to thrive in the international market have many opportunities in France. As Europe's third-largest economy and a global leader in various industries, France attracts investors and entrepreneurs from around the world. France has a well-developed infrastructure, a skilled and educated workforce and a strategic geographical location. With its diverse consumer market and a strong emphasis on innovation, businesses can find opportunities for growth and market expansion.

Doing business in France requires a balance between embracing its economic potential and understanding its cultural and regulatory complexities. With the right approach, international businesses can take advantage of the country's strengths, contribute to its innovation-driven landscape and establish a successful presence in this dynamic market.

Economic overview



France has one of the largest and most developed economies in the world. It is known for its diverse industries, including manufacturing, services, agriculture, and tourism. Key sectors include aerospace, automotive, luxury goods, pharmaceuticals, and technology.

France is also part of the Eurozone, which influences its economic policies and stability. It's fiscal policies and public debt levels have been topics of discussion, and the government has aimed to strike a balance between economic growth and fiscal prudence. Tourism is a significant contributor to France's economy, with attractions like Paris, the French Riviera, and historical sites drawing millions of visitors each year.



Foreign Direct Investment ("FDI") policy

France welcomes foreign direct investment (FDI). They had a liberal ("FDI") policy, which permitted foreign investors to invest in a variety of economic areas.

- **Investment promotion:** France, welcomes international investors to engage in its economy. France has several agencies and initiatives that assist international investors in navigating and providing assistance throughout the investment process.
- **Tax incentives:** France provides certain tax incentives and benefits to foreign investors, particularly in areas such as research and development, innovation, and environmentally friendly enterprises.
- **EU regulations:** As a member of the European Union, France abides by EU FDI restrictions, including transparency requirements for investments that could jeopardize security or public order.
- **Public procurement:** Foreign companies bidding for public procurement contracts in France are generally treated on an equal basis with domestic companies. However, specific regulations and requirements may vary.



Key sectors

France has a diverse economy with key sectors that include:

- **Automotive:** France is known for its automobile industry, home to companies like Renault, Peugeot, etc.
- **Energy:** France has a strong presence in the energy sector, with a focus on nuclear power and renewable energy sources.
- **Aerospace:** The country has a strong aerospace sector, with companies like Airbus and Safran playing significant roles.
- **Healthcare and Pharmaceuticals:** The country has a robust healthcare system and is home to pharmaceutical giants like Sanofi.
- **Luxury Goods:** France is renowned for its luxury brands in fashion, cosmetics, and accessories, including Louis Vuitton, Chanel, and L'Oréal.
- **Financial Services:** Paris serves as a major financial hub in Europe, with many international banks and financial institutions headquartered there.

Advantages of doing business

Significant consumer access:

The French economy is the third largest in Europe. Companies can take advantage of its large consumer population. The purchasing power of French residents has increased, with consumer spending increasing every year.

Transportation infrastructure:

Businesses can benefit from the highly developed infrastructure for travel and transportation. Europe has the second-largest rail network, the third-largest road network, highly active seaports and 18 major international airports.

Diverse and skilled workforce:

Businesses expanding into France can benefit from the country's population diversity and highly skilled and qualified workforce. France regularly invests in its workforce-training infrastructure.

Friendly investment environment:

France has a business-friendly and stable investment climate for foreign investors. The French government invests a significant amount of resources in attracting foreign investment through its policy incentives, marketing, foreign trade promotion offices and investor assistance mechanisms.

Types of business

In setting up a business, entrepreneurs need to be aware of the company types available to choose the structure that best suits their interests and objectives.

- **Joint stock company ("JSC"):** A minimum of seven shareholders is required to set up a JSC in France. Founders can be either individuals or legal entities. The initial share capital for company formation in France is 37,000 EUR.
- **Limited liability company ("LLC") :** The incorporation of a LLC in France requires a minimum of two shareholders and Not more than 100 individuals or legal entities can form a limited liability company. There is no minimum share capital requirement. This structure is generally recommended for small to medium-sized companies.



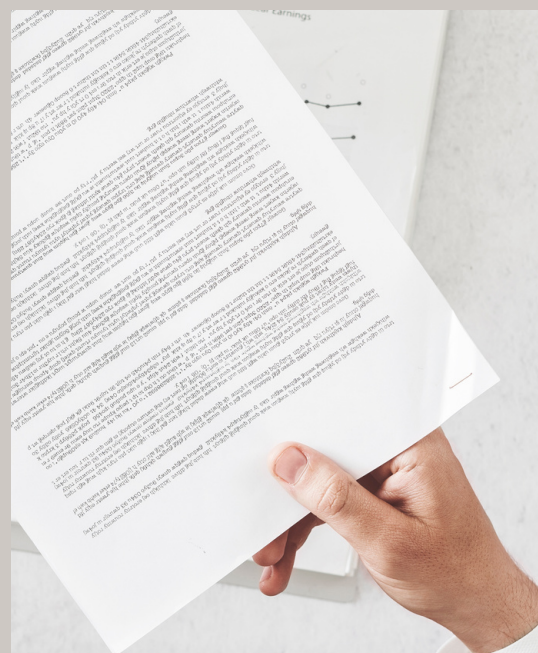
- **Simplified stock corporation:** It is a company similar to a joint stock corporation, but it is more flexible and it requires only two partners for company formation in France. A chairman or president must be appointed by the shareholders.
- **Sole proprietorship:** The founder is solely responsible for all debts and obligations. No initial capital is required for this type of company in France.
- **Commercial partnership:** it requires at least two partners and the Partners are responsible for the obligations and debts of the partnership to the extent of their assets. There is no minimum capital requirement to set up a commercial partnership in France. The business activities of the partners should be carried on under the same business name.



Minimum eligibility criteria for company registration

The eligibility criteria for company registration in France vary depending on the type of firm. The following are some general requirements:

- **Legal form:** Choose the appropriate legal structure for your company, such as a Sole Proprietorship (“EI”), Limited Liability Company (“SARL”), Public Limited Company (“SA”), or Simplified Joint-Stock Company (“SAS”), among others.
- **Registered address:** A registered address in France is essential for official paperwork to be sent.
- **Shareholders and directors:** Depending on the legal form, you may need a minimum number of shareholders and directors. Some structures allow a single person to fulfill both roles.
- **Company name:** Your company name must be unique and not already registered by another entity.



- **Share capital:** Certain legal forms require a minimum share capital to be deposited in a bank account before registration.
- **Business activity:** Clearly define the main business activity of your company.
- **Statutes:** Draft the company's statutes (articles of association) outlining its internal regulations and governance.
- **Notary or online registration:** Depending on the legal form, you might need to visit a notary or complete online registration through the official government portal.
- **Taxation:** Understand the tax obligations associated with your chosen legal structure.
- **Documents:** Prepare necessary documents, including identification documents for directors and shareholders, proof of address, and any required permits or licenses.
- **Bank account:** Open a business bank account in France.
- **Social Security registration:** If you plan to hire employees, you'll need to register with the French social security system.

How to set up a business?

Registration and formation: The company must be registered with the Registrar of Trade and Companies. Registration takes five to ten days after the finalization and submission of the following documents:

- Proof of address of the registered office of the company.
- Certificate is given by the bank for contribution in cash.
- Original signed copies of the Articles of Association.
- A list of shareholders including the number of shares and the amount invested by each shareholder.
- Copies of acceptance letters for appointment of statutory auditors, if required.
- Effective declaration on behalf of the beneficiary.
- Reporting requirements

The minutes of the general meeting approving the annual accounts should be made public on an annual basis.

French company register (“RCS”) also issues the K-bis Extract, which is a French company identification document. Any change in the company that amends the Articles of Association or information on the K-bis quotation must also be published and registered with the RCS.

- **Share capital:** The Articles of Association determine the share capital. There are no minimum or maximum share capital requirements.
- **Non-cash consideration:** Shares can be issued as consideration for contribution in kind. Such contributions should be evaluated in the auditor's report. Shares may also be issued as a reward for the contribution of services or technical knowledge.
- **Rights attaching to shares:** Restriction on rights attached to shares. Shares are freely transferable, unless otherwise provided in the Articles of Association. A SAS may issue ordinary shares or preferred shares with specific rights as described in the articles of association. Automatic rights attaching to shares. Unless otherwise provided in the Articles of Association, each ordinary share confers on its holder the same rights:
 - Company profits and liquidation premium.
 - Attend shareholders' meetings.
 - Vote at shareholders' meetings.
 - Have access to a minimum level of information (for example, annual accounts), 37,000 euros.



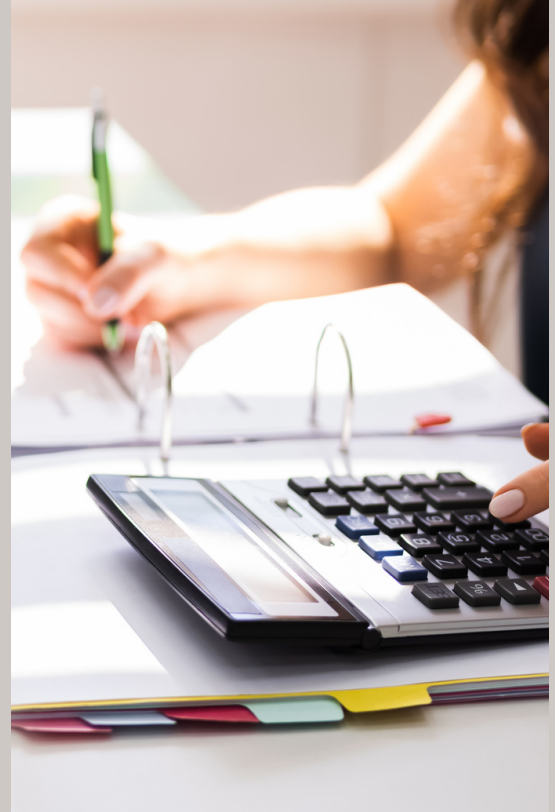
Taxation

Taxes in France fall into two general categories:

Direct taxes

A tax is direct when taxpayers whether individuals or businesses pay directly to the Public Treasury. Here are the different types of direct tax in France:

- **Income tax:** it should be paid by micro-enterprises, limited liability sole proprietorships etc.
- **Corporate income tax:** To pay corporate tax, a company's net profit after deducting executive compensation must be reported.



Indirect taxes

These are less visible than direct taxes. However, they are extremely important for government revenue.

- **VAT:** Value Added Tax is a general consumption tax. In France, Companies are responsible for collecting VAT on behalf of the government.
- **Registration fees:** A registration fee is paid while registering a legal document. This includes inheritance proceedings, donation fees and the sale of immovable property.
- **Stamp duty:** it is a tax that an individual pay while preparing (or renewing) a legal document or identity document.
- **Customs duty:** imposed on products bought in a country outside the EU that are brought back to France.

Accounting standards

French accounting standards are based on international financial reporting standards. With few exceptions, all companies in France are required to follow these accounting standards regulated by the French Ministry of Finance. French accounting standards reflect changes in the French economy and accounting practices. These accounting standards aim to provide a high degree of transparency and comparability for businesses. They are designed to ensure that financial statements provide a true and fair view of a company's financial position, performance and cash flows. These standards are mandatory for all companies listed on the French Stock Exchange, as well as some other companies.



Employment and labor laws

Employment and labor law in France is subject to various regulations that protect workers' rights and govern employer-employee relations. Here are some key points regarding employment and labor laws in France:

- **Working Hours:** The standard working week in France is 35 hours. Under certain conditions, overtime work is usually limited to 220 hours per year. There are also specific rules for night work, rest periods and annual leave.
- **Employment Contracts:** There are several types of employment contracts in France, including open-ended contracts and fixed-term contracts. Specific rules apply to each type of contract.
- **Minimum Wage:** The national minimum wage in France is revised annually and varies depending on the age and experience of the employee.
- **Collective Bargaining:** France has a strong tradition of collective bargaining. Trade unions play an active role in negotiating collective agreements with employers, which may cover various aspects of employment conditions.

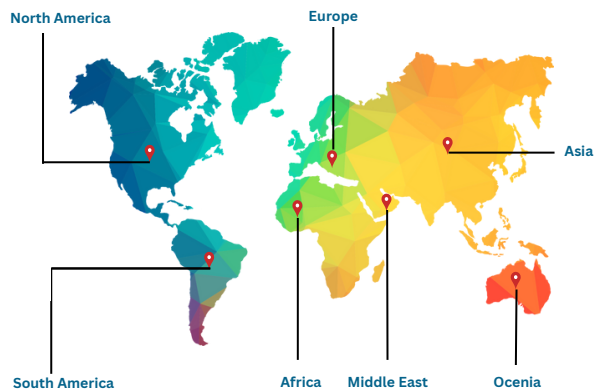


How we can help?

- Our team of professionals can conduct comprehensive market research to help businesses understand their target audience, industry trends, and potential competitors.
- Our experts can help set clear objectives, outline actionable steps, and identify opportunities for growth and expansion.
- Our team can conduct risk assessments to identify potential threats and vulnerabilities within a business. They can then recommend risk mitigation strategies to safeguard against adverse events.
- Our team offers advice on the optimal legal form for an enterprise, such as a corporation, partnership, limited liability company ("LLC"), or sole proprietorship.



SERVING CLIENTS WORLDWIDE



The information contained herein is of a general nature. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. The information is not offered as an advice on any matter, and no one should act or fail to act based on such information without appropriate legal advice after a thorough examination of the particular situation. The information does not make us responsible or liable for any errors and/or omissions, whether it is now or in the future. We do not assume any responsibility and/or liability for any consequences.

Key Contact



Surendra Singh Chandrawat

Managing Partner

✉ surendra@chandrawatpartners.com

Connect Surendra on



Chandrawat & Partners is a leading and rapidly growing full-service firm providing high quality professional and corporate services to foreign and local clients, representing companies and individuals in a wide range of sectors through separate entities established in various countries worldwide.

Copyright © 2023 | All rights reserved | Chandrawat & Partners | Email: enquiries@chandrawatpartners.com | Website: www.chandrawatpartners.com

Follow us on:

