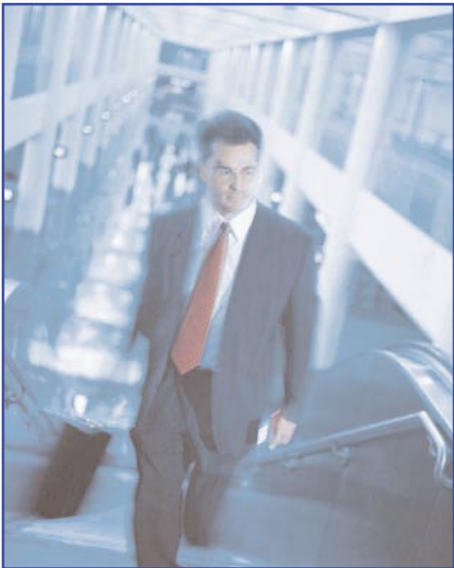


Set up a subsidiary in **FRANCE**



In France, there are numerous forms of fiscal, financial and social security assistance for the creation of new businesses ; this information is distributed mainly by the State and local administrations.

This flier aims at helping you locate the kinds of assistance that may be of use to you in France.

WHERE TO GET INFORMATION?

Scottish Development International

150 Broomielaw Atlantic Quay

Glasgow G2 8LU

Tel : +44 141 228 2367

Fax : +44 141 228 2086

<http://www.scottishdevelopmentinternational.com>

=> *One of our roles is to inform and work alongside Scottish investors wishing to invest in France.*

Scottish Development International - France

c/o British Embassy

35, rue du Faubourg Saint-Honoré

75383 Paris Cedex 08

Tel : +33 1 44 51 31 94

eric.pol@scotent.co.uk

=> *One of our roles is to inform and work alongside Scottish investors wishing to invest in France.*

Chamber of Commerce

To obtain the details of the Chamber of Commerce closest to where you are setting up operations, contact :

ACFCI (Assemblée des Chambres Françaises de Commerce et d'Industrie)

[Union of French Chambers of Commerce]

45, av. d'Iéna

75116 Paris

Tel.: +33 1 40 69 37 00

Fax : +33 1 47 20 61 28

<http://www.lille.cci.fr/ccis/index.html>

=> *It Provides reception facilities for, informs and works alongside the creators of commercial or industrial companies.*

Chambre de métiers (Guild Chamber)

To obtain the details of the Chambre de métiers closest to the place where you are setting up operations, contact

APCM - Assemblée Permanente des Chambres de Métiers

(Permanent Union of Guild Chambers)

12, Avenue Marceau

75008 PARIS

Tel.: +33 1 44 43 10 00

Fax : +33 1 47 20 34 48

<http://www.apce.com/ARTISAN/TEXARTIS.html>

=> *It provides reception facilities for, informs and works alongside the creators of small-scale companies.*

Réseau Entreprendre en France

(French Entrepreneurs' Network)

For information with respect to Entreprendre facilities, Minitel

3615 J'ENTREPRENDS

<http://www.reseau-entreprendre.org/>

=> *Regroups Chambers of Commerce, Guild Chambers, credit institutions, guarantee organizations, government organizations, the professions... which provide reception facilities for, inform and work alongside the creators of new businesses.*

Boutiques de Gestion (Management Shops)

For information on the Boutique de Gestion closest to the place where you are setting up operations, contact

CLBG (Comité de Liaison des Boutiques de Gestion)

[Management Shops Liaison Committee]

14, rue de Delambre

75582 PARIS cedex 14

Tel.: +33 1 43 20 54 87

Fax : +33 1 43 35 39 92

<http://www.boutiques-de-gestion.com/>

=> *Specialized in general company-creation operations. They propose personalized interviews, training courses and monitoring services and activities for new businesses.*

Club de créateur d'entreprise (Club for Creators of New Businesses)

In order to obtain the details of the Club de Créateurs closest to where you are setting up operations, contact the

FFCCRE - Fédération Française des Clubs de Créateurs et Repreneurs d'Entreprises (French Federation of Clubs for Creators of New Businesses and Take-over Specialists)

Tour Winterthur

92085 PARIS - LA DEFENSE Cedex 18

Tel.: +33 1 49 03 81 99.

Minitel : 3616 CREA CLUB

=> *Regroups company managers who advise and support creators of new businesses in the important initial phases of creating businesses, then in the development of their companies.*

DATAR - Invest in France

In order to know whether there is already a representation office in your country, contact

DATAR

1, Avenue Charles Floquet

75007 Paris

Tel.: +33 1 40 65 12 34

Fax : +33 1 40 65 12 40

<http://www.datar.gouv.fr>

<http://www.investinfrance.org>

=> *Works alongside foreign investors wishing to invest in France (selection of the best location, info. on the legal, economic and fiscal environment, the business sectors...).*

CFCE

10, Avenue d'Iéna

75783 Paris Cedex 16

Tel.: +33 1 40 73 30 00

Fax : +33 1 40 73 39 79

<http://www.cfce.fr>

=> *Book shop - Media library, regrouping 3 documentation centers, providing very complete business files on France (legal, fiscal and social environment of companies, different possible ways to set up a business...).*

In Scotland

Structures representing France in Scotland such as Embassies, French Chambers of Commerce, can provide you with initial information and useful addresses.

LEGAL STRUCTURE

If alone, you can create a "One-Man Business" (EI).

Suitable for small businesses

Few risks

Requires minimum investments

- Just one person in charge, the company manager. He has full power to manage the company and takes decisions alone. He does not have to file management reports, or publish yearly accounts.
- No notion of capital. The company assets are intermixed with those of the manager.
- The company manager is responsible for all company debts on all of his own property. The choice of the type of antenuptial settlement may therefore prove to be important.

Entreprise Unipersonnelle à Responsabilité Limitée (EURL) [Private Limited Company under Sole Ownership]

- It is a SARL (Limited Liability Company) comprised of a sole partner (natural person or legal entity).
- Minimum capital : 7,500 Euros. The capital must be entirely paid up when the company is formed. It may be in cash and/or in kind.
- The EURL is run by a manager. This may be either the sole partner, or a third party. His appointment and his powers are set forth in the Articles of Incorporation or by means of a separate legal instrument.
- The sole partner is responsible for debts only up to the amount of his contributions.

Nonetheless, in case of management faults, his responsibility may be extended to his personal property. The notion of management fault is quite vast : it ranges from simple negligence or carelessness to fraudulent dealings.

- The appointment of a statutory auditor is mandatory whenever the company exceeds 2 of the following thresholds (balance sheet >1,5 million Euros, yearly pre-tax turnover >3 million Euros, average number of employees >50).

If several associates, you mainly have the choice between a "Société à Responsabilité Limitée" (SARL) [Limited Liability Company] ...

The best adapted to small and medium-sized businesses. Minimum of 2 partners - 50 maximum (natural person or legal entity). Same rules as for the EURL, except for adaptations made necessary by the presence of several associates.

... and a "Société Anonyme" (Business Corporation)

Suitable for large projects. Minimum of 7 shareholders - no maximum number (natural person or legal entity).

- **Minimum capital:** 37,000 Euros at least half of the capital must be paid when forming the company, the rest within 5 years. The capital may be comprised of contributions in cash or in kind. Contributions in kind must necessarily be contributions assessor appointed by the Commercial Court.
- The company is run by a Board of Managers including from 3 to 24 members (who must be shareholders). The Chairman of the Board of Managers is appointed by the Board from among its members.
- The shareholders are responsible for debts up to the amount of their contributions. The responsibility of the board member(s) is, on the other hand, much more consequential. For example, it may be extended to

include their personal property if they have managed the company badly.

- Mandatory appointment of a statutory auditor.

A "Société par Actions Simplifiée" (SAS) [a company limited by shares]

Suitable for large-scale projects. 1 or more partners (natural or legal persons)

- **Minimum capital :** 37,000 Euros at least half this capital must be paid up at the moment of setting up the company, and the rest within 5 years. The capital may be subscribed in cash contributions and/or contributions in kind.

- It is prohibited to go public.

- The partners are free to determine the organisational rules of the company according to the company's articles. Their only obligation is to name a president.

- The way in which collective decisions are adopted is also determined freely by the partners according to the company's articles.

That said, it is obligatory to take certain decisions collectively (approval of the accounts, changes to the share capital, etc.).

- The shareholders are only liable for debts up to the amount of their investment. The liability of the director(s) is, however, much heavier. For example, it may extend to their personal effects if they have managed the company incompetently.

- The nomination of an auditor is compulsory.

A "Société en Nom Collectif" (SNC) [Partnership]

- Minimum of 2 partners - no maximum number (natural person or legal entity).

- No minimum amount for the authorized capital. No obligation to pay up immediately. The capital may be comprised of contributions in cash and/or in kind.

- The company is run by one or more managers (third parties or partner). If nothing is stipulated in the Articles of Incorporation, all the partners are considered as managers.

- All partners answer for the company debts indefinitely and severally. Partnership shares may be transferred only with the approval of all partners.

- Partners are not obliged to appoint a statutory auditor unless the company exceeds certain thresholds (same rules as for the SARL (Limited Liability Company)).

=> It is highly recommended that you fix the capital in euros as of today, in order to avoid any eventual administrative formalities and charges.

If you merely wish to have your company represented in France You may simply open a representation office or a sub-office.

- The **representation office** is a simple "observation post". It will enable you to make contacts on the spot, ensure your advertising, supply you with market information. But the representation office may not be involved in any trade activity.

- The **sub-office** is a secondary establishment. It can carry out a trade activity and thus facilitate your relations with customers. Nonetheless, as it has no legal autonomy, it acts in the name of and on behalf of your company.

TAX SYSTEM

One-Man Business and Partnerships (SNC)

The company is transparent as regards taxation.

Its profits are taxed in the name of the company manager (or the name of the partners on the portion of the profits which are due them for the SNC). As regards taxation, no distinction is made between company profits and the company manager's salary.

Profits are included on the declaration of all income of the relevant parties (Declaration N° 2042).

They are subject to **Personal Income Tax (IRPP)**. A progressive schedule is applied. The rate is therefore variable depending on other income and the family situation of the relevant party.

Companies with authorized capital

SARL [Limited Liability Company]

S.A. [Public Limited Company]

A distinction is made between company profits and managers' salaries.

The net profit, after deduction of managers' salaries, is subject to corporate income tax (IS), at a fixed rate (whatever the amount of the profits).

Normal rate :

36,66% (33,33% + 10% of the corporate income tax amount), for the companies:

- whose business turnover is lower than 7.63 million Euros,
- and whose capital belong, for 75% at least, to natural persons, or a legal entity (whose capital is owned, for 75% at least, by natural persons).

As from January 1st, 2000, this rate is subject to an additional contribution set at 3.3% when the amount of the IS (Corporate Tax) exceeds 763,000 Euros for those companies with a turnover of more than or equal to 7.63 million Euros.

Lowered rate:

Under certain conditions, the rate of the corporate income tax can be lowered down to 20,9% (19% + 10% of the corporate income tax amount), for part of the profits incorporated to the capital of certain SME's.

Managers are taxed personally on their salary and on dividends received, as a Personal Income Tax.

Procedure

The company itself calculates the tax that it owes and pays this to the tax collector extemporaneously.

Payment of corporate tax is usually carried out in 4 installments of 8 1/3% of the profits of the past fiscal year.

The company must pay these 4 installments on fixed dates (February 20th, May 20th, August 30th, November 20th). In actual practice, the tax authorities grant the companies, without penalties, an additional period of up to the 15th of the following month.

Payments must be sent along with a special form, n° P279.

The exceptional contribution of 10% of the amount of the corporate tax must be calculated by the company itself and paid of one's own account to the Public Treasury on the payment date of the last corporate tax installment, at the very latest. An instalement of this contribution must be paid at the time as the last instalement of the corporate incom tax.

Companies subject to corporate tax must also pay a yearly lump-sum tax (Imposition Forfaitaire Annuel [IFA]), by March 15th at the latest (even in the absence of profits).

Payments must be sent along with a special form, n° 1810.

Its amount varies according to the turnover made by the company (763 Euros if the turnover is between 76.300 Euros and 150,000 Euros inclusive, 1,150 Euros if the turnover is between 150,000 and 300,000 Euros...).

Other taxes which may have to be paid

- **V.A.T. "Value-Added Tax"**: 2.1% special rate (concerns mainly press publications and certain medicinal drugs) - 5.5% reduced rate and 20.6% which is the normal rate.

- **Increases in value** (variable taxing depending on the type of company and the increase in value).

- **Business tax** : this is a local tax contributing to the financing of the charges of local administrations. It is very complex to work out. Two items are taken into account: the value of the fixed investments and a fraction of the salaries or income. The rate for this tax **varies from one city to another**.

S O C I A L S E C U R I T Y

You must join the following funds and associations If you are the manager of a One-Man Business, the majority-shareholder manager in a SARL (Limited Liability Company) or the majority-shareholder manager in a EURL (Partnership):*

You come under the non-salaried worker system.

You must necessarily join the following 3 social security funds: CANAM (Caisse National d'Assurance Maladie) [National Health Insurance Fund], URSSAF [Social Security Contribution Collection Office] (for family allotments) and a retirement fund, either the ORGANIC (tradesman), or CANCAVA (crafts), or UNAPL (the professions).

The contributions vary between 27 and 35% of the income.

If you are a minority or equal shareholder* manager of a SARL [Limited Liability Company], Managing Director of an S.A. [Public Limited Company]:*

You come under the "employees" system. You are subject to the same system as an employee. Only exceptions: you benefit neither from the unemployment insurance scheme nor from labor law protection.

A manager is a majority shareholder if he holds, along with his spouse and his minor children, more than 50% of the capital. If there are several managers, each manager is considered as being a majority shareholder whenever the co-managers, taken together, hold more than half the partnership shares.

According to the relevant jurisprudence, the partnership shares held by a company that is controlled by the manager must also be taken into account.

If you hire employees...

Within 8 days prior to hiring an employee, you must send a single recruiting declaration to the URSSAF [Social Security Contribution Collection Office] or the agricultural mutual insurance fund, which then retransmits the information to each relevant organization.

This declaration may be carried out:

- either by Minitel: 3614 EMBAUCHE + number of the Department (Example: EMBAUCHE 75).
- or by letter by returning a form to the "recruiting declaration service" of the URSSAF [Social Security Contribution Collection Office]
- or by fax.
- or by Internet: <http://www.due.fr>

Social security contributions for employees represent around 46% of income for the employer's share, and 22% of income for the employee's share.

The cost of contributions is, to be sure, quite high, but the social security also provides quite good coverage.

Risks covered: sickness-maternity, disablement-death, industrial accidents, family allotments, old-age and widowhood insurance.



PROCEDURES

Check whether your activity is regulated

In France, since certain activities are regulated (itinerant tradesmen, real-estate agents, driver's education schools...), you must check whether you satisfy the required conditions (diplomas, experience, business card...) in order to carry out the activity you have chosen. For information, contact:

- professional organizations

Contact details are in the directory of the *Mouvement des Entreprises de France* (the French Enterprises Association) "MEDEF"

31 avenue Pierre 1er de Serbie
75116 PARIS cedex 16
Tel.: + 33 1 40 69 44 44
<http://www.medef.fr>

- DDCCRF (Direction Départementale de la Concurrence, de la Consommation et de la Répression des Fraudes) [Departmental Division of Competition, Consumption and the Repression of Fraud] under the Ministry of Economy and Finance

DDCCRF
59 boulevard Vincent Auriol
75013 PARIS
Tel.: +33 1 44 87 17 17

- the economic action services of the Prefectures.

Pay an initial visit to the Centre de Formalités des Entreprises (CFE) [Company Formalities Center]

During this initial visit, you can obtain the registration application form (PO for a One-Man Business - MO for a company), as well as the list of necessary documents.

The CFE qualified to handle these matters is located at:

- the Chamber of Commerce and Industry, if your business involves trade or industry,
- the *Chambre de métiers* [Guild Chamber] if your business involves crafts or is of the mixed type (crafts and trade).
- URSSAF [Social Security Contribution Collection Office] if your activity involves the professions,
- the Commercial Court Clerk's Office if you want to carry out an activity as a sales representative,
- the Chamber of Agriculture if your business involves farming,
- the tax collection office for other categories.

Choose a name

In order to be on the safe side, check with the Institut National de la Propriété Industrielle "INPI" [National Institute of Industrial Property] that the name you have chosen is not already used by another company. This name may also be subject to a trade name filed with the INPI. (Euro 38.1 per name for a search for similar names)

INPI

26 bis rue de Saint-Petersbourg
75008 PARIS
Tel.: +33 1 53 04 59 12 or 59 25
<http://www.inpi.fr>

Procedures for creating a one-man business Apply for registration for your company with the CFE

The latter organization will transmit your registration application file to the various organizations dealing with the creation of your business: social security offices, tax collection office...

Your business will officially come into existence when it has been registered (requires between 2 and 10 days).

Costs

Trading company: Registration with the Trade Registry: approximately 730 FF (111.2 euros)

Small-scale enterprise: Registration with Répertoire des Métiers [Guild Chamber Directory]: between 91.4 and 167.6 euros
Mandatory management training course lasting 4 days: between 152.4 and 198.1 euros

The professions: Registration with the URSSAF [Social Security Contribution Collection Office]: no charge

Procedures for creating a SARL type company [Limited Liability Company]

Have the contributions in kind assessed The intercession of a contributions assessor appointed by the partners, or, in the absence of this, by the Commercial Court, is necessary if the value of any of the contributions in kind is more than 7,500 Euros or if the total value of the contributions in kind exceeds half the authorized capital. In the opposite case, you must use the resale value of the property contributed.

Draft the Articles of Incorporation

Preparation of the Articles of Incorporation is an important action, which may have legal or fiscal consequences and affect the manager's legal status. Therefore, it is recommended that you seek professional advice with respect to legal matters. In case of use of standard Articles of Incorporation, it is absolutely essential to take the time to read them carefully and to understand all clauses contained therein.

Appoint the manager

He may be appointed, either in the Articles of Incorporation, or in a separate legal instrument. The latter solution avoids having to modify the Articles of Incorporation whenever the manager is changed. In the appointment deed, specify his term of office, the extent of his powers...

PROCEDURES

Prepare a statement of actions carried out in the name of and on behalf of the company being formed

Until the company is officially registered with the Commercial Trade Register, it is not a legal entity and may therefore not make any commitments. During the formation period, you will however have expenses which must be met, or even contracts to sign. You will do this by signing "in the name of and on behalf of the company presently being formed" and will record all of these commitments (signature of a lease, an employment contract, the purchase of equipment, etc...) in a legal instrument which will be annexed to the Articles of Incorporation. The signature of the Articles of Incorporation by the partners will then be equivalent to assumption of these actions by the company.

Deposit the funds constituting the contributions in kind in a frozen account

The funds must be deposited, according to one of the choices indicated below, within 8 days of their reception either in a bank, or in the Deposit and Consignment Office, or with a notary public.

They will be unfrozen upon presentation of the Kbis extract (a kind of company "identity card") and transferred to a bank account opened in the name of the company. As of this moment, you can dispose of these sums for the company's requirements.

Have 4 copies of the Articles of Incorporation registered

Where ? At the tax collection office where your company's registered office is located. They must have been dated and signed beforehand.

Publish a formation notification in a legal notice journal

This is a kind of "birthday announcement" of your company. You can obtain the list of qualified journals from the prefecture with jurisdiction over the place where your company is located.

File your complete file with the CFE

As of this moment, your company is in the process of being registered. It will exist officially on the day when it is officially registered with the Trade Register. A registration certificate (Kbis Extract) will be issued to you at this time.

Finally, remember to

- inform the Post Office of the existence of your company
- insure your company. For information relevant to insurance matters, contact the Centre de Documentation et d'Information de l'Assurance (CDIA) [Insurance Information Documentation Center], either by Minitel (3614 CDIA), or by mail: CDIA 2 rue de la Chaussée d'Antin 75009 PARIS.
- purchase and have the regulatory ledgers and registers initialed
- join an industrial medicine center if there are employees.

Costs:

The expenses for setting up the company are generally comprised of:

- publication expenses (legal notice journal): around 152.4 euros
- expenses for registering the company with the Trade Register: approximately 202.7 euros

To open a "sub-office" or a "liaison office"

The formalities are much simpler and less expensive.

Liaison office

Registration is mandatory for all establishments (Decree n° 84-406 dated March 30th 1994 - Art. 1st 3°). The liaison office must therefore be registered with the Trade Register.

Sub-office

- File with the Commercial Court Clerk's Office, two up-to-date copies of the parent company's Articles of Incorporation, the registration application for the sub-office, the necessary diplomas or authorizations (regulated activity)... These documents must be certified true and translated into French.

- Request registration of the parent company with the Trade Register.

Time-period: within 15 days as of the opening of the sub-office. Specify only the name, the legal form, the managers, as well as the registration references of the foreign parent company.

You must supply the certificate of deposit with the Clerk's Office of the Articles of Incorporation and the legal instrument justifying possession/use of the premises in which the sub-office is located (lease, domiciliation contract...).