

SETTING UP A BUSINESS IN FRANCE

This report provides a summary of the key things to consider when you are planning to set up a business in France. For more detailed information, the French Investment Agency publishes a comprehensive “Doing Business in France” guide on their website: www.invest-in-france.org/us/business-environment/doing-business-in-france.html.

1. Business Registration

The formalities for setting up a business in France have been greatly simplified and the whole procedure can be carried out over the internet. All the formalities for setting up a new company can be dealt with in one place: the *Centre de formalités des entreprises* (CFE). See their website for details: www.cfenet.cci.fr (in French).

Foreign companies looking to set up an office in France have a variety of options at their disposal, depending on their objectives for establishing a presence in the French market. Companies wanting to prospect for business in France and promote their products or services can start by having a single employee or by opening a liaison office.

- **Liaison Office:** conducts non-commercial activities, such as prospecting, advertising, storing merchandise, providing information and making contacts.
- **Sales Representatives:** are sales intermediaries employed by one or more companies to make sales calls, take orders and pass them on to their employers.
- **Sales Agents:** a self-employed individual or company that acts on the foreign company’s behalf and is responsible for negotiating and in some cases signing contracts for sales, purchases, leases etc.

Foreign companies seeking to establish a more permanent presence in France have two options. They can either set up a branch office (extension of the parent company) or a subsidiary (new legal entity).

- **Branch Office:** headed by a legal representative and operates like an agency that reports to the head office. They are not a separate legal entity and consequently parent companies are answerable for all their activities and bear unlimited joint liability for their debts.
- **Subsidiary:** a new entity considered to be separate from the parent company under French law. The parent company does not bear unlimited liability for debts incurred by the subsidiary. Subsidiaries may apply for government assistance when starting up or expanding and they can enter into agreements on sales and royalties, commissions, etc.

The choice of legal structure will affect the company’s legal status, taxes, assets and employment relations. It is recommended that New Zealand companies employ the services of a legal adviser to help them choose the ideal legal structure and navigate their way through the various administrative requirements. NZTE Paris can provide a list of English-speaking lawyers (see the English Speaking Service Provider’s List on our website).

2. Accounting and Taxation

Companies engaged in commercial activities in France and generating profits must use accounting practices in accordance with French law. They have to produce a balance sheet and income statement. Foreign subsidiaries are also legally obligated to use the services of an accounting firm.

Any foreign entity doing business for profit in France is liable to pay French tax on its earnings in France. Other taxes levied on businesses include local taxes, professional training taxes and the so-called ‘Juppé Supplement’ tax, etc. Value-Added Tax (VAT) is levied on products and services in France. In January 2012, the French tax authorities created a helpdesk within the Public Finances Directorate (*Direction générale des finances publiques* – DGFIP) to provide support and information to non-resident companies in France.

It is strongly recommended that companies setting up in France seek advice from a French accountant to understand what their legal obligations are, what taxes they will be liable to pay, and whether reductions/exemptions (often for start-

ups or companies with low turnover) are available. NZTE Paris can provide a list of English-speaking accountants (see the English Speaking Service Provider's List on our website).

As a member of the European Union (EU), France applies a common customs tariff to imports from outside the EU. If there is no special trade agreement in place the common tariff applies. A customs duty is only charged once on imports from outside the EU, even if they are subsequently shipped from one member state to another. Duty rates differ from one kind of product to another depending on what it is and where it comes from (country of origin).

For finished goods imported from New Zealand or elsewhere, customs authorities from different EU countries are known to sometimes use different duty rates for the same product. For this reason, NZTE Paris recommends that a Binding Tariff Information (BTI) ruling be sought from French customs prior to exporting their goods. This helps prevent any unexpected problems when importing products. For more information see the European Commission website: http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/customs_tariff/index_en.htm

If you know the 10 digit Harmonised System (HS) code for your product, you can look up the duty rate on the TARIC database: http://ec.europa.eu/taxation_customs/dds/cgi-bin/tarchap?Lang=EN.

The French customs website is www.douane.minefi.gouv.fr.

3. Employment

Employment relations are governed by the French Labour Code (*Code du travail*) and by industry-specific collective agreements that reflect the practices of each sector.

There are two main types of work contracts (*contrat de travail*) in France:

- **Fixed term contract** (*Contrat à durée déterminée* or 'CDD' for short):

This contract is for temporary employment. It is designed to meet employers' temporary staffing needs and generally does not extend beyond 18 months. There is no minimum period. Fixed-term contracts cannot be used on a long-term basis to fill jobs that are related to the company's regular business. Thus the contract may be renewed once only. The contract may also provide for a short trial period (*période d'essai*).

- **Permanent contract** (*Contrat à durée indéterminée* or 'CDI' for short):

Permanent contracts typically include a trial period, usually of 3 months, after which the contract becomes binding on both parties. Employment contracts can be terminated at the employee's initiative (resignation) or by the employer (dismissal). Except during trial periods, employers must provide real and serious reasons for dismissal and comply with the legally proscribed procedures.

The statutory number of hours worked per week in France is thirty-five. However, the rules governing working time arrangements and overtime have been eased, to enable companies to negotiate company-wide agreements that provide for longer working hours and prevail over the provisions of the applicable collective agreement. All employees are entitled to 5 weeks of paid vacation. In addition, there are 10 legal holidays and personal leave days (marriages, births, deaths).

Recruiting

A range of organisations exist to help foreign employers recruit local staff in France.

A good place to start is the French National Employment Office (*Agence Nationale Pour l'Emploi* or ANPE for short, www.anpe.fr). The ANPE can publicise vacancies and identify and short-list applicants. It has offices in every French city.

For help recruiting executives, companies can contact the Executive Employment Association (*Association Pour l'Emploi des Cadres*, www.apec.fr).

Hiring and secondment of foreign workers

Companies wishing to employ foreign nationals from outside the European Economic Area (EU members, Iceland, Norway and Lichtenstein) and Switzerland, must obtain a residence and work permit for the employee. An application must be filed by the company before the prospective employee arrives in France. For more information, see the French Immigration and Citizenship Office (OFII) website: www.ofii.fr/default.php3.

4. Useful Agencies

- **Invest in France Agency** can provide assistance with administrative formalities and help you get in touch with the relevant government departments. Website: www.invest-in-france.org.
- **Paris Chamber of Commerce and Industry** has a 'Doing Business in Paris' service which provides businesses with information and assistance to complete a range of administrative tasks. It also helps and supports companies to set up and develop their activities in Paris and to hire employees. Website: <http://doingbusinessinparis.biz/>.
- **Invest in Paris** is an agency which supports companies planning to locate to Paris and can provide assistance and advice on set-up issues. Website: www.investinparis.com/en/about-us.

5. Useful Websites

ORGANISATION/GUIDE	WEBLINK
Centre de formalités des entreprises (CFE)	www.cfenet.cci.fr
Tax obligations for foreign companies	www2.impots.gouv.fr/dresg/gb-accueil.htm
Directory of business centres in France	www.centres-affaires.net/business-centre-france/index.php
French Government Portal	www.service-public.fr/langue/english/
Economic Development Agency Paris Region	www.paris-region.com/
France-New Zealand Association	www.france-nz.com
French Customs	www.douane.minefi.gouv.fr
French Immigration and Citizenship Office (OFII)	www.ofii.fr/default.php3
French National Employment Office	www.anpe.fr