

**Chandrawat
& Partners**

Guide to do business in

FRANCE

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ABOUT FRANCE

Bordered by six countries; Germany, Belgium and Luxembourg to the northeast, Switzerland and Italy to the southeast and Spain to the southwest, France is Europe's one of the largest country. France is considered as a gateway to Europe, due to several large international airports, wherein two of these can be found in Paris, ferry terminals and the French rail services. The country is among most popular tourist destinations in the world. Its natural beauty, amazing climate, outdoor recreational activities such as golf courses, art museums and galleries and many more attract people worldwide to enjoy visiting the country. It is well known that, French economy is a highly developed and free market orientated business model. The French government has partially or fully privatized many large companies, moreover, the key sectors of the country are the chemical industry, energy etc.

ADVANTAGES

Being one of the most powerful global powers in the world, what's it like to do business in France, let us have a look? There are following things you should know about doing business in France.

A large market

France has a market of around 65 million consumers. Moreover, the country has access to the single market of the European Union, which has a group of over 500 million consumers. Furthermore, French market has a high purchasing power and it is the second largest economy in Europe and the sixth largest in the world.

Efficient transport infrastructure

Home to the largest road network in Europe, France has the second largest high speed railway network in Europe. Moreover, the country is home to the second busiest airport in reference to cargo and passenger handling. The efficiency in the country's transport network is reflected by the fact that France receives the largest foreign direct investment in logistics.

High quality workforce

The hourly labour productivity of France is ranked sixth. Additionally, workforce age between 30 and 34 are usually highly educated graduates.

Low set up costs

The cost of setting a business in France is far lower than its neighboring countries with regards to renting office space. Setting up a business in France costs less than 1% of the average per capita income. However, in other G20 countries, the average cost is about 9% of the average per capita income. For all these reasons, France has brought together more than 1,000 of start ups to set up in the country.

Favorable business environment

Because of its open research tax credit (CIR) to all companies, France has become a most favorable business environment for foreign investors.

Tax benefit

France has signed number of tax agreement with over 120 countries with intention to eliminate double taxation. However, the VAT rate is applied on the basis of nature of business and other variables.

Leader in online administration

In regard to online administration, France ranked fourth based on telecommunication infrastructure, level of education, and the online services offered by the government.

SIMPLE TAX REGIME

Individual Tax

Individuals, either he is French or foreign national, having tax domicile in France are liable to personal income tax on their worldwide income unless excluded by a tax treaty. Whereas, non resident individuals are liable to tax only on their income arising in France or, in certain cases, on imputed income.

Tax Rates

- Income up to €10,084 is liable to tax at a rate of 0%;
- Income between €10,085 to €25,710 is liable to tax at a rate of 11%;
- Income between €25,711 to €73,516 is liable to tax at a rate of 30%;
- Income between €73,517 to €158,222 is liable to tax at a rate of 41%; and
- Income above €158,222 is liable to tax at a rate of 45%.

Corporate income taxes (CIT)

A resident company is liable to pay corporate income tax on its French source income. In that respect, income attributable to foreign business activity (if there is no treaty in force between France and the relevant foreign country) or to a foreign PE (if a tax treaty applies) is excluded from the French tax basis.

Whereas a non resident company is liable to Corporate Income Tax on its income attributable to French business activity or to a French PE, as well as on income from real estate located in France.

Local income taxes

There is no income tax levied on income at regional or local level.

Any person if he or she is interested to form his own business entity in France, then it is necessary to be aware of all the types of business establishments in France. Following types of companies are available in France:

French joint stock company

To form a French joint stock company, minimum of seven shareholders is required wherein the founders can either be individuals or legal entities. However, the initial share capital of EUR 37,000 is required for company formation and the capital is divided into shares and the shareholders have a limited liability to the extent of their share contribution.

French limited liability company

This type of business entity can only be incorporated by at least two shareholders. No more than 100 individuals or legal entities can form a French SARL, however, no minimum share capital is required. This type of structure is usually recommended for small and medium sized companies which are set up in France.

Simplified stock corporation

A simplified stock corporation is same as joint stock corporation, but it is more flexible, as it requires only two partners to form a company in France. However, Chairman or president of the company must be appointed by the shareholders.

French sole proprietorship

When only one founder decides to set up a company in France, the best choice is a sole proprietorship. The founder is fully liable for all debts and obligations. No initial capital is required for this type of company in France.

Commercial partnership

At least two partners are required to form a commercial partnership, wherein the partners are responsible for all the obligations and debts of the entity to the extent of their personal assets. Moreover, no minimum capital is required to form a commercial partnership.

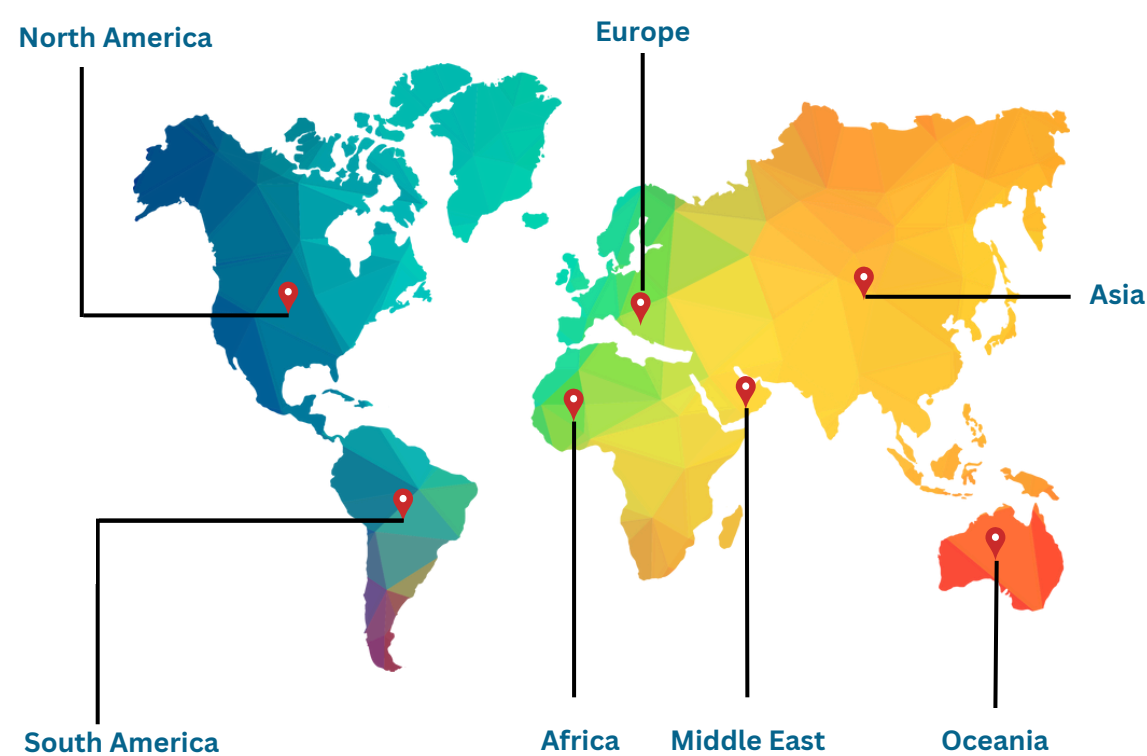
Subsidiaries

A subsidiary company is one of the most common type of business structures employed by foreign companies seeking expansion in the French market. This type of business entity is an independent entity which can be established in the form of a limited liability company.

Professional civil society (SCP)

SCP allows several persons exercising the same liberal profession to exercise it in common wherein they are indefinitely liable for social debts. No minimum capital is required to form an SCP.

SERVING CLIENTS WORLDWIDE



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