French Tax environment for companies operating in France

February 11, 2020

PwC Société d'Avocats

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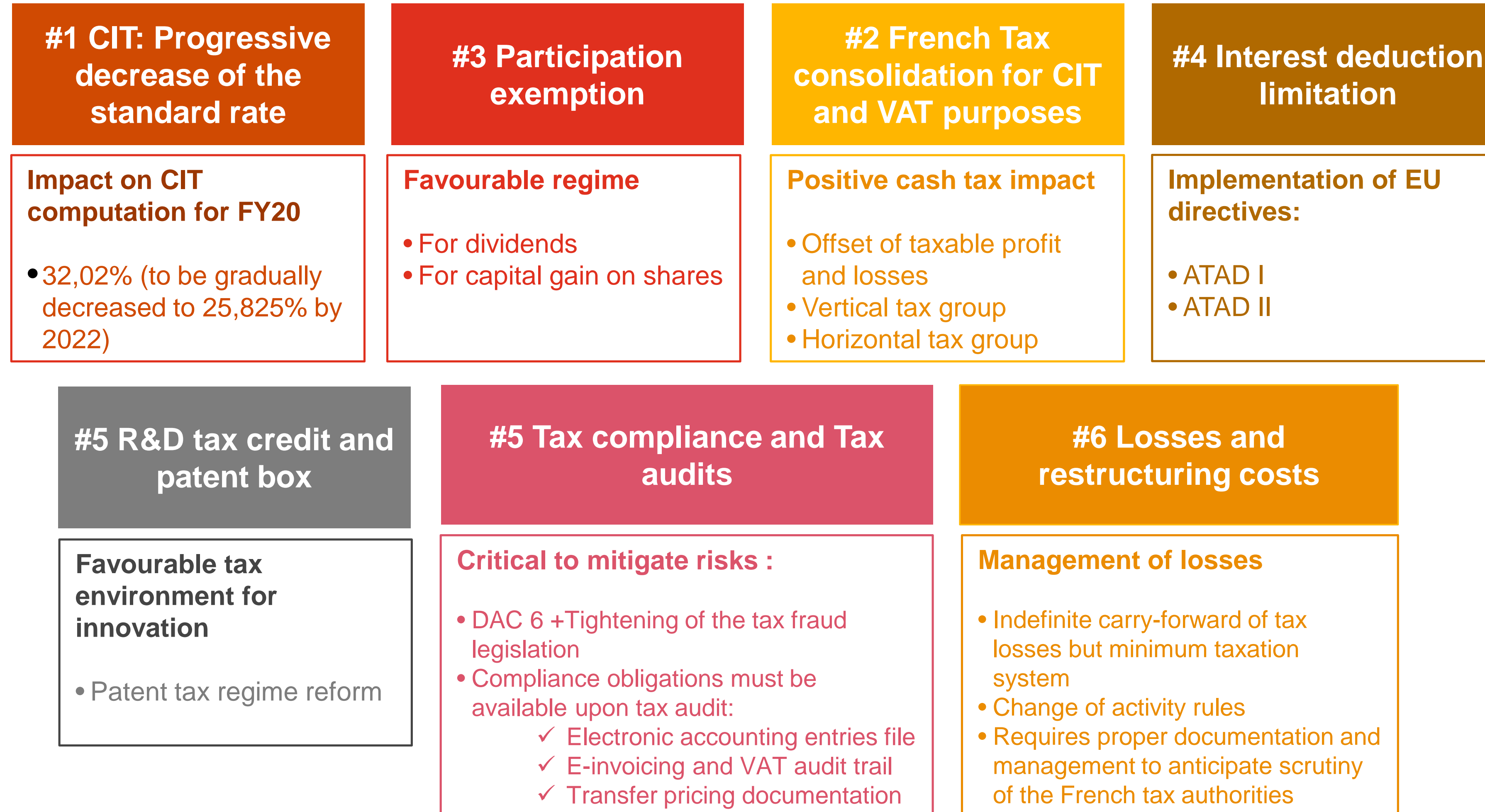
French Tax Environment

Main Tax topics

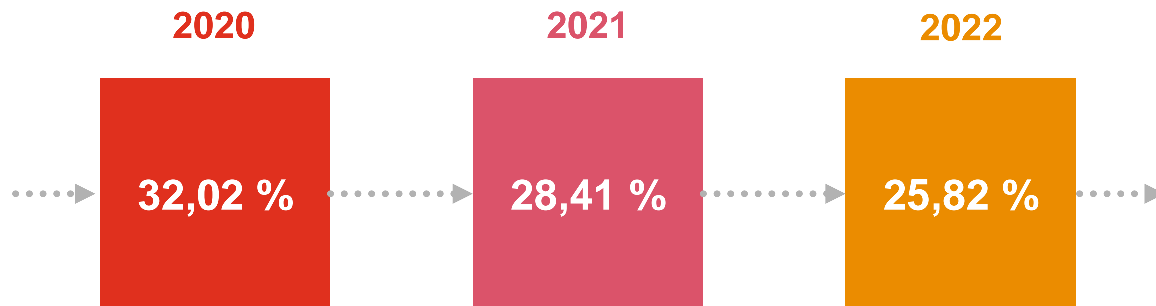


1.1

French corporate tax regime

Corporate Income Tax

Progressive decrease of the CIT standard rate



- For 2020, the standard CIT rate is 32,02%*
- A progressive decrease of the CIT rate to 25,82% in 2022 has been enacted

* *Including social contributions of 3, 3% applicable on the CIT rate*

Tax Losses

Applicable rules ?

Tax losses can be carried-forward indefinitely, unless in case of change of activity :

- However, the use of carried forward tax losses is subject to capping rules i.e. the losses can be offset against 1m increased by 50% of taxable profit above this threshold

For example, for a company with €10m tax losses and €5m tax result, losses can be offset up to €1m + 50% of €4m => €3m

- The amount, exceeding this threshold, can be carried-forward over the subsequent tax years and with the same restrictions
- The change of activity definition is provided by the law (ie objective criteria) and case law as well.

French participation exemption regime

Applicable rules ?

France offers a favourable participation exemption applying both to dividends and capitals gains on qualifying shares.

1. **Dividends** received by a French parent company are taxable at:
   - **5 %** when received from qualifying entities
   - **1 %** when received by a member of the French Tax group from:
     - An another French company member of a tax group
     - An EU company subject to CIT which would meet the conditions to join the French Tax Group if it were established in France
   - **100 %** in other cases

2. **Capital gains or loss :**
   - **Long term capital gain** on qualifying shares ("titres de participation") held for two years or more are 88% exempt from corporate income tax (ie 12 tax leakage taxable at 31%)
   - **Long term capital loss** are not deductible from the CIT
   - **Short term capital gain** on shares held for less than two years are taxable at 31%.
   - **Short term capital loss** are deductible from the CIT

Who's concerned ?

All French entities receiving dividend income.

What to do? / How can we help?

- ✓ Consider **locating a holding company** in France in order to take advantage of the local participation exemption regime
- ✓ Review the legal charts of existing French tax groups and planning of corporate restructurings to **mitigate the tax cost on dividend distributions**

Deductibility of financial expenses

Applicable rules ?

French law provides for the following mechanisms which limit the tax deductibility of interest expense borne by French entities:

- **Interest rate capping** at 1,32 % (published rate or arm's length rate, if justified)
- **Charasse Amendment** limits the interest deduction for the buyer if the latter buys a company from an affiliate outside the French tax group and that company joins the tax group
- **Implementation of ATAD I :** Deduction of net financial expenses up to higher of (i) 30 % of the tax EBITDA or (ii) €3M (see below)
- **Implementation of ATAD II :** Non tax deductibility of interests in case of deduction without inclusion or double deduction, including hybrid instrument, hybrid entity or imported mismatches.

Who's concerned?

All French entities with financial debt

Risks ?

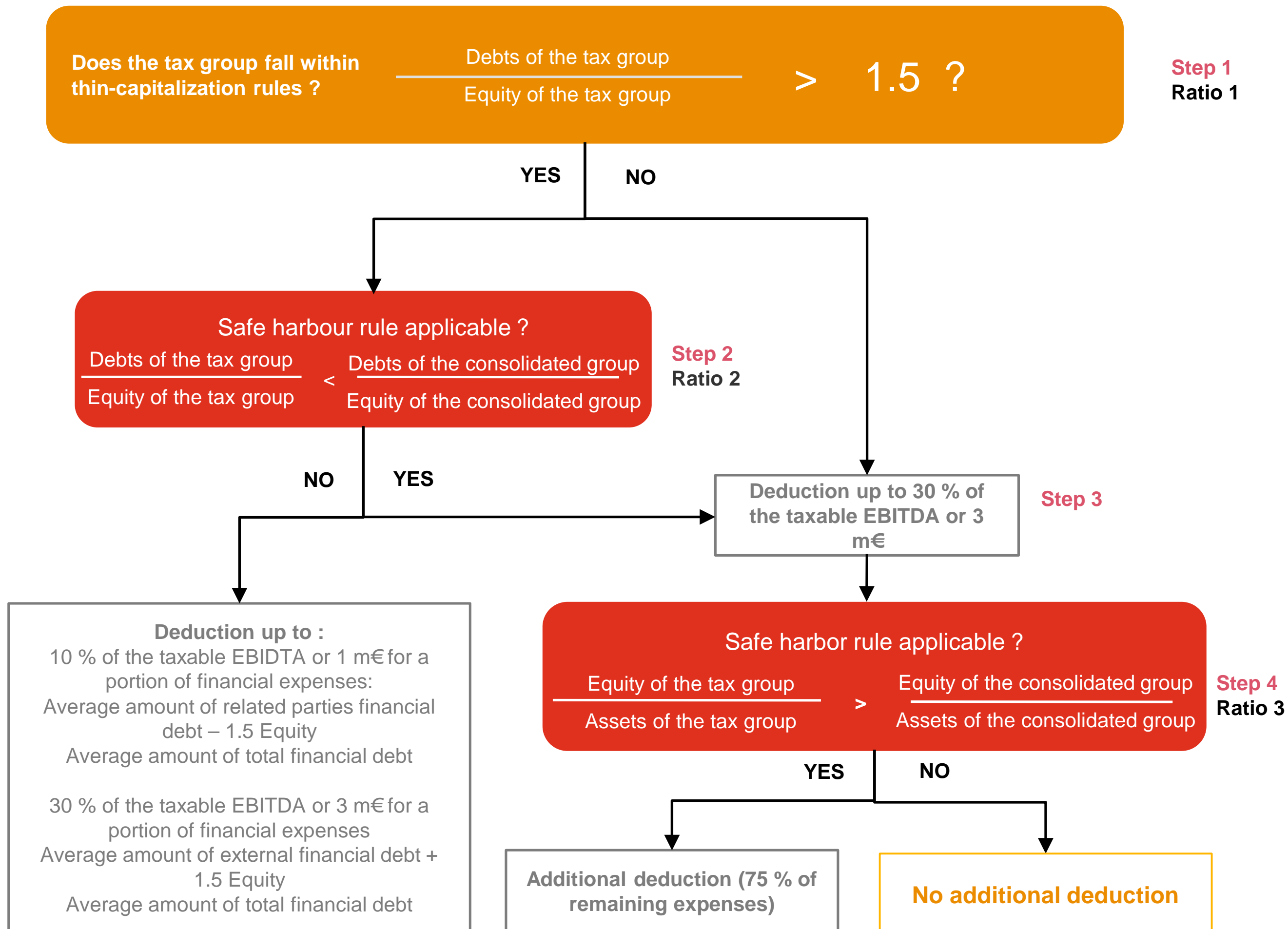
Non deductibility of financial expenses and in certain cases, potential requalification of excess interest as "deemed dividend"

What to do? / How can we help?

- ✓ **Review the calculation of the deductible interest** pursuant to the several interest limitation mechanisms
- ✓ **Review documentation** to support the corporate tax calculation on interest income
- ✓ **Review of bank loans guaranteed by affiliated companies** to determine whether they fall into the scope of French thin capitalization rules
- ✓ **Review of group consolidated indebtedness ratio** ("safe harbor")
- ✓ Analyze the tax impact of these rules in the tax unity and, if needed, **challenge the opportunity of the tax unity**

Deductibility of financial expenses -ATAD I Decision tree

(rules applicable to FYs opened as from January 1st 2019)



Group tax EBITDA

- Group taxable result subject to CIT at normal rate before the offset of tax carry forward losses, adjusted with:
  - ✓ Net financial expenses;
  - ✓ Tax deductible amortization expenses of each member of the tax group (minus taxable recaptures and part of capital gains related to deducted amortization);
  - ✓ Tax deductible provisions for depreciation of each member of the tax group (minus taxable recaptures);
  - ✓ Long term capital gains and losses subject to CIT

Group safe harbor rule in absence of thin-capitalization

- Tax group member of a group filing eligible consolidated financial statements may be entitled to an additional deduction corresponding to :
  - ✓ 75% of the financial/interest expenses that remain disallowed once the first calculation is completed (ie . financial expenses exceeding the highest amount of either €3M or 30% of the adjusted EBITDA).
  - ✓ Where its ratio between its equity and all its assets is equal or higher than this ratio determine at consolidated group level (2% tolerance).

Group safe harbor rule in case of thin-capitalization

- Interest are tax deductible to the highest amount between €3M of 30% of the taxable EBITDA within the limit of 1.5 x “consolidated equity” – Carryforward of non deductible interest
- Interest are tax deductible within the limit of the highest of €1M or 10% of the taxable EBITDA – Two third of non deductible interest cannot be carryforward

Deductibility of financial expenses -ATAD II
(anti hybrid rules applicable to FYs opened as from January 1st 2020)

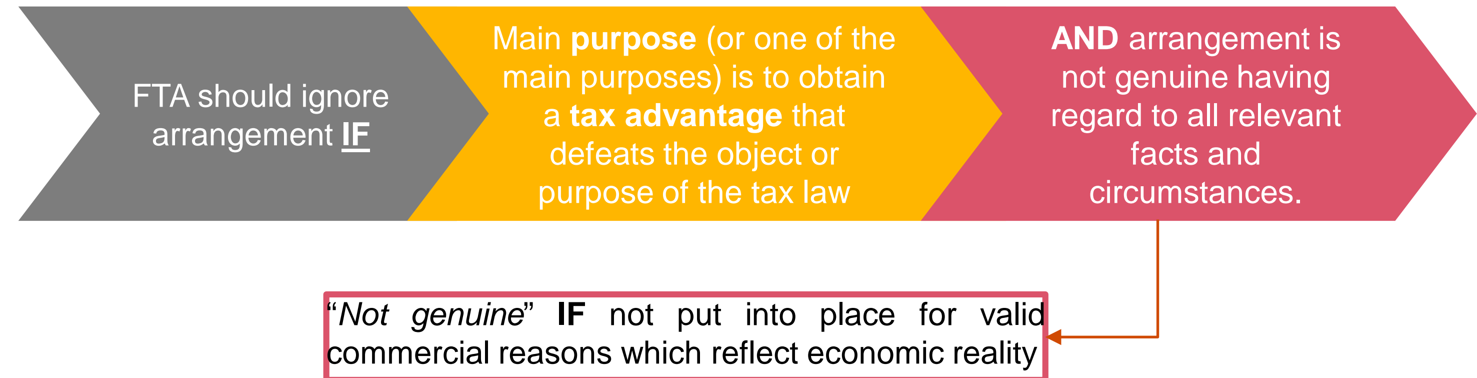
- **Apply between EU Member States, and also in situations involving third countries**
- **Scope limited to corporate income tax**
- **It covers all payment – not interest only – but also royaltie cost of goods solds**
- **A lot of US groups having French compagnies are concerned**

TARGETED HYBRIDS	NEUTRALISATION RULES
Hybrid devices generating treatment asymmetries: **Deduction without inclusion** **Double deduction** **+ Imported hybrid** **+ Establishment income not taken into account** **+ Hybrid transfer designed to result in WHT relief** Fiscal years beginning on or after 1-1-2020	• Non-deduction in France of an untaxed payment abroad ; • Taxation in France of payments deducted abroad; • Taxation in France of income received by the foreign establishment of the French entity if this establishment is not recognized abroad ...
Reverse hybrid devices Fiscal years beginning on or after 1-1-2022	• Income of the reverse hybrid entity incorporated or established in France taxed in France if not taxed in the other State
Double residence Fiscal years beginning on or after 1-1-2020	• Deduction of payments, expenses or losses not allowed in France

New French GAARs

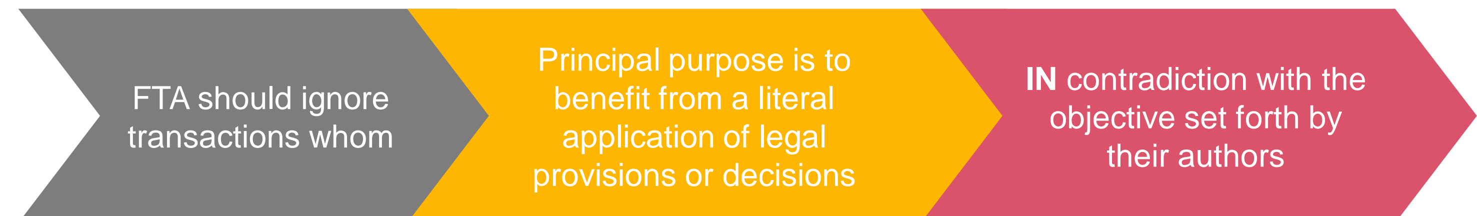
EU ATAD GAAR has been implemented in French domestic tax law

- Follows the exact definition provided for by Art. 6 EU ATAD
- **Applies for French CIT purposes** and not limited to cross-border transactions
- Applies for financial years starting **as from 1 January 2019**



A new domestic "principal purpose" GAAR is created so called "mini abus de droit"

- **Covers all French taxes**
- Larger scope than existing "abuse of law" GAAR which applies for artificial transactions or with an exclusive tax purpose
- Penalties may apply
- Applies on reassessments notified by FTA as from 1 January 2021 and covering **transactions realized as from 1 January 2020**



Fiscal unity

Applicable rules?

- ✓ **Vertical fiscal unity :** French corporations and their 95% owned domestic subsidiaries may elect to file one single tax return, thus allowing the offset of profits and losses within the group. CIT is then levied on the aggregate income after certain adjustments for intra-group operations (e.g. debt waivers, dividend distributions).
- ✓ **Horizontal fiscal unity :** it is also possible to create a fiscal unity between French sister companies that are directly or indirectly held by a parent company established in a EU or EEA country.

Who's concerned?

Foreign groups with at least two French companies or branches subject to corporate income tax and having the same date of year-end closing.

Opportunity?

Implementation of a fiscal unity may generate positive cash impact for the future and may help securing – from a tax standpoint.

What to do? / How can we help?

- ✓ **Identify opportunities to create a vertical or horizontal fiscal unity in France**
- ✓ **Check if the conditions** for such creation are satisfied
- ✓ **Determine the potential tax saving**
- ✓ **Prepare or review the documentation** needed for such creation

Refund of withholding taxes borne in France by foreign entities in a tax loss position

- **Drawing the consequences of a decision Sofina issued in November 2018 by the European Court of Justice, the Financial Bill for 2020 allows foreign entities in a tax loss position to claim a refund of:**

Withholding tax on dividends	Withholding tax on royalties and services performed or used in France & Taxation of real estate income and capital gains upon transfer of real estate shares or assets located in France or transfer of substantial shareholdings
Eligible entities are the foreign entities located in a jurisdiction which: • Cannot be considered as a non-cooperative within the meaning of article 238-O A of the FTC • That has concluded with France an agreement with an administrative assistance clause for the prevention of fraud and tax evasion, as well as an agreement with a mutual assistance clause for tax collection.	**Eligible entities are the foreign entities located in:** • An EU Member State • State that is part of the European Economic Area (EEA) agreement which has concluded with France an agreement with an administrative assistance clause for the prevention of fraud and tax evasion, as well as an agreement with a mutual assistance clause for tax collection.

- **However, the foreign entity that would benefit from such a refund would have to pay the tax when (i) it becomes profitable or (ii) if the relevant annual tax compliance requirements are not fulfilled,** but said refund would be definitive in the case where the beneficiary foreign entity is in a tax loss position and is subject to a judicial liquidation or an equivalent procedure.

French Digital tax (Effective date: from 1 January 2019)

Who’s concerned?

Companies or groups which have collected more than :

- 750 m€ for services provided worldwide;
- 25 m€ for services provided in France.

Rate?

Liquidation at 3% rate of revenue generated in France

Place of taxation?

French user determined by location of terminal being used at the time of the interaction

Scope	Out of scope
• Provision of a digital interface allowing users to interact for the supply of goods or services • Provision of advertising targeting services based on users' data • Sale of data collected online for targeted advertising • Proportion of transactions involving a French user, advertisements displayed to French users, data related to French users	• Where the person making the interface available uses the digital interface as a primary means to provide users with (i) digital content, (ii) communication services and (iii) payment services • When the digital interface is used to manage certain regulated financial systems and services expressly listed in the law • Where the purpose of the digital interface is to enable the purchase or sale of services aimed at placing advertisement • Services provided between enterprises belonging to the same group are excluded from the scope of the tax

1.2

Compliance and Tax audit

Transfer Pricing documentation

Applicable rules?

The documentation requirement is strengthened and aligned with BEPS requirements.

1. Full documentation:
- Should be made available to the FTA upon tax audit
- Should include general information on the group (foreign related companies entering into transactions with the French company, functional analysis, economic analysis, benchmarks…)
- Concerns French entities with a turnover or gross assets on the balance sheet exceeding €400M or with a more than 50% direct or indirect shareholder or subsidiary interest meeting this threshold.

2. Simplified documentation:
- Should include synthetic information related to the consolidated group and to the French entity
- Should be provided in the form 2257 to the FTA within 6 months of filing of tax return
- Concerns French entities below the threshold of €50M

Compliance?

- Failure to provide a **full documentation** within 30 days of formal notice could lead to a minimum €10k fine or, if higher, 0.5% of the amount of undisclosed transactions (if not reassessed) or 5% of the tax reassessment.
- Failure to file the **simplified documentation** is subject to a fine of €150 and could increase the risks of tax audit and/or tax reassessments.

What to do? / How can we help?

- ✓ **Implement a TP analysis, realize benchmarks and prepare a full documentation where required by the law**
- ✓ Or, perform a **TP assessment** in order to verify that the transfer pricing methodology already in place complies both with OECD and French standards
- ✓ Help to ensure **consistency of the simplified documentation** with information disclosed in the full documentation
- ✓ When the company already has TP methodologies and documentation: **review the justification of the documentation**
- ✓ At the end of each FY, **check the right application of the TP method and its outcome in the FY financial sheets**

Accounting electronic file : French “FEC”

Rules applicable?

Obligation to provide the FTA with the “FEC” (accounting entries files from the information system of the companies) in case of a tax audit. The e-file has to be generated each year.

Who’s concerned?

This requirement applies to French companies, French branches or Permanent Establishments of a foreign company.

Risks?

- For each FY, failure triggers a €5k penalty which can be increased to 10% of the additional tax assessed
- FTA may self-assess the taxable income (based on the opposition to a tax audit process). A potential 100% penalty on additional tax to be paid may be assessed on the items at issue
- The opposition to a tax audit process could give rise to a €25k fine (plus a 6 months jail in case of recidivism)

What to do? / How can we help?

✓ **Test the compliance to the obligation of providing the «FEC » in terms of:**

- Capacity to extract technically the FEC
- Mapping between the 18 compulsory fields of the FEC and the existing fields in the ERP of the enterprise
- Conformity of the accounting data in the FEC
- Legibility of the FEC by the FTA

✓ **Reviewing the compliance of the « FEC » extracted by the enterprise**, notably in terms of content, format and medium

✓ **Test and evaluate correctives measures**

✓ **Identify the tax risk areas** generated by the communication of the full accounting data provided in the accounting electronic file

VAT : E-invoicing and Audit trail

Applicable rules?

Reliable audit trail : The authenticity of the origin, the integrity of the content and the legibility of an invoice, either in paper or electronic format (other than EDI or advanced electronic signature) have to be ensured.

In practice, a specific and VAT dedicated documentation needs to be drafted, updated each year and provided upon request in case of a tax audit (“VAT audit trail”).

Companies are required to check the validity of the VAT identification numbers of their suppliers and customers.

Who’s concerned?

All French VAT registered companies issuing and receiving invoices.

Compliance?

- If the VAT invoicing regulation is not complied with, all purchases and sales invoices issued by companies may potentially be rejected.
- Accordingly, the input VAT recovery right could be rejected and VAT invoicing penalties could be applied (€15 for any missing invoicing data, 5% to 50% of the amount of the invoice for sales without invoices, €150 for non production of invoices, etc.).

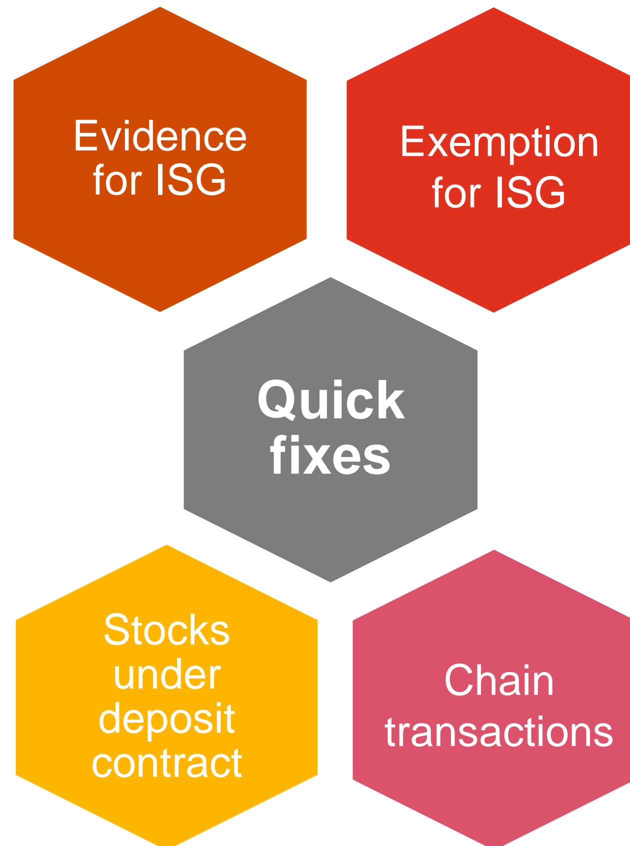
What to do? / How can we help?

- ✓ **Anticipate** the invoicing constraints / rules
- ✓ **Make sure** that the invoicing and archiving solutions are compliant with the French rules
- ✓ **Review** the compliance of the invoicing and archiving systems implemented by the company
- ✓ **Safeguard** the tax deductibility of input VAT by preparing a full documentation commenting on VAT audit trail
- ✓ **Assistance** in the course of the VAT refund claim audit
- ✓ **The PwC VAT ID tool** is available to help companies check the VAT identification numbers of their customers and suppliers

Implementation of « Quick Fixes »

Transposition of Council Directive (EU) 2018/1910 of 4 December 2018

4 new measures in force since January 1st 2020:



- **Exemption for intra-community Supplies of Goods (ISG):** Addition of **two new conditions** (VAT number of the customer and compliance with the obligation to provide information on the Declaration of Exchange of Goods) to justify the VAT exemption applicable to intra-Community supplies of goods
- **Evidence of ISG : new rules for documentary evidence** of the dispatch of goods in the context of ISG
- **Stocks under deposit contract: VAT simplification scheme** applicable to sales of goods in deposit with a maximum storage period of 12 months (and no longer three)
- **Chain transactions: VAT regime dedicated** to chain sales of goods

Implementation of DAC 6

French Ordonnance released on October 21 2019 implemented DAC 6. Tax planning arrangements implemented since June 28 2018 until July 1st 2020 which must be disclosed until August 31, 2020. The French law is in line with the Directive : the scope of the reporting obligation is identical to the one provided by the Directive:

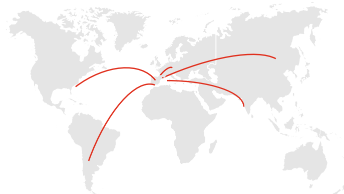
- No additional hallmarks is added
- Only cross-border arrangements are concerned by the obligation
- The reporting obligation has not been extended to VAT or excise duties either

Arrangement

- No definition
- Implemented since June 25 2018

Cross-Border

- Arrangement wich concerns either more than one Member State or a Member State and a third country
- Residence, permanent establishements, tax impacts



Agressive tax planning

Hallmarks as indicators

A	B	C	D	E
Generic hallmarks linked to the main benefit test	Specific hallmarks linked to the main benefit test	Specific hallmarks related to cross-border transactions	Specific hallmarks concerning automatic exchange of information and beneficial ownership	Specific hallmarks concerning transfer pricing
+	+	+		
Main benefit test			**No main benefit test**	

Intermediaries and Taxpayers

Intermediary

'Lawyers, tax advisers, accountants, financial advisers, banks etc. Legal persons and individuals

And

Taxpayer

Territorial link with the EU required

Reportable Cross-Border Arrangement

Any failure will be subject to a fine of up to €5,000 (and €10,000 in the event of a repeat offence in the current and the three previous calendar years).

The cumulative amount of fines on the same intermediary or taxpayer is capped at €100,000 per calendar year.

Criminalization of Tax fraud

New anti-fraud lax implemented in October, 2018 :

1. **The FTA are now obliged to transfer to the prosecutor any tax reassessment exceeding the amount of €100.000, provided that said reassessment gives rise to the application of :**
    - A 100% tax penalty in case of a taxpayer's opposition to tax audit;
    - A 80% tax penalty for undeclared activity, abuse of law for fraudulent practices;
    - A 40% tax penalty for absence of filing or willful misconduct, in cases where a 40% or 80% tax penalty or a tax fraud proceeding already occurred in the past 6 years.

2. **Automatic publication of criminal sentences for tax fraud** (unless the judges justify the necessity to avoid such publication)

3. **Publication of the administrative sanctions; "name and shame"**
    - Fraudulent practices (i.e. undeclared activity, abuse of law, fraudulent maneuvers) may now give rise to a publication by the FTA in cases where the amount of the taxes avoided is higher than €50.000

4. **Increase of the tax fraud penalties applicable**
    - Before: maximum penalties of €500.000 possibly increase to €3.000.000 in cases of aggravated fraud.
    - Now: can reach an amount corresponding to the double of the taxes avoided (ie no more cap)

Feedback on the implementation of the tax fraud law / Our experience

- FTA more and more demanding in terms of compliance obligation
- The FTA is threatening the tax payers with penalties in order to bargain and avoid future litigation
- It is crucial to be 100% compliant with tax obligations and to be very cooperative in the course of tax audits to avoid the 40% penalty

Long term agreement with the FTA “*relation de confiance*”

Who is involved ?

Large companies (under certain conditions) that comply with their tax obligations (companies that have been subject to a penalty for willful misconduct or absence of filing within the last three years are automatically excluded, unless the penalty was applied in the course of a regularization).

What is the objective ?

To help and secure companies with regard to certain tax issues defined jointly by the taxpayer and the FTA (e.g. transfer pricing issues).
The period covered may be the current and subsequent fiscal years.
The taxpayer may terminate the partnership at his own discretion.

Rights

If a fiscal partnership is entered into, the tax authorities :

- Provide a dedicated person to discuss the taxpayer's tax issues
- Undertake to provide within 3 months a written and opposable position on the tax issues in question
- Reduce penalties and interest for late payment resulting from tax adjustments made on the basis of information obtained through the partnership
- Faster answer to tax refund applications

Duties

In return, the taxpayer undertakes to be transparent, which implies :

- Explaining to the tax authorities the group's organization and internal tax compliance process
- Allow access to documents, including the FEC, the VAT audit trail and the transfer pricing documentation
- To spontaneously provide any information or document useful for the analysis of the problems identified
- To present, at least once a year, the main strategic, financial and legal events that have affected the Group

The right of error "*droit à l'erreur*" in tax matters

In October 2018, French law introduces the generalization of the right for users to regularize their tax filings without being subject to a financial penalty under certain conditions.

Applicable rules?

- In tax matters, the right of error consists in the **possibility for taxpayers to correct inaccuracies or omissions they have committed in good faith (unintended)** in the declarations used for the basis of assessment and calculation of taxes, **without being subject to surcharges or fines on the additional taxes resulting from such rectifying declarations**
- The good faith of taxpayers is presumed ➔ It is up to the administration to prove otherwise.

Advantage?

- Taxpayers could correct their return **without being subject to penalties on the additional taxes resulting from such rectifying declarations**
- Taxpayers will only have to pay the additional tax resulting from the correction of the inaccuracy or omission, plus interest for late payment
- Nevertheless, taxpayers who **spontaneously file amended tax returns or declarations**, i.e. before any tax audit or demand from the FTA, could benefit from a **50% discount on the late payment interest.**

Exclusion?

- The right of error does not cover:
    - Late filing of a declaration
    - Late payment
    - Deliberate errors or inaccuracies

2

Individual Tax

Personal Income Tax measures

The regime in favour of impatriates

It is intended for persons:

- Domiciled outside France for tax purposes during 5 calendar years preceding the year in which they take up their duties in the company established in France
- Called by a company for intra-group mobility or external recruitment

Is exempt from income tax (subject to conditions and cap limit):

- The impatriation bonus, 50% of income from movable capital from foreign sources, 50% of gains from the disposal of securities and social security rights from foreign sources, the part of the remuneration relating to the activity carried out abroad in the interest of the employer…

New individual income withholding tax system from 1st January 2019

It is concerned:

- French and non-French employers have to withhold on most employment income, with some compensation component exemptions (i.e., qualified option and shares schemes)

Practical aspects:

- Withholding individual income rate will generally be determined by the FTA based on historical tax liability information

Tax on real estate property

- Payable by residents with net real estate assets in excess of €1.3M
- The tax rate starts at 0.5% and tops out at 1.5% for net assets over €10M
- Scope of application and taxable base re-centered on non-professional real estate property.

3

Tax Incentives

R&D Tax Credit

Key figures

- ✓ RDTC represents a volume of €6 billion per years
- ✓ 18,000 patents applications in France
- ✓ Increase of the number of foreign groups R&D laboratories located in France eg, opening of Microsoft, Facebook and Google R&D facilities in France

General rules ?

RDTC corresponds to **30% of research and technological development expenses** incurred by a French company during a calendar year.

- ✓ Eligible R&D expenses are still deductible for CIT purposes;
- ✓ RDTC is in principle offset against the CIT liability, any excess credit may be carried forward for 3 years, and the unused portion is refunded at the end of this period.

Process ?

- **Determination of the eligible activities:** determination of the activities/projects meeting the scientific eligibility criteria for the purpose of the RDTC computation.
- **Determination of the eligible expenditures:** determination of the eligible expenditures attached to the eligible projects.

What to do? / How can we help?

- ✓ Eligibility criteria should be duly justified in the event of a tax audit, **by an appropriate documentation** following the FTA's "guidelines" and "best practices"
- ✓ Quality of the scientific documentation is a key subject in view of audits undertaken by the FTA/Ministry of Research
- ✓ **Implementation/review:**
  - Determination of the eligible projects to be included in the RDTC basis, and help preparing the scientific documentation with our experts;
  - Interviews R&D
  - Assistance to R&D Tax Credit audit

R&D Tax Credit

Eligible expenses

1. **Tax deductible depreciation/amortization expenses** relating to fixed assets, created or acquired newly, and assigned to eligible R&D works/project, including patents acquired
2. **R&D Staff Cost**
3. **Operating costs** corresponding to (i) 43%f the staff costs, (ii) 75% of eligible assets' depreciation and (iii) increased to 200% when relating to new graduate PhD
4. **Subcontracting expenses related to eligible R&D project**
5. **Expenses linked to patents**
6. **Public subsidies** related to R&D eligible projects must be deducted from eligible expenses

Anti-abuse rule applicable to cascading subcontracting expenses

- R&D expenditure subcontracted to approved private bodies or to public bodies is taken into account at the principal's premises **only if the R&D operations are carried out directly by the subcontractor.**
- The doubling of the base for expenditure subcontracted to public bodies is limited to the share of expenditure "relating to operations carried out by these bodies".

What to do? / How can we help?

✓ **Implementation/review:**

- Computation of the RDTC: determination and review of eligible expenses
- Requesting of a complete list of information
- Interviews R&D
- Item-by-item valuation (tax allowances, R&D Staff Cost, Subcontracting expenses, etc…)
- Review of supporting documentation

Patent Box regime

- The new Patent Box regime provides for a **corporate tax rate reduced to 10%** on the net income derived from the disposal / licensing of patents and related IP rights.
- This legislation implements the "Nexus" approach according to which a company may only be granted the reduced tax rate when it has carried out the R&D activities from which the patent/related IP right derives.

Scope

Net income from the disposal, licensing, sub-licensing of:

- Patents,
- **Patentable inventions (for SMEs only)**
- Industrial manufacturing processes attached to patents
- Proprietary Variety Protection Certificates
- **Copyrighted software**

Computation method

- The net income subject **to the 10% rate**
  - ✔ **Step 1: computation of the net income**
  - ✔ **Step 2: net income is subject to the Nexus ratio of eligible R&D expenses :**

$$\frac{\text{R\&D expenditure incurred by the taxpayer itself and subcontracting expenses to unrelated parties}}{\text{Overall expenditure (qualifying expenditure, acquisition costs and subcontracting expenses to related parties)}}$$

- **Supporting documentation to be prepared and provided in case of tax audit plus but also minimum documentation to be prepared at the time of the filing of the CIT return** (ie. calculation, options chosen, etc.)
- **R&D expenses are deductible from the tax result at the standard rate**

What to do? / How can we help?

✓ **Analysis :**
- Track R&D expenditure and contract nature
- Review of remuneration conditions and cost centers taken into account
- Review of the assets concerned and their location

✓ **Workaround :**
- Redefinition of cost centers for a better targeting of R&D costs and a separation of other costs
- Revenue tracking of technologies embedded in products
- Adaptation of IT tools to collect the necessary data
- Analyze the location of technology and R&D

Gift Tax credit

Scope

Payments made by companies to the beneficiaries below are eligible for a tax credit:

- Organisations of general interest established in France or in the EU or in Norway, Iceland and Liechtenstein.
- Companies in which the State is the sole shareholder and whose activity is to represent France at universal exhibitions, national companies for the financing of cultural audiovisual programs or thesis projects proposed for doctoral sponsorship by doctoral schools.

Payments can be made in cash or in kind.

Rate

- **60% gift tax credit for donations < €2M** and Donations to certain non-profit organizations providing food, medical and housing assistance
- **40% gift tax credit for donations > €2M**

Cap

- **10 000 € or 5 p. thousand of the turnover** when the latter amount is higher
- When donations exceed the ceiling, the excess is **carried forward successively over the next 5 fiscal years** and entitles the donor to a tax reduction under the same conditions, after taking into account the payments for the fiscal year.

Formalities /filing

- Certificates of gifts from beneficiaries
- Specific form to be joined to the CIT return when gifts exceed €10K

What to do? / How can we help?

✓ **Implementation/review:**

- Review of supporting documentation to identify eligible gifts versus payment resulting from sponsorship agreement with a valuable counterpart which is not in the scope of the Gift Tax credit

Appendix
Progressive decrease of the corporate income tax rate

FY opened as from :	2019	2020	2021	2022
Standard CIT rate	**31 % (1)** **33,33 % (2) (3)**	**28 % (1)** **31 % (2)**	**26.5 % (1)** **27,5 % (2)**	**25 %**
Rate for the fraction of profit below k€ 500	28 %	28 %	-	-
Additional 3.3% Contribution on CIT in excess of k€ 763 if turnover > 7.63 M€	**Yes**	**Yes**	**Yes**	**Yes**
Total Rate for the fraction of profit below k€ 500	**32.02 %** **34,43 %** 28.92 %	**28.92 %** **32.02 %** 28.92 %	**27.37 %** **28,41 %**	**25.825 %**

- The reduced rate of 15% applicable to Small and Medium Enterprises is upheld (i.e. SMEs with a turnover below € 7.63 millions and up to a taxable profit of € 38,120).

(1) Rate applicable for taxpayers with a turnover* < €250 M€

(2) Rate applicable for taxpayers with a turnover* ≥ 250 M

(3) For FY beginning on or after January 1, 2019 and ending on or after March 6, 2019

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