



GLOBAL  
EMPLOYER  
GUIDE

**FRANCE**





## Basic Country Facts

### Full Name

- French Republic (République française)

### Capital

- Paris

### Main Languages

- French (88%)
- German (3%)
- Flemish (0.2%)
- Italian (1.7%)
- Basque (0.1%)
- Catalan (0.4%)
- Breton (1.2%)
- Arabic (1.7%)

### Population

- 66.99 million

### Monetary Unit

- Euro

### Internet Domain

- .fr

### International Dialing Code

- +33

### Currency

- Euro

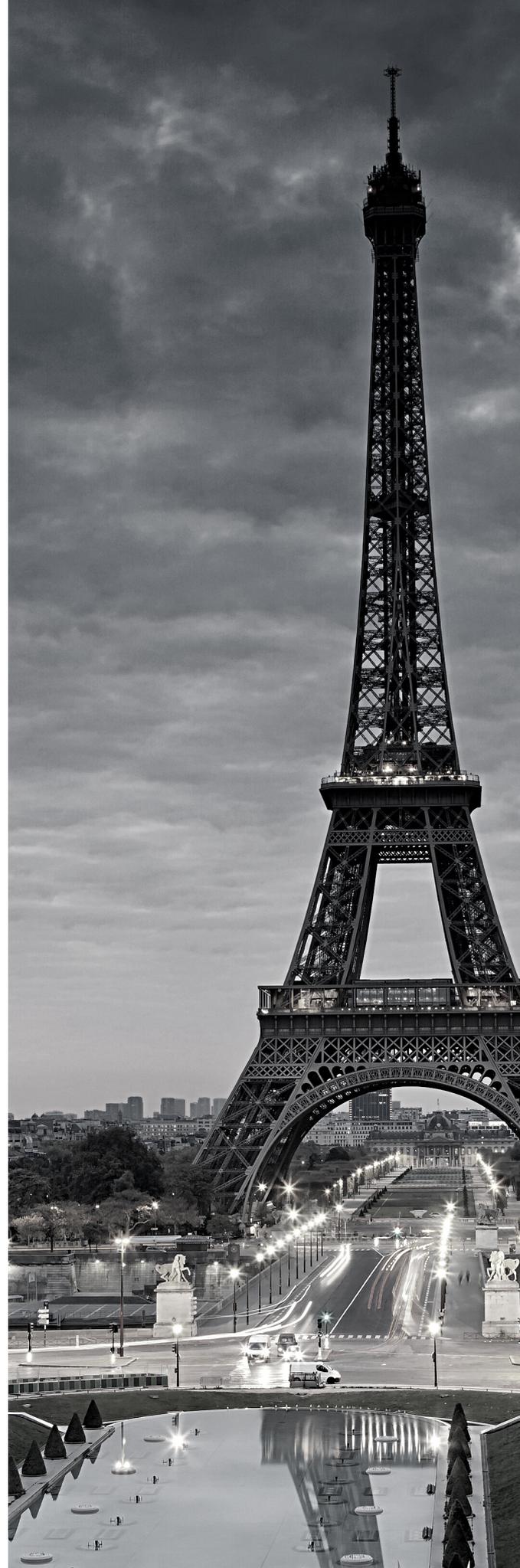
# STATUTORY LABOR REQUIREMENTS

## Probation Period

- The Labor Code permits probationary periods to enable the employer to evaluate the employee's competence and the employee to assess whether the job suits them.
- Indefinite-term employment contracts may provide for a maximum probationary period of:
  - two months for blue-collar and white-collar employees
  - three months for supervisors and technical employees
  - four months for managers and professional staff.
- These probationary periods may be extended once, up to a maximum of double the original duration, if an applicable industry-wide collective agreement permits this.

## Annual Leave

- As a consequence, an employee who has worked 12 months is entitled to a minimum of 30 days' (or five weeks) annual leave (this is prorated for employees having worked less than 12 months over the year).



## Public Holidays

- There are 11 official public holidays in France.
- These are as follows: -
  - New Year's Day (1st January)
  - Easter Monday (13th April)
  - Labor Day (1st May)
  - Victory in Europe Day (8th May)
  - Ascension Day (21st May)
  - Whit Monday (1st June)
  - Bastille Day (14th July)
  - Assumption of Mary (15th August)
  - All Saints' Day (1st November)
  - Armistice Day (11th November)
  - Christmas Day (25th December)

## Maternity Leave

- Employees are entitled to the following maternity leave:
- For a single birth bringing the mother's number of children to one or two: 16 weeks, consisting of:
  - six weeks before childbirth;
  - ten weeks after childbirth.
- For a single birth bringing the mother's number of children to three or more: 26 weeks, consisting of:
  - eight weeks before childbirth;
  - 18 weeks after childbirth.
- For a multiple birth of twins: 34 weeks, consisting of:
  - 12 weeks before childbirth;
  - 22 weeks after childbirth.
- For a multiple birth of triplets or more: 46 weeks, consisting of:
  - 24 weeks before childbirth;
  - 22 weeks after childbirth.
- If the mother suffers an illness during pregnancy, she is entitled to two more weeks before the childbirth and four more weeks after the childbirth.

- Employees on maternity, paternity or adoption leave are entitled to a daily allowance from the social security authorities.
- The employer is not required to pay salary during this time.
- However, CBAs frequently state that the employee's salary must be paid in full if the employee has a certain length of continuous service (usually one year's service on the date of the child's birth or adoption).

## Paternity Leave

- Male employees are granted three days' leave on the birth or adoption of a child.
- They are also entitled to 11 consecutive days' paternity leave (18 days if there are multiple births or adoptions), which must be taken within the four months following the birth or adoption.
- As for the mother, the father cannot be dismissed during the ten weeks following the birth of the child, except for the reasons described above.
- Male employees are entitled to a daily allowance from the social security authorities, but the employer does not have to maintain the employee's remuneration during the leave (unless specifically provided for by any applicable CBA).



## Sick Leave

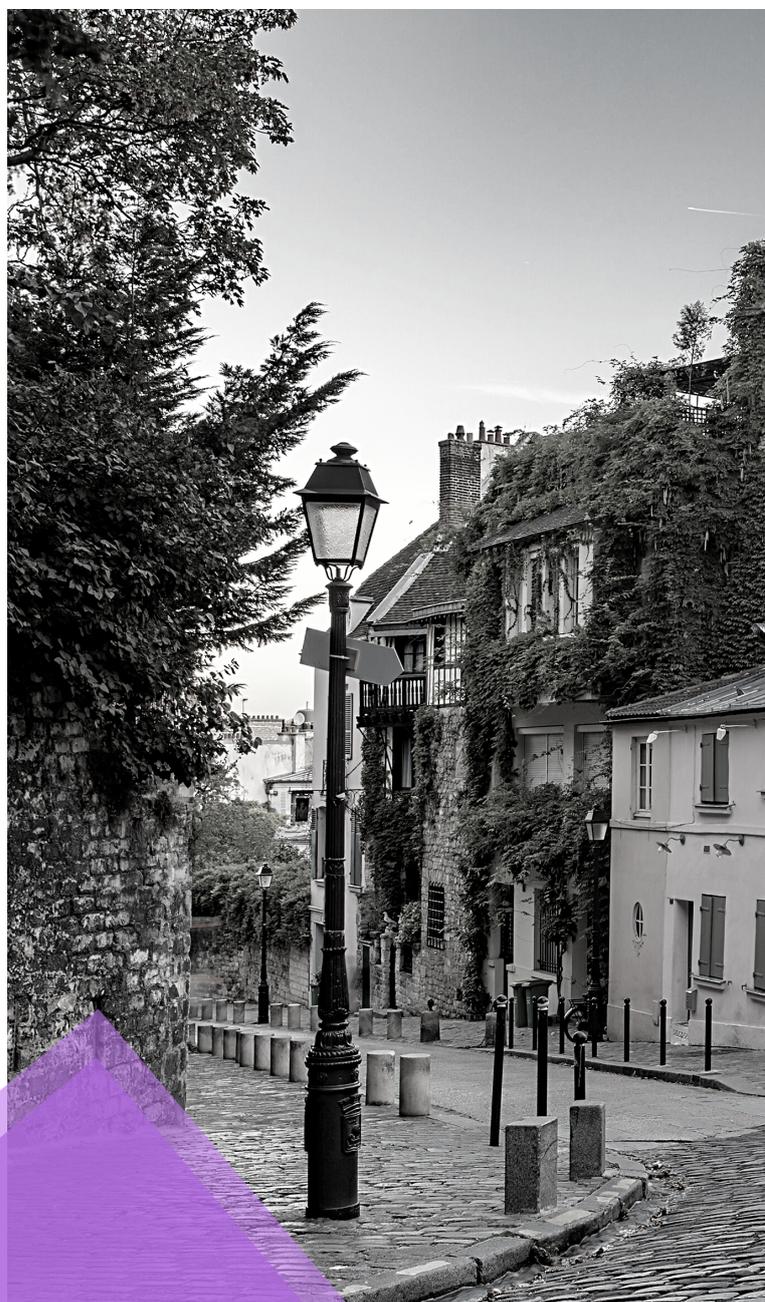
- After a minimum period of employment or amount paid in social security contributions, employees in France are generally entitled to paid sick leave.
- To go on sick leave, you need an official doctor's note.
- The French social security system also includes extended sick leave for serious and prolonged illnesses, as well as pensions and other benefits for people with disabilities.
- To be entitled to paid sick leave for up to six months, you need
  - to have worked for at least 150 hours in the last 90 days before falling sick
  - or to have paid social security contributions based on gross earnings equivalent to 1,015 times the minimum hourly wage (9.76 EUR in 2017) in the last six months before your illness.
- You can also be on sick leave for up to twelve months, but only if you have
  - worked for at least 600 hours in the last twelve months before falling sick
  - or paid social security contributions based on gross earnings equivalent to 2,030 times the minimum hourly wage (9.76 EUR in 2017) in this period.

## Work Hours

- In France, the legal length of the working week is 35 hours in all types of companies.
- The working day may not exceed 10 hours.
- Furthermore, employees may not work for more than 4.5 hours without a break.

## Overtime

- Overtime must be paid for as follows:
  - 25 percent an hour for each of the first eight hours of overtime (from the 36th to the 43rd hour inclusive)
  - 50 percent for each hour after that
- It should be noted that many exceptions are allowed, especially under collective agreements.
- Some managerial staff classified as "autonome" work more than 35 hours a week, but are given additional holiday days.



## Notice Period

- Each employee that is to be dismissed is entitled to a notice period, except if the dismissal was due to gross misconduct, negligence, or incapacity. The employee continues to work in the company under the same status and receives regular remuneration until the employment relationship is terminated. The length of notice depends on the employee's seniority in the company:
  - One-month notice for six months to two years of seniority;
  - Two months' notice for more than two years of seniority;
  - The notice period for seniority below six months is set by collective agreement or company practice.
- The notice period commences on the day on which the letter of dismissal is presented to the employee. The notice period cannot be postponed or suspended except in case of an accident at work, an occupational disease or paid leave.

## Severance

- Severance pay is only awarded if:
  - The employer terminates an indefinite-term contract.
  - The employee has the minimum length of service required by the Labor Code or an applicable collective bargaining agreement (CBA). The minimum length of service has been reduced to eight months of seniority by the Macron Reform.
- Severance pay depends on the employee's length of service and the relevant CBA's provisions.
- It is generally calculated on the basis of an employee's average salary (often including bonuses as well as basic salary) during the last twelve months of employment.
- Employees receive statutory severance pay (that is, one fourth of monthly salary for each year of service for the first ten years of service and one third for each year above ten years of service) if no CBA applies or the CBA rate is lower than the statutory amount.
- Employment contracts can also provide for severance payments, provided that their rate is higher than that of the CBA or the statutory amount.
- However, severance payments in company directors' employment contracts must be approved by the company's corporate governance body.

## 13th Month

- 13th-month pay—also sometimes referred to as the 13th-month bonus, 13th-month salary, or thirteenth salary—is a monetary benefit that is either mandatory by law or customary for the countries that participate.
- The 13th month is paid as following:  $\frac{1}{4}$  in June and the balance in November.



## Income Tax

- Unless expressly excluded by a tax treaty as subject to tax in another country or by domestic law, employment income earned in France and abroad by a resident is subject to French income tax, regardless of where payment is made and whether it is remitted.
- Employment income is widely defined and includes all employment benefits provided by the employer whether in cash or in kind. Social security and pension contributions made to French and qualified foreign plans are tax deductible. Business expense reimbursements are not taxable.
- Benefits-in-kind are, as a general rule, included in income at market value.
- Profits or gains derived from trades, professions, or vocations carried out in France are subject to tax regardless of whether the individual is resident of France.
- If the individual is resident in France, a liability may also arise on profits or gains on activities carried out abroad unless tax treaties provided otherwise.
- Generally, a French resident is liable to French income tax on interest income, whether from French or foreign sources.
- Taxable interests are subject to a flat rate tax (PFU, sometimes referred to as the 'flat tax') set at 30%, including income tax at 12.8% and social surtaxes at 17.2%.
- Rental income (for unfurnished properties) is taxed as ordinary income after deducting actual expenses borne by the landlord, such as mortgage loan interest, management expenses, repairs, property taxes, and insurance expenses.



### Income Tax Rates 2020

Up to EUR 10,064	0%
EUR 10,064 to EUR 25,659	11%
EUR 25,659 to EUR 73,369	30%
EUR 73,369 to EUR 157,806	41%
Above 157,807	45%

### Income Tax on Investment Income

Dividends	12.8%
Interest Income	12.8%
Capital Gains	12.8%

## Social Security Contributions

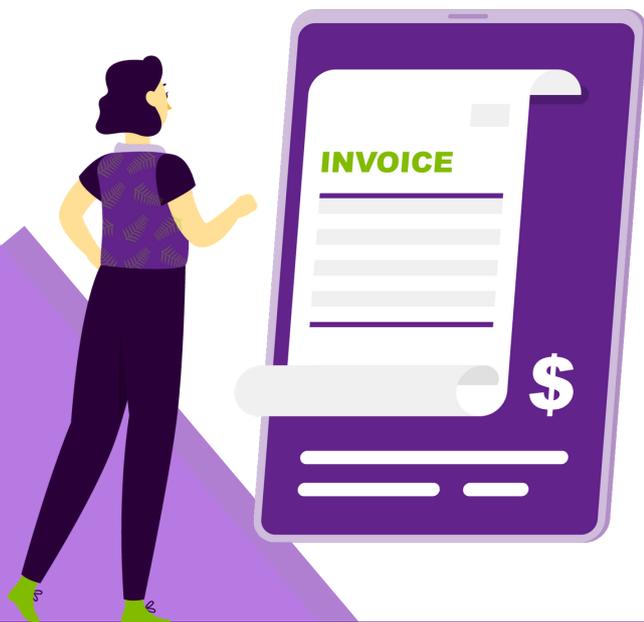
- In contrast to most European countries, where the social security system is financed through general taxation, the system in France is funded through social security contributions.
- The level of social security contributions is high, indeed, one of the highest in the world.
- Contributions are calculated on the basis of percentage rates decided at the national level and are borne partly by employers and partly by employees.
- The compulsory general scheme covers wage earners in the private industrial, trade, and service sectors.
- As from 2018, its scope has been extended to include self-employed workers and the private-practice professions (for health insurance).
- It is organized into five branches:
  - 1. The health, maternity, paternity, disability, and death branch
  - 2. The industrial accident and occupational illness branch, which are managed separately by the National Health Insurance Fund (Caisse Nationale d'Assurance Maladie)
  - 3. The old-age branch, managed by the National Old-Age Insurance Fund (Caisse Nationale d'Assurance Vieillesse/ CNAV),
  - 4. The family branch, managed by the National Family Benefits Fund (Caisse Nationale d'Allocations Familiales/ CNAF)
  - 5. The contributions and collections branch, managed by the Agence Centrale des Organismes de Sécurité Sociale (French Social Security Central Agency/ ACOSS).

Social Security Contribution		
Type	Employer Contribution	Employee Contribution
Health, Maternity, Disability, Death	0%	13% or 7% of total earnings
Autonomy solidarity contribution (CSA) Death	0%	0.3% of total earnings
Old-age insurance (with upper limit)	6.9% of EUR 3,428	8.55% of EUR 3,428
Old-age insurance	0.4% of total earnings	1.9% of total earnings
Accidents at work	0%	variable based on company size and risks
Family benefits	0%	5.25% or 3.45% of total earnings
Social security surcharge (CSG)	9.2% (98.25% of gross salary)	0%
Unemployment	0%	4.05% of EUR 13,712
AGS	0%	0.15% of EUR 13,712

## Deductible Expenses

### Employment Expenses

- Salaries and other related benefits are taxed after deducting an employee's mandatory social security contributions, except CRDS and part of CSG, and after a standard allowance for professional expenses equal to 10% of taxable employment income (limited to EUR 12,502 on 2018 remuneration).
- An employee may elect to deduct actual professional expenses incurred instead of the 10% standard deduction; however, in this case, all expenses reimbursed by the employer must be added back to the taxable salary.
- Qualifying professional expenses include certain commuting expenses, meals taken while away from home, and professional documentation.
- Contributions made to foreign social security systems are also deductible for French PIT purposes for taxpayers qualifying under the provisions applicable to inbounds in France as well as for individuals who are seconded under EU regulation no. 8832004 or a social security agreement signed by France.



### Personal Deductions

- Taxpayers may be entitled to one or more of the tax credits or general deductions shown below:
  - Limited tax credits are available for certain expenses with respect to principal residences, expenses for sustainable development, charitable contributions, domestic employees, students, and child care
  - General deductions are available for child support and alimony payments
- Payments of alimony to an ex-spouse, and of child support to children under 18, made according to the provisions of a court settlement, qualify as fully deductible expenses.
- Support payments made to parents, grandparents, children over 18, or married children may qualify as a deductible expense (with a cap for children), provided that the beneficiaries are in need and that the need can be demonstrated.

### Personal Allowances

- The tax benefit per additional half-share for dependent children is limited to EUR 1,551 (limit) for each of the first two children and EUR 3,102 for each additional child.
- Children under 18 years of age and disabled children of all ages can be claimed as dependents.
- Children from the ages of 18 to 21, as well as children from the ages of 21 to 25 who are full-time students, can, upon request, be claimed as dependents.

## Deductible Expenses

### Employment Income

- A standard allowance for professional expenses is equal to 10% of taxable employment income (limited to EUR 12,502 on 2018 remuneration) \*
- Examples:
  - computing expenses
  - meals taken at work
  - professional documentation
- Contributions made to foreign social security systems

### Personal Deductions

- Limited tax credit for certain expenses such as:
  - expenses for sustainable development
  - charitable contributions
  - domestic employees
  - students
  - child care
- Payments of alimony to an ex-spouse, and of child support to children under 18 are fully deductible
- Support payments made to parents, grandparents, children over 18, or married children may qualify as a deductible expense (with a cap for children), provided that the beneficiaries are in need and that the need can be demonstrated.

### Personal Allowance

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## Immigration

- If an assignee is a non-EEA national, one cannot perform a salaried activity or professional mission in France without an authorization.
- The immigration reforms of 7 March 2016 and 2 November 2016 instituted a short-term authorization exemption, valid for stays of up to 90 days, consecutive or not, over a period of 180 days, from work authorizations for persons performing audit work or providing expertise in one of a number of areas including architecture, computer sciences, engineering, and finance.
- This exemption is valid for both intra-group secondments and service-provider activity, and thus does not apply to work that would be considered as salaried activity for the host entity.
- Some of the main work visas or visas for salaried employment are as follows: -
  - Short Stay Visa
  - Long Stay Visa (temporary worker)
  - Long Stay Visa (ICT trainee)
  - Long Stay Visa (ICT posted employee)



Type of Visa	Documentation	Validity	Eligibility
<b>Short Stay Visa</b>	<ul style="list-style-type: none"> <li>• Visa application form</li> <li>• Work permit (business travel)</li> <li>• Passport</li> <li>• 3 standardized passport size photos</li> <li>• Evidence of sufficient financial means</li> <li>• Proof of a guarantee of repatriation to the foreign national's usual place of residence.</li> <li>• Proof of insurance</li> </ul>	90 days	<ul style="list-style-type: none"> <li>• This type of visa is generally issued for tourism, business trips or family visits, short training programmes, internships, conferences and corporate meetings, or to engage in remunerated activities (whatever the form), not exceeding 90 days.</li> </ul>
<b>Long Stay Visa (Temporary worker)</b>	<ul style="list-style-type: none"> <li>• Visa application form</li> <li>• Work permit (business travel)</li> <li>• Passport</li> <li>• 3 standardized passport size photos</li> <li>• Evidence of sufficient financial means</li> <li>• Certificate of criminal record</li> <li>• OFII form</li> <li>• Police certificate</li> </ul>	3 months to 12 months	<ul style="list-style-type: none"> <li>• Your employer, operating outside the European Economic Area, asks you to fulfil your employment contract by completing a one-off mission in a French company (or organization) in order to provide a service to a French client or on its behalf.</li> </ul>
<b>Long Stay Visa (ICT trainee)</b>	<ul style="list-style-type: none"> <li>• Form 15619*01</li> <li>• Training agreement</li> <li>• Visa application form</li> <li>• Work permit (business travel)</li> <li>• Passport</li> <li>• 3 standardized passport size photos</li> <li>• Evidence of sufficient financial means</li> <li>• Certificate of criminal record</li> <li>• OFII form</li> <li>• Police certificate</li> </ul>	12 months	<ul style="list-style-type: none"> <li>• For at least three months you have been employed in a company located outside the European Economic Area that belongs to an international group of companies.</li> <li>• You carry out higher management functions and your employer has asked you to carry out a high level senior management or expert assessment mission.</li> <li>• You hold a higher education qualification and your employer has asked you to follow a training course in a group company or entity.</li> </ul>



<p><b>Long Stay Visa (ICT posted employee)</b></p>	<ul style="list-style-type: none"> <li>• Visa application form</li> <li>• Work permit (business travel)</li> <li>• Passport</li> <li>• 3 standardized passport size photos</li> <li>• Evidence of sufficient financial means</li> <li>• Certificate of criminal record</li> <li>• OFII form</li> <li>• Police certificate</li> </ul>	<p>3 years</p>	<ul style="list-style-type: none"> <li>• For at least three months you have been employed in a company located outside the European Economic Area that belongs to an international group of companies.</li> <li>• You carry out higher management functions and your employer has asked you to carry out a high level senior management or expert assessment mission.</li> <li>• You hold a higher education qualification and your employer has asked you to follow a training course in a group company or entity.</li> </ul>
<p><b>EU Blue Card</b></p>	<ul style="list-style-type: none"> <li>• Bachelor or Master's Degree</li> <li>• Valid Passport</li> <li>• Application Form</li> <li>• Proof of Health Insurance</li> </ul>	<p>1 year</p>	<ul style="list-style-type: none"> <li>• The minimum salary for the Blue Card France is 53 836,50 Euro gross per year (2019).</li> <li>• You must also have a university or specialized college degree showing completion of at least three years' study.</li> <li>• Alternatively, you can prove your qualifications by proving you have at least five years relevant work experience.</li> </ul>



## Value Added Tax (VAT)

- French VAT rules are based on regulations drawn up by the EU, of which France was a founding member. The standard French VAT rate is currently 20%.
- As an EU member state, France is obliged to implement the VAT Directives, which provides guidance on VAT
- Once registered in France, the company's obligations are not only to declare and pay the VAT but to follow French compliance rules included in guidelines as the ones on French invoices, foreign currencies conversion and reporting, credits notes and corrections.
- The standard VAT rate in France is 20%.
- Principal reduced rates are 5.5% and 10%. Other specific reduced rates exist such as 2.1% for goods from chemists or some newspapers or 13% for sales in Corsica Island.

VAT Rates	
Standard VAT Rate	<ul style="list-style-type: none"> <li>• 20%</li> </ul>
Reduced Rates	<ul style="list-style-type: none"> <li>• Principles reduced rates are 5.5% and 10%</li> <li>• 2.1% for goods from chemists or some newspapers</li> <li>• 13% for sales in Corsica Island</li> </ul>

## Withholding Tax

### Dividends and Interest

- As a general rule, dividends paid to non-residents are subject to a 12.8% withholding tax for individuals or 30% withholding tax for companies.
- The Finance Act for 2018 provides that the withholding tax applicable to companies on dividend payments will be aligned to the French corporate tax rate as of January 1, 2020.
- Until January 1, 2020, the applicable tax rate remains 30%.
- Generally, no withholding tax is levied on French-source interest, provided it is arm's length.

### Royalties

- As a general rule, a withholding tax may be levied, at the same rate as the standard corporate income tax rate, on royalties and service fees paid to non-residents.
- The standard rate of the withholding tax on royalties in France is 33.33%. This rate may be either increased to 75% when the beneficiary of the income has its fiscal residence in a tax haven\*, or decreased up to 0% depending on the bilateral agreements to avoid double taxation.



## Employment Income

- Initially planned for 2018, the entry into force of the withholding tax on income tax was finally postponed to January 1, 2019.
- All income from employment that is taxable in France is subject to withholding tax, regardless of whether the income is French-sourced or foreign-sourced.
- Withholding tax will be collected either at source or automatically by means of installments.



### Withholding rates for French Pay As You Earn (PAYE)

Monthly taxable remuneration (EUR)	Tax Rate
Up to 1418	0%
1418 to 1472	0.5%
1472 to 1567	1.3%
1567 to 1673	2.1%
1673 to 1787	2.9%
1787 to 1883	3.5%
1883 to 2008	4.1%
2008 to 2376	5.3%
2376 to 2720	7.5%
2720 to 3098	9.9%
3098 to 3487	11.9%
3487 to 4069	13.8%
4069 to 4878	15.8%
4878 to 6104	17.9%
6104 to 7625	20%
7625 to 10583	24%
10583 to 14333	28%
14333 to 22500	33%
22500 to 48196	38%
Over 48196	43%

## WHT on Income Received by Non-residents

- Following the change in the trajectory of the corporate income tax rate reduction, the withholding tax rate on certain income received by nonresidents (in particular, capital gains on substantial participations or on real estate), which generally is aligned with the corporate income tax rate, also are adjusted.
- The new rates are as follows: 31% for 2019 (except for withholding tax on dividends, which remains at 30%), 28% for 2020 and 26.5% for 2021, regardless of the company's annual turnover.

Withholding Tax	
<b>Divided and Interest</b>	Dividends paid to non-residents are subject to a 12.8% withholding tax for individuals or 30% withholding tax for companies.
<b>Royalties</b>	The standard rate of the withholding tax on royalties in France is 33.33%.
<b>Employment Income</b>	PAYE WHT tax rates are given in the table
<b>WHT on Income received by Non-residents</b>	The new rates are as follows: 31% for 2019 (except for withholding tax on dividends, which remains at 30%), 28% for 2020 and 26.5% for 2021, regardless of the company's annual turnover.

## Termination

- In France if an employer wants to terminate an employment contract, he must be able to show a justifiable reason "cause réelle et sérieuse" and respect the dismissal procedures. These rules are of "public order" so employees cannot contract out of them. A dismissal can only be made by an employer and not a judge.
- Dismissals are divided into two categories. They can be:-
  - (1) "Inherent to the person of the employee" i.e. a personal reason or
  - (2) "For an economic reason.
- *Personal Reason:* - The dismissal can be made for (1) disciplinary reasons i.e. fault of the employee or (2) outside any incorrect behavior. If it is one of these two reasons, it cannot be discriminatory.
  - Disciplinary reasons include "simple fault", "grave fault", and "gross fault".
  - Other personal reasons include professional insufficiency, insufficiency of results, disagreement, and personal life of the employee.
- *Economic Reason:* - The economic reason is defined by the French labour law code as a reason
  - (A) not inherent to the person of the employee
  - (B) resulting from a suppression or a transformation of employment or a modification, refused by the employee of an essential element of the contract of employment, consecutive to economic difficulties
  - (C) technologies transformations
  - (D) reorganization
  - (E) or cessation of activities.



## Statutory Benefits

- Some statutory benefits are created after a certain length of service of the employee (most notably, right to a severance indemnity or to a notice period, right to vote or participate in employee representatives' elections, and so on).
- The applicable collective bargaining agreement and company collective agreements may also award specific benefits linked to the length of service of the employees, such as:
  - Certain leaves of absence (for example, parental leave (Parental rights)).
  - Increased protection on dismissal.
  - Maintain salary during illness or maternity leave.
  - Participate in the election of employee representatives and be a candidate.
  - Benefit from profit-sharing plans.
  - Seniority measures.

### Statutory Benefits

#### Social Security Insurance

#### Annual Leave

#### Maternity Leave

#### Paternity Leave

#### Public Holidays

#### Salary During Illness

## Payments and Invoicing

- Starting in 2019, if your house is equipped with internet access, you must file your taxes online. Though most people will pay their income taxes through the PAYE system, some exceptions do apply.
- These include investment income (including gains from life insurance policies), capital gains from financial investments, and real estate and non-French income.
- There is not a single French tax form, but rather additional forms for each type of income must be filled out to accompany your main French tax return form (Form 2042).
- If you have paid French taxes before, you will typically receive Form 2042 pre-filled, on which you should list your updated worldwide income and gains.

## Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank France ranked 32nd in the World in 2019 in terms of ease of doing business.

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