



# Doing Business in France



# Contents

<b>1.</b>	<b>Introduction . . . . .</b>	<b>1</b>
<b>2.</b>	<b>Business Organisations . . . . .</b>	<b>6</b>
<b>3.</b>	<b>Restrictions On Investment . . . . .</b>	<b>18</b>
<b>4.</b>	<b>Capital Market Fundraising in France . . . . .</b>	<b>19</b>
<b>5.</b>	<b>Employment . . . . .</b>	<b>24</b>
<b>6.</b>	<b>Business Immigration . . . . .</b>	<b>33</b>
<b>7.</b>	<b>Pensions and Employee Benefits . . . . .</b>	<b>38</b>
<b>8.</b>	<b>Intellectual Property . . . . .</b>	<b>43</b>
<b>9.</b>	<b>Data Protection . . . . .</b>	<b>48</b>
<b>10.</b>	<b>Taxation . . . . .</b>	<b>51</b>
<b>11.</b>	<b>Imports, Export Controls and Sanctions . . . . .</b>	<b>57</b>
<b>12.</b>	<b>Competition Law . . . . .</b>	<b>60</b>
<b>13.</b>	<b>Contact Us . . . . .</b>	<b>67</b>
<b>14.</b>	<b>Glossary of Relevant French Terms and Institutions . . . . .</b>	<b>68</b>

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**Disclaimer:** The information contained in this guide is correct as of 1 January 2012. The information is general in nature and is intended to provide an overview of the relevant law and legal issues. It does not constitute legal advice with respect to any matter or set of facts. Professional advice should always be obtained before applying any information to particular facts and circumstances.

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# 1. Introduction

## About this Guide

France is the fifth largest economy in the world with a strong central presence on the European continent. Establishing a business in France provides effective access to the countries of the European Union (**EU**), Africa, and beyond. This guide provides an overview of the legal issues to be considered by an overseas entity setting up a business in France and the law that is generally applicable to any French business.

Whether you are trading in France for the first time, expanding your existing business or seeking a trading relationship with an existing French business, Bryan Cave can advise you.

## Contact Us

We welcome the opportunity to discuss any of the issues raised in this guide or any other questions you might have. If you would like to know more, please get in touch with your usual Bryan Cave contact or any of the Bryan Cave Paris lawyers listed on the final pages of this guide.

## About Bryan Cave

Bryan Cave LLP is a leading business and litigation firm with global reach, a strong reputation and over 135 years of success. We have more than 1,100 lawyers and consulting professionals in 24 offices worldwide. We advise clients at each step of their business cycle and work for a wide variety of business, financial, institutional and individual clients, including publicly held multinational corporations, large and

mid-sized privately held companies, partnerships and emerging companies. We pride ourselves on proactive, solution-oriented work.

Bryan Cave has decades of experience representing individual and corporate clients in their activities in Europe, as well as representing European clients in the Americas, Africa, Middle East and Asia. Bryan Cave's Paris office advises on a broad range of French, EU and US law matters and works closely with offices in the UK (London), Germany (Frankfurt and Hamburg) and with an affiliate in Italy (Milan). The Firm has strong relationships with law firms across the rest of Europe; this enables Bryan Cave to provide a full service to clients on a wide range of multi-jurisdictional issues across Europe.

In addition to its European offices, Bryan Cave has lawyers located in the US and China who have worked and lived in Europe and have broad training and experience with European law. A number of Bryan Cave lawyers located outside Europe practice in a number of European languages and have close personal connections to the cultures of many European countries. In accordance with Bryan Cave's 'one firm' culture these lawyers (and other Bryan Cave lawyers across the firm) work closely and seamlessly with their European colleagues in producing services to clients on all matters relating to Europe.

## France

France is a republic consisting of several geographical divisions. Continental France and Corsica are known as Metropolitan France. The overseas departments include Guadeloupe, Martinique, French Guyana, and Reunion, and the overseas collectivities include the Austral and Antarctic Territories, French Polynesia, Clipperton, Wallace and Futuna, Mayotte, Saint-Pierre-et-Miquelon, Saint Martin and Saint Barthelemy. New Caledonia has a *sui generis* legal status.

The Euro (€) is the official currency of the EU and is used in 17 of the 27 Member States, including France.

France is governed by a republican democracy with the center of the government located in Paris. The President of the Republic is the head of state, and is elected for five-year terms by universal suffrage. The President of the Republic appoints the Prime Minister and the *Gouvernement* (comprised of a varying number of cabinet

ministers). The Parliament is composed of both a Senate and a National Assembly. Local government exists at both the regional and departmental levels.

The court system is characterized by a fundamental division between judiciary courts and administrative courts. Judiciary courts include civil courts, which have jurisdiction over disputes between private individuals and criminal courts, which have jurisdiction in the case of an infraction of the criminal laws. Administrative courts are only competent if a public person or body is involved. Each part of the judicial system is headed by a high court empowered to overturn judgments from lower courts. The Supreme Judiciary Court is the *Cour de Cassation* and the Supreme Administrative Court is the *Conseil d'Etat*. Apart from that division, the Constitutional Council (*Conseil Constitutionnel*) is the only court in the French system which is entitled to invalidate a law that is contrary to the Constitution.

French law is largely but not exclusively codified. Legislation consists of numerous codes as well as a number of uncodified statutes and an important body of jurisprudence and scholarly writing, as well as a large overlay of EU legislation. As explained below, some EU laws are automatically applicable in any EU Member State while others must be implemented into local law by the legislative authority in the individual EU Member States.

## The European Union

The European Economic Community, subsequently known as the European Community (the “**EC**”) and now known as the European Union (the “**EU**”), was established in 1957 by the Treaty of Rome. The Treaty of Rome, as amended and supplemented by subsequent treaties, is now known (subsequent to the Treaty of Lisbon 2009) as the Treaty on the Functioning of the European Union (“**TFEU**”) and provides the organizational and functional details of the EU as well as most of the substantive provisions of EU primary law. There remains in effect the Treaty on European Union (the Maastricht Treaty), as amended and supplemented by subsequent Treaties, which essentially sets out the objectives and principles of the EU and provides for the Common Foreign and Security Policy.

The EU is now a union of 27 independent countries, each a “**Member State**”. The European Economic Area (the “**EEA**”) was established on 1 January 1994 among the Member States of the EU, Iceland, Lichtenstein and Norway. Membership of the

EEA allows Iceland, Lichtenstein and Norway to participate in the European single market and the free movement of goods and services, subject to certain requirements. Switzerland is not a member of either the EU or the EEA.

The Euro (€) is currently the currency of 17 of the 27 Member States of the European Union.

The EU decision making process involves three main institutions:

- the European Parliament, which is directly elected by EU citizens;
- the Council of the European Union, which represents the individual Member States; and
- the European Commission, which is composed of 27 commissioners, each appointed for five years and representing each Member State.

In principle, the Commission proposes new laws but the Parliament and Council adopt them. The Commission and the Member States then implement them. The Commission also has broad regulatory and administrative powers. The fourth institution, the Court of Justice, (which comprises the Court of Justice, the General Court and the Civil Service Tribunal) upholds the rule of European Law and the Court of Auditors checks the financing of EU activities. The Court;

- reviews the legality of the acts promulgated by the other EU institutions;
- ensures that each Member State complies with the obligations set out in the Treaties; and
- interprets EU law when requested by a national court of a Member State, so to do.

In addition to the Treaties, EU legislation consists of Regulations, Directives, Decisions and Recommendations/ Opinions.

- A Regulation is a legislative act which is directly applicable in all Member States simultaneously (subject only to certain derogations sometimes)

granted to new Member States for a transitional period). No further action or legislation is required by the individual Member State, save in certain cases, for sanctions and penalties for non compliance.

- A Directive is a legislative act which requires Member States to achieve a particular result without dictating how they are to achieve that result. Each Member State implements the Directive through national legislation within a specified timetable. Whilst a Directive indicates the terms that should apply, the implementing national legislation may contain differences among Member States.
- A Decision applies only to the particular addressee of the decision (be it one or more Member States, companies or individuals), e.g. in competition law.
- A Recommendation or Opinion is a non-binding declaration.

## 2. Business Organizations

Overseas entities doing business in France (or contemplating such activity) need to consider whether their activities involve subsidiaries, branches, or permanent establishments; all of these are subject to French taxation on earnings. However, branches or permanent establishments, not being separate legal entities, may have their taxation on earnings refunded using the financial statements of the foreign parent company. What constitutes a “permanent establishment” will depend in part on the terms of bilateral tax treaties with France.<sup>1</sup>

The simple export of goods to France, where customers in France have been sourced through independent sales representatives or through independent distributors, will not generally result in a “permanent establishment” or so called taxable presence for an overseas entity for tax or company law purposes. A common example is the employment or introduction of an employee in France to represent the overseas entity through a liaison office (*bureau de liaison*). This office, having no legal autonomy, will not constitute a permanent establishment as long as its purpose is to conduct non-commercial or auxiliary activities, such as tracking or assisting with the delivery of goods sold to French customers. The establishment of a fixed or permanent base for the purpose of conducting business, including engaging an agent with the authority to conclude contracts in France on its behalf, will most likely constitute a permanent establishment for the overseas entity.

### Establishing a Place of Business

The mere fact that an overseas entity is conducting business in France does not necessarily mean that it will have to comply with French company law requirements.

A company having its headquarters in France will be governed by French law and must be registered in the Commercial Trade Registry in order to have legal capacity.<sup>2</sup> Therefore, an enterprise having its headquarters in France is deemed to be a French company, even if it was incorporated elsewhere. The headquarters must be the main place of business which is the heart of the legal and administrative life of

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1 - Specifically in Article 5 of the Model Convention with Respect to Taxes on income and on Capital of the OECD: “For the purposes of this Convention, the term ‘permanent establishment’ means a fixed place of business through which the business of an enterprise is wholly or partly carried on.”

2 - Article 1837 of the French Civil Code.

the company. A company having only a sham headquarters in France will not be considered a French company.

## Registration Requirements

A number of formalities are required in order to set up a French company. In particular, setting up a business first requires the signature of a commercial lease contract (or a domiciliation contract with a business center), the signature of the articles of association, the filing of these articles with the tax office and the publication of a notice containing the company's main characteristics in a legal publication.

Formalities to create a company in France have been greatly simplified; the procedure is considerably faster than in the past and can be carried out online. The entire process is managed by a single organization, the Center of Business Formalities (CFE), which conveys to the appropriate services all of the documents needed for the set up of the company. These services include:

- The Commercial Court Clerk's Office (*Greffé du Tribunal de Commerce*). They will deliver a receipt proving the pending registration, enabling the legal representative to undertake additional registrations with other administrations and public agencies (e.g., the Post Office). Once the registration with the Commercial and Companies Registry is done, the company receives a certificate of incorporation (*Extrait K-bis*) from the Clerk's office.
- The National Institute of Economic Statistics and Studies (*Institut National de la Statistique et des Etudes Economiques* or INSEE), in charge of allocating industry codes and delivering the SIREN (identification number) and the SIRET (premises number) necessary to recruit staff and complete other day-to-day formalities.
- Fiscal and social securities administrations (URSSAF- Organizations for the payment of social security and family benefit contributions which collect social security, pension funds; *Pôle Emploi* - the French unemployment agency).

Some procedures must be carried out by the company itself such as procedures relating to intellectual property issues, insurance procedures, etc. The CFE also does

not handle the registration with the French Post Office.

As noted above, branches and agencies in France of an entity with an overseas headquarters will also have to complete registration requirements.

In order to be appointed as the Manager (*gérant*), the Chairman of the Board of Directors (*président*) or Chief Executive Officer (*directeur général*) one must have a clean criminal record and be able to obtain a certificate from the authorities to such effect.

## Establishing A Company

French company law provides for a plethora of corporate forms, however the most commonly used forms are companies with limited liability.

- The **Société à Responsabilité Limitée** (SARL) is similar to an English private limited liability company or a German GmbH.
- The **Société Anonyme** (SA) which, until recently, was the most commonly chosen form for larger businesses is similar to an English public limited company or a German AG.
- The **Société par Actions Simplifiée** (SAS), now the most commonly chosen form for small and large businesses privately held, is a very flexible modern form of a limited liability company originally designed for foreign or French corporate joint ventures. The SAS can now be set up by a sole shareholder creating a *SAS unipersonnelle* (SASU), which is appropriate for a holding or a foreign company wishing to hold 100% of its subsidiary.

While sharing certain common characteristics, these three types of companies have distinct conditions about their operation at the corporate level. The SAS is particularly flexible and characterized by a much wider contractual freedom (its organization and operation are essentially ruled by the articles of association which are the common will of the partners, and the partners can generally arrange their entrance and departure to the company).

The liability of the shareholders or equity holders is limited to the amount of their contributions; however, directors can incur civil or criminal liabilities. Directors are legally responsible to the company and the shareholders/equity holders for infringement of the law or the articles of association, such as non compliance with the legal provisions applicable to agreements between the company and its directors or for mismanagement or for a failure to attend a board meeting.<sup>3</sup> Directors may also be liable to third parties, but only if their fault is independent of their professional activity. For example, an executive was held to be liable for actively and personally taking part in a forgery offence and was recognized as the instigator of the offence.<sup>4</sup> Directors can incur criminal liability as well. Executives of limited liability companies are subject to specific criminal offences beyond the general criminal law offences (i.e. fraud, breach of trust, misuse of company assets) for which any executive of any company could be held liable. For example, a general manager of an SARL that fails to take inventory or establish an annual financial statement and an annual management report for each fiscal year may be punished with up to €9,000 in fines.<sup>5</sup>

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3 - Articles L. 223-22 and L. 225-251 of the French Commercial Code.

4 - Cour de Cassation, July 7th, 2004, Bulletin Joly 2005, p.1531.

5 - Article L.241-4 of the French Commercial Code.

Certain key differences between the three corporate forms are described in the following table:

	SARL	SA	SAS
Minimum share capital	No minimum, but the amount of share capital must be coherent regarding the level of investment. The share capital is divided into equal interests ( <i>parts</i> ), whose amount is freely determined. Payment in full of the share capital must be made before any subscriptions to new shares in cash.  Shares are not freely tradable	€37,000  Possibility to issue a public offering of its shares.  Shares may be freely traded and, publicly listed. The professional investor ( <i>opérateur de marché</i> ) will determine the share capital conditions	Determined in the articles of association without restriction although the amount must be coherent to the level of investment.  No possible issue of public offering of the SAS' shares <sup>6</sup>
Contributions	Contributions can be in cash, in kind, or in sweat equity ( <i>en industrie</i> ) such as provisions of services, labour, and technical knowledge	In cash or in kind. Contributions of sweat equity are forbidden	Contributions can be in cash, in kind, or in sweat equity ( <i>en industrie</i> ) such as provisions of services, labour, and technical knowledge

6 - Article L.227-2 of the French Commercial Code.

	SARL	SA	SAS
Payment of contributions	<p>At least 20% of contributions in cash must be paid immediately and the remaining percentage within five years from the date of registration of the company.</p> <p>The articles of association must contain an estimate of each contribution in kind or in sweat equity. The fraudulent increase of these contributions is punished with up to 5 years imprisonment and €375,000 in fines<sup>7</sup></p>	<p>100% of contributions in kind and at least 50% of contributions in cash must be paid immediately with the remaining amount payable within 5 years from the date of registration of the company</p>	<p>100% of contributions in kind and at least 50% of contributions in cash must be paid immediately with the remaining amount payable within 5 years from the date of registration of the company</p>
Required number of partners/shareholders	From 1 to 100	Minimum of 7 (with at least one natural person)	Minimum of 1

7 - Article L.241-3 of the French Commercial Code.

	SARL	SA	SAS
Management	<p>1 or more general managers - all individuals.</p> <ul style="list-style-type: none"> <li>- Appointed for the duration of the company unless otherwise stipulated in the articles of association<sup>8</sup></li> <li>- Revocation by decision of the partners representing more than half of the shares unless the articles of association provide for a larger majority<sup>9</sup></li> </ul>	<p>Two possibilities:</p> <ul style="list-style-type: none"> <li>A Board of Directors (<i>conseil d'administration</i>) of 3 to 18 members and 1 chairman (<i>président</i>).</li> <li>A Board (<i>directoire</i>) of 1 to 5 members working under the control of a Supervisory Board (<i>conseil de surveillance</i>) of 3 to 18 members</li> </ul>	Defined in the articles of association with at least one chairman ( <i>président</i> )
Transfer procedure	Prior approval of the equity interest holders' meeting or by the manager, depending on the Articles of Association	Free, but the Articles of Association can require sales to non-shareholders be subject to the prior approval from the Board of Directors or from the Executive Board (authorization clause). Possibility of pre-emptive clauses	Free but the Articles of Association can provide inalienability clauses for a maximum of 10 years, approval clauses, pre-emptive clauses and exclusion clauses

8 - Article L. 223-18 of the French Commercial Code.

9 - Article L.223-25.

	SARL	SA	SAS
<b>Requirement for auditors</b>	No obligation to appoint a statutory auditor unless 2 of the 3 following thresholds are exceeded: <ul style="list-style-type: none"><li>• Net turnover: €3.1M</li><li>• Total assets: €1.55M</li><li>• 50 employees</li></ul>	Mandatory appointment of a statutory auditor	No obligation to appoint a statutory auditor unless the SAS is controlled by or controls another company or unless 2 of the 3 following thresholds are exceeded: <ul style="list-style-type: none"><li>• Net turnover: €2M</li><li>• Total assets: €1M</li><li>• 20 employees</li></ul>
<b>Tax</b>	Corporate tax. Possibility to opt for the income tax regime (transparency) if meeting several conditions: <ul style="list-style-type: none"><li>- not quoted</li><li>- exercise an industrial, commercial, handcraft, agricultural or liberal main activity</li><li>- employ less than 50 salaried employees</li><li>- annual sales under €10 million</li><li>- exist for less than five years</li><li>- 50% of the share capital and voting rights must be held by natural persons, and at least 34% by one or more directors or managers and members of their households, for tax purposes</li></ul>		

## Establishing a partnership or a company with unlimited liability

The list of **unlimited liability companies** is much more heterogeneous: companies with a legal capacity (*sociétés en nom collectif* or SNC, *société en commandite simple*,

*sociétés civiles*) as well as a number of other corporate forms, some of which are restricted to purely civil operations and others commercial. The most common forms are:

- *The société en participation* (undeclared partnership) is either a civil or a commercial enterprise depending on the scope of its purpose and results from a decision of its partners not to register the company.
- *The société créée de fait* (de facto corporation) arises when several individuals are working together without formalizing their relationship and without regard to the legal qualification of their joint effort, and the individuals are not aware that they have created a de facto company.

Unlimited liability companies do not have a minimum share capital or a time frame for the payment of the share capital. These companies may elect to give up their inherent tax transparency and opt to subject themselves to the corporate tax, but this choice is irrevocable. Moreover, pursuant to Article 206-2 of the French Tax Code, the *sociétés civiles* (companies with a non-commercial purpose) that have a commercial activity (defined by the nature of the main activity or up to 10% of secondary operations) are subject to income tax and not to corporate tax. However, the unlimited and sometimes joint responsibility of the partners make such entities less common than limited liability companies.

- *The société en nom collectif* (general commercial partnership) is a commercial partnership, whose members (minimum of 2) are jointly and severally liable without limitation for the debts of the company and have the status of merchants. This partnership has a strong *intuitu personae* nature. Additionally, the transfer of shares or any collective decision requires the agreement of all the partners. Moreover, the death of one of the parties will automatically lead to the dissolution of the company unless otherwise stipulated in the Articles of Association.
- *The société en commandite simple* (limited partnership) is a company with two types of partners: general partners (*commandités*), in charge of the company's management, having the quality of merchants and being unlimited and jointly and severally liable, and investors called limited partners (*commanditaires*), without the merchants' qualification and whose liability is limited to their contributions in capital whether in cash or in kind.

- The *société civile (civil partnership)* is characterized by an *intuitu personae* nature. Unlike the *société en nom collectif* or the *société en commandite simple*, the *société civile* is governed by the French Civil Code and not the French Commercial Code.

## EIG and EEIG

The Economic Interest Grouping (EIG) was born out of the creation of Airbus and was designed to offer French companies a new instrument of cooperation, allowing them to compete with the new European competitors. The French EIG was soon followed by a European model called the European Economic Interest Group (EEIG) which was then adopted into French law.<sup>10</sup>

Although the EIG has a legal capacity, it is neither a company nor an association but rather an instrument of cooperation between pre-existing member companies. Its activity must be related to the economic activity of its members, but it may only have a role secondary to the individual activities of its members. The EIG must not compete with its members, as its sole objective is to contribute to their development and to improve their revenue. The EIG must include at least two members and have one or more managers. It can be set up with or without capital.<sup>11</sup> Common decisions must be taken during meetings. Finally, the tax system is comparable to the one used in partnerships, i.e. a transparent system with income tax. No public offering of the shares of an EIG can be made.

The rules governing the EEIG are almost identical: members must be from at least two European countries, the head office must be located in one of the EU members countries, not more than 500 employees can be employed, and a public offering of its shares cannot be made.

## A European Public Company Societas Europaea (SE)<sup>12</sup>

A transnational EU company was introduced into French law in 2005, called the Societas Europaea or SE.<sup>13</sup> The SE is not widely used.

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10 - Law of June 13, 1989.

11 - Article L.251-3 of the French Commercial Code.

12 - Directive 2001/86 dated October 8, 2001.

13 - Law No. 2005-842 dated July 26, 2005.

An SE is a European public limited company and may be created by registration in any Member States of the EU. Member States must treat a SE as if it were a public limited company formed in accordance with the laws of the Member State where its registered office is located. All SEs are subject to certain EU-wide rules relating to share capital, internal regulation, accounts, and worker participation. They are also subject to national corporate laws in many other respects; for example, in relationship to formation, issue and purchase of shares, taxation, and insolvency. SEs must have a minimum share capital of €120,000. Only pre-existing companies with a two-year operating history in different Member States are permitted to incorporate a SE.

There are several ways to form an SE:

- Merger - Two or more public limited companies or existing SEs can merge to form a SE provided that at least two of them are governed by the laws of different Member States. The merger may be made by acquisition (with the acquiring company becoming an SE) or by the formation of a new company (with the merging companies ceasing to exist).
- Creation of a Holding SE - Two or more private or public limited companies (including existing SEs) formed under the laws of a Member State and with their registered offices in a Member State may form a SE by creating a holding SE.
- Subsidiary SE formed by an existing SE - An existing SE can form another SE as a subsidiary company in which it is the sole shareholder.
- Transformation of a Société Anonyme - A Société Anonyme registered in France may transform into an SE registered in France provided that it has had a subsidiary governed by the laws of another Member State for at least two years, and its first two balance sheets were approved by its shareholders.<sup>14</sup>

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14 - Regulation No. 2157/2001/CE; Article L.225-243 of the French Commercial Code.

## Proposal for a European Private Company

There is an on-going debate<sup>15</sup> in the EU concerning the creation of a new European Private Company called Societas Privata Europaea (SPE).<sup>16</sup> Currently this proposal is still under discussion and requires the unanimous consent of the Member States. The proposal is part of a number of measures under the Small Business Act for Europe. The new European Private Company would offer an alternative form of incorporation for small and midsize companies which currently represent the majority of the EU businesses in the hope that SPEs will become more competitive within the EU. An SPE would be a limited liability private company formed by one or more natural persons or legal entities. When a matter is not governed by regulation or company articles, the national law of the Member State where the SPE has its registered office would apply.

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15 - Proposal for a Council Regulation on the Statute for a European Private Company (presented by the European Commission on June 25, 2008) adopted as amended by the European Parliament on March 10, 2009.

16 - Proposal for a Council Regulation dated June 25, 2008 (presented by the European Commission and amended by the European Parliament; adopted by the European Parliament on March 10, 2009).

### 3. Restrictions On Investment

France has few restrictions on foreign direct investments (FDI). In 2010, the country received US \$ 57.4 billion in inward FDI, making it the third-largest recipient in the world.<sup>17</sup> Nevertheless, for public security/safety reasons investors must obtain prior approval from the Ministry of Economy before making an investment in certain protected sectors or where the public safety is at risk. Where FDI exceeds €15 million, investors must file additional forms with the Bank of France for statistical purposes within 20 working days after the payment date of the FDI.<sup>18</sup>

Operations where French residents and non French residents acquire at least 10% of share capital or voting rights or cross the 10% threshold of a resident or non resident company are considered FDI.

Investors must obtain prior approval from the government for investments that may undermine public safety and national security or are related to arms, munitions, and explosives.<sup>19</sup> Certain protected sectors such as dual-use goods, gambling, and cryptology require prior government approval, as do investments in which foreign companies acquire 33.33% of capital or voting rights of a company headquartered in France. If the Ministry of Economy does not respond within two months, applications are deemed approved.<sup>20</sup>

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17 - Law No. 2005-842 dated July 26, 2005.

18 - Law No. 2005-842 dated July 26, 2005.

19 - Article R.153-2 of the French Monetary and Financial Code.

20 - Article R.153-8 of the French Monetary and Financial Code.

## 4. Capital Market Fundraising in France

There are three different organized capital markets in France: **Eurolist**, a “regulated market”<sup>21</sup> and two multilateral trading facilities markets, **Alternext**, and the **Free Market (Marché Libre)**. A decision to list on any of these markets requires careful planning - choosing the appropriate market being a critical part of the process. Comparable to the launching phase of a new product, it is also important to organize communications with investors and the financial press.

### Eurolist

The organization of the regulated market in France is managed by Euronext Paris. Euronext Paris resulted from a merger of the French market operator Parisbourse SBF-SA and its Belgium and Dutch counterparts. Euronext Paris, as well as Euronext Amsterdam, Euronext Brussels, Euronext Lisboa and the London International Financial Future Exchange (LIFFE), are all owned by NYSE Euronext.

All of the securities listed on the different European markets of NYSE Euronext have been grouped together to constitute a single platform. This modification was approved by the French regulator, the Financial Market Authority (*Autorité des Marchés Financiers* or AMF) on November 30, 2004,<sup>22</sup> and since February 2005, there has been only one regulated market in France called Eurolist.

For greater clarity, Eurolist is segmented into compartment groups according to market capitalization:

- Compartment A: issuers with market capitalization greater than €1 billion;
- Compartment B: issuers with market capitalization between €150 million and €1 billion;
- Compartment C: issuers with market capitalization of less than €150 million.

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21 - The term “regulated” market is a term of art and can be confusing since both it and the multilateral trading facilitation market are highly regulated.

22 - Decision of November 30, 2004 related to the modifications concerning Book No. II on the Euronext market rules, specifically applicable to the French regulated markets.

## **Main Eligibility Criteria:**

The admission requirements for a listing on Eurolist include:

- A minimum distribution of 25% of share capital or 5% if this represents at least €5 million.
- 3 years of certified financial statements.
- International Financial Reporting Standards adopted as accounting standards.
- Prospectus approved by the AMF in accordance with the Prospectus Directive 2003/71/CE of the European Commission.

## **Continuing Obligations**

Companies listed on Eurolist must comply with the Transparency Directive 2004/109/CE of the European Commission, which sets out several obligations in terms of financial reporting such as to:

- supply audited annual and audited or unaudited interim financial statements, quarterly sales reports published by press release<sup>23</sup>;
- publish to the issuer and French AMF any changes (upward or downward) in shareholding thresholds of certain percentages<sup>24</sup> of share capital and/or voting rights;
- publish price guarantee offers.

Therefore and pursuant to Article 28 of the Transparency Directive, the Members States guarantee (without affecting their right to impose criminal sanctions), that appropriate administrative measures be taken or civil and/or administrative sanctions against those responsible for a breach of the Directive's provisions adopted into

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23 - Bulletin des annonces légales obligatoires.

24 - 5%, 10%, 15%, 20%, 25%, 30%, 33,33%, 50%, 66,66%, 90% or 95%.

French Law.<sup>25</sup> These measures must be effective, proportionate and deterrent and can be made public unless it would jeopardize the capital markets or cause a disproportionate prejudice to the parties concerned.

## Alternext

Alternext is a multilateral trading facility that offers a simplified access with lighter initial and ongoing requirements and obligations designed to meet the financial needs of small or midsize companies.

Although Alternext is not a “regulated” market, it is managed by Euronext through a set of rules applied to intermediaries and listed companies and approved by AMF.

### **Main Eligibility Criteria:**

The admission requirements for a listing on Alternext include:

- a minimum distribution of €2.5 million (public offer) or €5 million (private placement).
- 2 years of financial statements, with the last year certified.
- national or IFRS accounting standards.
- prospectus approved by the AMF<sup>26</sup> or a circular without approval in the case of a €5 million private placement with several qualified investors.

A listing sponsor (such as an investment bank or an advisory firm or an accountancy or corporate finance boutique working together with an investment bank to raise capital) chosen by the company to give advice on its listing, will have to consider whether the company meets all applicable requirements. The role of the listing sponsor is comparable to the Nominated Advisor for the Alternative Investment Market (AIM) in the U.K. and is key for preparation of the listing. Once the company is listed, the listing sponsor will assist in compliance with the transparency obligations.

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25 - Article L.451-1 et seq. of the French Monetary and Financial Code.

26 - Prospectus Directive 2003/71/CE of the European Commission.

There are three possible ways to list a company - by public offer, by private placement and by direct listing.

### ***Continuing Obligations***

Although the principle of transparency still applies, the obligations under the Transparency Directive are less stringent for companies listed on Alternext, limiting the costs of information and financial transparency.

A company listed on Alternext must:

- supply audited annual and unaudited interim financial statements which are published on its website as well as on the Euronext website, along with permanent information that may have an impact on the share price;
- notify the AMF of any changes (upward or downward) in shareholding thresholds of 50% and 95% of share capital; and
- publish price guarantee offers.<sup>27</sup>

Since November 4, 2009, companies listed on Euronext may transfer to Alternext.<sup>28</sup> In order to make such a switch, the market capitalization of the issuer must be lower than €1 billion, a general meeting of shareholders must take place within a minimum of two months before the possible transfer in order to decide on the project, the issuer must inform the public via two statements specifying the reasons for such operation and the consequences (especially juridical and financial) for the shareholders and the public, and include the provisional calendar for the operation.

## **The Marché Libre (Free Market)**

Although the Marché Libre or Free Market is organized by Euronext Paris, it is not an organized multilateral system (as Alternext) as its organization rules have not been approved by the AMF.

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27 - Article 28 of the Transparency Directive (2004/109/CE) also applies.

28 - Order of November 4, 2009 approving the modifications to the general regulations of the AMF.

The Free Market is targeted at small or midsize companies wishing to go public without having to meet all the eligibility criteria of Euronext or Alternext. The securities traded on the Free Market do not go through any admission procedure and there are no disclosure requirements.

Therefore:

- the accounting requirements are those determined by the issuers' legal form;
- there is no minimum public holding requirement;
- public disclosure and communication is governed the French Commercial Code; and
- there is no automatic disclosure concerning events affecting the issuer's net worth or legal situation.

Thus the Free Market is targeted primarily to well-informed investors or companies which are too young or too small to be listed on the other markets.

# 5. Employment

French labor and employment law tends to be even more protective than European Union labor law and has been a constant source of inspiration for the development of European Union labor law.<sup>29</sup> The main employment law considerations for a company entering the French market are set out below.

## Written Contracts of Employment

Although it is common practice for employment contracts to be in writing, most employment arrangements need not, technically speaking, be put in writing. The contractual relationship described in any written document may be modified by custom and practice - essentially by the way that the employer and employee conduct themselves on a day to day basis.

However, an employer must provide each of its employees with a written statement of the details of employment within two months of the employee's start date and must include certain information, such as terms regarding notice, pay, pension provision, sick pay, and holiday.<sup>30</sup> In this regard, pursuant to Article L. 1321-6 of the French Labor Code and recent French case law, any obligation borne by the employee is not enforceable if it is not written in French<sup>31</sup>, even if the obligation is drafted in a foreign language which appears to be the employee's native language.

In addition, the employer must file with the authorities and provide the employee with a hiring declaration (*déclaration unique d'embauche*) within one month of the employee start date and subsequently with monthly payslips containing certain mandatory information.

Employment arrangements are either for an unlimited period of time (CDI) or for a fixed period of time (CDD).

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29 - The first French Labor law, aimed at improving employee work conditions, dates back to March 22, 1841.

30 - European Directive dated October 14, 1991 No. 91-533 transposed into French law by Decree No. 94-761 dated August 31, 1994. This statement is not a contract but would serve as evidence of employment.

31 - French Civil Supreme Court, June 29, 2011, n° 09-67.492.

## Hiring Declaration

Upon hiring a new employee, the employer must declare the employee within the labor and social security authorities. If the employer does not comply with these requirements, he/she is subject to a criminal penalty of €1500 for individuals and €7500 for companies<sup>32</sup>, plus an administrative penalty<sup>33</sup> and a further criminal penalty of €750 for individuals and €3750 for companies<sup>34</sup>.

## Fixed-Term Employment Contracts

Fixed-term employment contracts are subject to restrictive rules and conditions of validity. Specifically, fixed term contracts must be in writing and must comply with certain conditions. They must include a precise duration, specified at the moment of their signature.<sup>35</sup> They may be renewed for only one additional fixed term, and the possibility and conditions for the renewal must be set out in the agreement or included in an amendment entered into with the employee before the expiration of the initial term.<sup>36</sup> In any event, a fixed term employment agreement, including the renewal, may not last for more than 18 months, or 24 months in certain cases, unless the purpose of the agreement was to replace an absent employee (e.g., employee on sick or maternity leave), in which case the term could be until the return of the employee.

Fixed term employment agreements may only be used to carry out certain precise and temporary activities<sup>37</sup>, and must specify the reasons why employment is for a fixed term rather than for an indefinite term.<sup>38</sup>

Such agreements may not be made for permanent employment relating to the normal activity of an entity<sup>39</sup> or for certain defined, particularly dangerous work.<sup>40</sup>

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32 - Article R.1227-1 of the French Labor Code.

33 - Article L.1221-11 of the French Labor Code, i.e., 300 times the amount of the legal minimal wage (so-called "SMIC").

34 - Article R.1227-2 of the French Labor Code.

35 - The Fixed-term employment contract must be signed within 2 days as from the beginning of the enforcement of the contract.

36 - Article L.1242-7 of the French Labor Code.

37 - Articles L.1242-2 and L.1242-3 and L.1242-4 of the French Labor Code.

38 - Law No. 203-721 of August 1, 2003.

39 - Article L.1242-1.

40 - Article L.1242-6.

Agreements which are entered into on other than the permissible grounds may be deemed by the courts to be indefinite-term employment contracts.

Fixed-term agreements may not normally be terminated prior to their term unless both parties agree. They may, however, be terminated early in the event of (i) a serious fault (*faute grave*) or willful misconduct (*faute lourde*) committed by the employee or by the employer, or (ii) *force majeure*, or (iii) if the employee has been hired by a third party under an indefinite-term employment contract.

Fixed term employees also receive a “precariousness” indemnity upon the termination of their employment agreement in the amount of 10% of the total compensation, or 6% if the employee benefited from training during his/her employment contract.

Moreover, if the employee continues to work after the end of the term of the agreement, the agreement automatically becomes an indefinite term agreement.<sup>41</sup>

## Dismissing an Employee

An employee's employment agreement may not be terminated “at will” by the employer even when the agreement is for an unlimited period of time.<sup>42</sup> There are procedural rules which must be followed and there must be a valid reason for termination.

### Distinction Between Economic and Personal Dismissals

Dismissals may be motivated by two types of reasons: dismissals for personal causes (i.e., based on grounds related to the person of the employee involved) or for economic reasons (i.e., for economic grounds unconnected with the person of the employee). In any event, the alleged grounds must be legitimate, that is to say real (exact, precise, and objective) and serious (so that the continuation of the employment agreement is no longer possible).

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41 - Article L.1243-11 of the French Labor Code.

42 - In addition to dismissals, other ways exist to terminate the employment agreement, and in particular the resignation by the employee, the retirement and termination by mutual assent (*rupture conventionnelle*) created by the Law of June 25, 2008.

## **Personal Reasons**

Personal grounds for dismissal may consist of disciplinary termination (i.e., based on either a simple, real and serious fault (*motif réel et sérieux*), a serious fault (*faute grave*) or a very serious fault (*faute lourde*)), or non disciplinary grounds, including such grounds as refusal to follow rules and professional insufficiency. Professional insufficiency (e.g., incompetence or maladjustment) must be corroborated by objective, concrete elements showing that the employee is disrupting the good order of the company. Insufficiency of results must also result from objective elements related to the employee's performance rather than general market conditions (which might be a basis for an economic dismissal).

## **Economic Reasons**

A dismissal for economic reasons is a dismissal carried out by an employer for one or several reasons not inherent to the employee but resulting from the elimination or transformation of the employment or from a substantial modification of the employment agreement due, for instance, to economic difficulties or technological evolutions.<sup>43</sup>

The termination of a business activity has also been recognized as an economic cause for dismissal.<sup>44</sup> Case law has added an additional cause for economic dismissals: a reorganization that is necessary in order to preserve the competitiveness of the company or of its activity.<sup>45</sup> Reorganization has been considered a valid cause of dismissal if it was carried out to maintain the competitiveness of the company or that of the group's sector of activity.<sup>46</sup> A reorganization implemented in order to anticipate foreseen economic difficulties linked to technological evolutions and their consequences on employment (without the need for these difficulties to exist at the time of the dismissal) was deemed to comply with this requirement.

Economic reasons may therefore be either due to the overall economic situation (i.e., economic difficulties in a whole field of activity) or due to structural causes within the enterprise itself or its group (i.e., technological transformations, competitiveness). Economic difficulties need not be catastrophic but must be sufficiently real, serious and continuing to justify dismissal.

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43 - Article L.1233-3 of the French Labor Code.

44 - Cass. soc., January 16, 2001, n° 98-44.647.

45 - Cass. soc., April 5, 1995, n° 93-42.690 and n° 93-43.866, and Cass. Soc. January 11, 2006, n° 05-40.977 and n° 04-46.201.

46 - Cass. soc., Pages Jaunes, January 11, 2006, n° 05-40.977 and n° 04-46.201.

Hiring other employees is possible after economic dismissals, but dismissed employees may benefit from a rehiring priority for a period of one year (as from the termination of contract) for positions corresponding to their qualifications.

## **Rehiring Priority**

All employees who have been dismissed for economic reasons are entitled a rehiring priority if they so request. In order to benefit from this priority, the employee must send a request to the company within one year from the termination of her/his employment agreement. Then, during the period of one year from the termination of her/his employment agreement, s/he must be informed of the positions which become available within the company which employed her/him and which correspond to her/his qualifications. Unlike the case of the relocation obligation, it is not necessary to propose lesser qualified positions or position within other groups companies to employees who benefit from the rehiring priority.

The sanction for not complying with the rehiring priority is an indemnity equivalent to at least two months salary, if the employee has more than two years seniority.<sup>47</sup>

## **Procedure**

The dismissal procedure is very formal and the employer must carefully comply with it, failing which employees may obtain damages for procedural irregularities<sup>48</sup> in addition to possible damages for dismissal without real and serious cause.

The precise rules for the economic dismissal procedure depend on the number of employees involved, combined with the total number of employees in the employer's company.

In the event of dismissals for economic reasons, depending on the number of employees involved, the employer may be required to develop a plan setting out, inter alia, the order of dismissal and the dismissal benefits which dismissed employees will be given.

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47 - Article L.1235-12 of the French Labor Code. For employees with less than two years seniority, the indemnity is calculated according to the damage suffered.

48 - In companies with more than 11 employees, employees with at least two years' seniority would automatically obtain damages of one month's salary for procedural irregularities. Employees with less than 2 years' seniority must prove the amount of damages they have suffered.

It is important to note that certain employees enjoy protected status (e.g., work councils representatives, labor union representatives) and cannot be dismissed unless special procedures are followed.

## Discrimination

### Non-Discrimination

Article L.1132-1 of the French Labor Code provides in particular that:

"No person may be excluded from a recruitment procedure or access to an internship or training period in a business, no employee may be sanctioned, dismissed or be subject to a direct or indirect discriminatory measure, in particular as regards compensation, training, relocation, assignment, qualification, classification, professional promotion, transfer or contract renewal, as well as measures of profit-sharing and allocation of shares owing to his/her origin, sex, practices, sexual orientation, age, family situation, genetic characteristics, or to his/her actual or presumed belonging or not to an ethnic group, a nation or a race, or due to his/her political opinions, his/her union or labor activities, his/her religious convictions, his/her physical appearance, his/her family name or due to his/her state of health or handicap" (our translation).

### Criminal Penalties

Article 225-1 of the French Penal Code subjects employers to imprisonment of up to three years (and fines of up to €45,000 for individuals and €225,000 for companies) for not hiring a person due in particular to his/her race, gender, customs, family situation, health, handicap, religion or nationality.

### Increase in the Protection Against Discrimination

A recent series of laws<sup>49</sup> has been promulgated harmonizing the French regulations with the minimum European standards, increasing the scope of anti-discrimination and setting forth the evidence rules to which both the employee and the employer are subject. For instance, employers must comply with obligations of professional equality (e.g., provide for equal payment of men and women) and post the relevant

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49 - Four important laws were adopted on November 16, 2001 and December 30, 2004. They were completed by laws dated March 23, 2006 and May 27, 2008.

texts in the work-place. A series of measures protect the employees who are at least 50 years-old and the Government has taken further measures<sup>50</sup> to facilitate the employment of older employees (so-called "seniors") by creating a new obligation – for companies of more than 50 employees – either to negotiate with the trade-unions in this regard or to implement an action plan with a view to improve the employment rate of the seniors. Failure to comply with the above is sanctioned by a penalty of 1% of the total gross wages paid by the Company, due for each month during which the obligation was not respected.

Moreover, on May 1, 2011 the Defender of Rights<sup>51</sup> (*Défenseur des Droits*) took over the role of the Equal Opportunities and Anti-Discrimination Committee known as *HALDE* and the mission to fight against any discrimination prohibited by the law or by any international agreement to which France is a signatory. Any individual or corporate body that is the subject of discrimination can take the matter to the Defender of Rights.

When the Defender of Rights is informed of a discrimination claim, it can inspect the company's premises provided it has obtained prior judiciary authorization<sup>52</sup>, and its agents are authorized to minute any discrimination uncovered. For the needs of its mission and in particular when the Defender of Rights is analyzing the claims, it may have recourse to experts.

## Business Sales

As a result of EU directives (inspired by former Article L. 122-12 al. 2 of the French Labor Code (dating from 1928)) corporate transactions involving outsourcing or sales of a going concern are subject to significant employment protection for any employees involved.

In the case of a modification of the employer's legal situation such as a sale of a going concern or stock, merger, incorporation of the company, all employment

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50 - For instance, any clause -- provided by an employment contract or a collective bargaining agreement -- stating that the age of the employee is a cause for termination contract is null and void.

51 - The Defender of Rights is the French ombudsman whose purpose is according to Article 71-1 of the French Constitution to "ensure the due respect of rights and freedoms by state administrations, territorial communities, public legal entities, as well as by all bodies carrying out a public service mission or by those that the Institutional Act decides fall within his remit."

52 - Law n°2011-333 dated March 29, 2011 relating to the Defender of Rights, Article 22.

agreements still in effect at the date of the modification remain valid and enforceable between the new employer and the employees concerned.<sup>53</sup> This applies only when the economic entity transferred keeps its identity and continues to perform its activity.<sup>54</sup> A sale of assets which does not constitute a sale of a going concern will not require the transfer of the employees.

Certain collective labor agreements also provide for the survival of employment agreements where there is a change in service providers (e.g., food service industry as well as safety and prevention activities).

The new employer has an obligation to:

- continue the employment agreements (if the employer refuses, the termination of the contract is automatically deemed to be the employer's fault);
- not submit the transfer of the employment agreements to any conditions;
- provide the work agreed to;
- pay the employees the salary agreed with the former employer;
- respect the core clauses of the contract.

Seniority, qualification and compensation must be maintained.

The dismissal rights of the former employer are not limited provided that the aim is not to avoid the application of this law and prevent the transfer of the employees to the new employer. Dismissals could be considered as legal fraud, and hence, abusive and unfair, if they are implemented in contravention of this continuation of employment contract rule.

Before the transfer or restructuring, the seller has a duty to consult with the worker representatives about the transfer and the effect it would have on the employees. Failure to consult is regarded as interference (*délit d'entrave*) by the French Labor

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53 - Articles L.1224-1 et seq. of the French Labor Code.

54 - Article L.1224-1 of the French Labor Code.

Code and is punishable by a one year imprisonment (and a fine of €3,750 for individuals and €18,750 for companies).<sup>55</sup>

Collective Labor agreements must remain in place during a transition period of 15 months, unless a new collective Labor agreement comes into effect. Personnel representatives must also be allowed to retain their mandates.

## Restrictive Covenants

French employment agreements often contain restrictions on the employee's activities during or after employment such as the following restrictive clauses: mobility, exclusivity, non-poaching or non-solicitation, non-dealing and non-compete.

From a general standpoint, restrictive clauses must be justified by the situation, because they limit freedom of work, freedom of trade and freedom of establishment. Restraint on trade is permitted only when there is a legitimate interest which the employer is seeking to protect, and where the clause goes no further than what is deemed necessary to protect that interest. Post-termination non-compete clauses, to be valid, must be limited in duration and in geographical scope and must be remunerated by the former employer.

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55 - Article L.2328-1 of the French Labor Code.

## 6. Business Immigration

The French government is constantly revising its policies and procedures relating to immigration. Separate, up-to-date advice should be sought from Bryan Cave before making any application or decision relating to business immigration, however the following is a general overview of how the system works.

Article 39 of the Treaty creating the European Community recognizes workers' freedom of movement in the European Union. Citizens of countries which are members of the EU, the EEA and Switzerland and their spouses, children and dependent family members may live and work in France. However, in order to be able to stay in France for more than three months, EU, EEA, and Swiss citizens must fulfill one of the following conditions:

1. Exercise a professional occupation in France;
2. Have sufficient resources and health insurance for themselves and members of their family (see 4);
3. Follow a course or professional training and have health insurance and sufficient resources for themselves and members of their family (see 5);
4. Be a direct descendant under 21 or a dependant descendant, direct dependant parent, spouse, descendant or parent dependant on the spouse, accompanying or joining a citizen fulfilling the conditions in 1 or 2;
5. Be a spouse or dependant child accompanying or joining a citizen fulfilling the condition 3.<sup>56</sup>

It is enough for these citizens to show a document proving their nationality in order to be affiliated to the mandatory social security scheme.<sup>57</sup> However and in light of the requirements of Article L.121-1 of the Code on Entry and Sojourn of Foreigners and Right of Asylum, this affiliation is subordinated to the presentation of a work certificate (*attestation de travail*) or a declaration of the employer.

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56 - Article L.121-1 of the French Code on the Entry and Sojourn of Foreigners and Right of Asylum.

57 - Law 2003-1119 of November 26, 2003.

Therefore and subject to the above requirements, citizens of the EU, the EEA, or Switzerland fully benefit from freedom of movement. However, citizens of Bulgaria and Romania (members of the EU since January 1, 2007) are subject to special transitional restrictions concerning freedom of movement until January 2014.<sup>58</sup>

For all nationals other than EU, EEA, and Swiss nationals, it is illegal to work in France unless some form of authorization to do so has been obtained. Employing such a foreign national without authorization is a criminal offence punishable by up to €15,000 in fines and five years imprisonment.<sup>59</sup> Regarding the authorization, a distinction should be made between salaried and non-salaried employees.

### **Salaried Employees**

In principle, a work permit (*autorisation de travail*) is distinct from a authorization to remain in France (*carte de séjour*). Every adult foreign national wishing to stay in France for more than three months and work as a salaried employee needs to have a work permit. It is the responsibility of the employer to take steps in order to obtain the work permit of the salaried employee, or to check that he possesses one.

French law distinguishes between the “introduction procedure”, concerning foreign nationals who do not live in France, from the “regularization procedure”, for foreign nationals already authorized to stay in France but not to work. In both cases, it is the employer’s duty to undertake the different formalities in order to obtain the work permit.<sup>60</sup> French law specifies all documents which must be given to the administration.<sup>61</sup> In the case of a “regularization procedure,” the foreign national must go personally to the Prefecture with his residency permit or *titre de séjour* and the complete file drawn up by the employer within two months preceding the expiration of the residency permit. A health examination is mandatory in both cases.

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58 - Official Bulletin of the Internal Affairs Ministry, No. 2006-12, June 30, 2007; Circular from December 22, 2006 specifies the conditions of their work permits’ issue.

59 - Raised up to ten years imprisonment and €100,000 in fines in the event of an organized crime; Article L.8256-2 of the Labor Code.

60 - Law of November 20, 2007 No. 2007-1631.

61 - Order of October 10, 2007 (published in the Official Journal November 9, 2007).

An easier and faster procedure<sup>62</sup> exists concerning:

- executive officers who exercise responsibilities which involve a high independence in the organization of their timetable and who are enabled to take decisions largely independently and receive one of the highest level of compensation in the company;<sup>63</sup> and
- high-level officers who receive a gross salary of at least €5,000 per month and their spouses and children under 18.

This simplified procedure uses the unique intermediary for the companies and executives concerned: a competent representative to the French Office for Immigration and Integration (OFII). Moreover, the criteria of the "employment situation" (see below) is not disputable by them, which means that for practical purposes, the work permit should not be refused. Finally, the time frame for the procedure is reduced to ten days.

The Prefect makes the decision on whether to allocate the work permit while taking into account various elements including:<sup>64</sup>

- the employment situation in the profession exercised and the relative geographical area<sup>65</sup>
- the employer's conditions of application of the employment laws and regulations;
- the employment conditions and compensation granted to the foreign worker; and
- the measures taken by the employer to ensure the foreign worker's accommodation.

An employee who wishes to stay in France on a permanent basis can be required to prove sufficient knowledge of the French language or his intention to acquire it after his arrival.<sup>66</sup>

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62 - Interdepartmental Circular of March 26, 2004 completed by the Interdepartmental Circular of March 15, 2006; No. DPM/DMI2/2006/132 related to the delivery of the work permits and residency cards to foreign executives and high-level officers, salaried employees of French companies of international groups, and to their family.

63 - Article L.3111-2 of the French Labor Code.

64 - Article R.5221-20 of the French Labor Code; Article R. 5221-17 of the French Labor Code.

65 - Except for certain categories of workers specified in Article R. 5221-21 of the French Labor Code.

66 - Article L.5221-3 of the French Labor Code.

Exceptionally, the *carte de séjour* can also serve as a work permit under limited circumstances (for example, for a student).

## **Non-Salaried Employees**

A distinction is made between non-salaried employees who reside in France or elsewhere.

Non-salaried employees having their residence outside France: A foreign national living abroad and wishing to exercise a commercial, handicraft, or industrial profession in France, when registration with the Trade Register is required, must make a declaration to the Prefect of the place where she or he plans to exercise this activity for the first time.<sup>67</sup> EU, EEA, and Swiss citizens are not subject to this declaration requirement. Any violation is punishable by up to six months imprisonment and €3,750 in fines and the possible closure of company's premises.<sup>68</sup>

Non-salaried employees having their residence in France: A temporary residency card called a *carte de séjour*, valid for one year, is compulsory to exercise a commercial, handicraft, or industrial profession and replaces the previous "commercial card."<sup>69</sup> In order to obtain this temporary residency card, the foreign national must present his request to the competent diplomatic authorities in his country of residence or to the Prefect of his place of residence if he does not already possesses a temporary residency card allowing the exercise of a commercial occupation.<sup>70</sup> The foreign national must prove that his occupation is economically viable and compatible with public security, public health and public tranquility, and respects the obligations imposed on resident nationals for the exercise of that occupation.<sup>71</sup> The Prefect must also verify if the foreign national is not subject to a prohibition on exercising a commercial occupation in France.<sup>72</sup>

Foreign nationals having a resident card or citizens of countries having an international agreement with France (e.g., Algeria, Andorra, Monaco) are not required to obtain this residency card. A failure to obtain the temporary *carte de séjour* is

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67 - Article L.122-1 of the French Commercial Code.

68 - Article L.122-2 of the French Commercial Code.

69 - Abolished by the Order of March 25, 2004.

70 - Article R.313-3-1 of the French Code on Entry and Sojourn of Foreigners and Right of Asylum.

71 - Pursuant to Article L.313-10 of the French Code on Entry and Sojourn of Foreigners and Right of Asylum.

72 - Article R.313-16-3 of the French Code on Entry and Sojourn of Foreigners and Right of Asylum.

punishable by up to one year imprisonment and €3,750 in fines, and a possible prohibition from entering or remaining in France for a maximum length of 3 years.<sup>73</sup>

## **Control and Sanctions**

It is forbidden to employ, directly or indirectly, a foreign national who does not possess a permit enabling him to exercise a salaried activity in France<sup>74</sup> or to hire a foreign worker in a professional category that does not correspond to the one on the work permit. Judicial officers, officers of the Customs Office (*Direction Générale des Douanes*) and Labor inspectors are competent to look for and record any offence related to the employment of foreign workers who do not possess a work permit.<sup>75</sup>

Employing a foreign national who does not hold a work permit is punishable by up to €15,000 in fines and five years imprisonment. Deliberately having recourse, directly or indirectly, to the services of an employer providing work to a foreign national not holding a work permit carries the same punishment.

The fine is implemented as many times as there are foreigners concerned. These sanctions can be increased to up to ten years imprisonment and €100,000 in fines in the event of an organized crime.<sup>76</sup> The salaried or non-salaried employee working without an authorization is not subject to criminal sanctions but may lose his temporary resident card and may have to leave the country.

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73 - Article L.621-1 of the French Code on Entry and Sojourn of Foreigners and Right of Asylum.

74 - Article L.8251-1 of the French Labor Code.

75 - Article L.8271-17 of the French Labor Code.

76 - Article L.8256-2 of the French Labor Code.

## 7. Pensions and Employee Benefits

Social Security is organized on the principle of national solidarity and endeavors to guarantee each individual and his or her family a minimum income in case of a loss or decrease in earnings due to illness, pregnancy, accident, disability, death, retirement, or increase in family responsibility. This guarantee is based on the mandatory affiliation of essentially the entire population. Individuals are assigned to one or several obligatory plans which, in most of the cases, are based on the employee's registration with the relevant health insurance fund by the employer.

In addition to the basic Social Security coverage, social welfare also includes:

- supplemental/private pension plans, health and welfare benefit plan;
- employment insurance (governed by labor law); and
- social aid.

### **Basic Social Security Plan**

Contributions to the basic Social Security plan are owed for the employment of salaried employees and related workers. Contributions to social insurance covering risks such as illness, pregnancy, disability, death and old age include an employer's share and an employee's share, whereas contributions for family allowance and industrial accident are only born by the employer.

The contribution basis is calculated by the employer, taking into account all compensation received by the employee. The French Supreme Court has held that all sums allocated to the employees of a company, even for voluntary work unrelated to the employee's normal job, should be considered as "compensation" in the calculation of the contribution basis inasmuch as the payment is allocated only because of their position of employees.<sup>77</sup>

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77 - Cour de Cassation, Assemblée plénière, January 28, 1972; No. 70-13.261.

## **Mandatory Supplemental Private Pension Plans**

There are currently two types of mandatory supplemental pension plans: the employees' supplemental pension plan run by ARRCO for all salaried employees of any professional category, age, or nationality; and the executives' supplemental pension plan run by AGIRC specifically for engineers and executives.<sup>78</sup>

Businesses must be members of both ARRCO and AGIRC and the employees are affiliated with a "social welfare group" chosen by the professional sector or geographical location of the company.

Depending on the professional situation, the contribution to private pension plans does not apply to the same tranches of income. Three tranches of income are determined by the Social Security threshold which is calculated every year on January 1st.<sup>79</sup> The contributions to a private pension plan for a non executive employee are calculated on the total amount of income up to a limit of three times the Social Security threshold. The contributions to executives' private pension plan are calculated, on the one hand, on the tranche of income which is below the Social Security threshold (tranche A) and, on the other hand, on the tranche of income which is between the Social Security threshold and the executives scheme threshold which is four times the Social Security threshold (tranche B). Moreover concerning high-level executives, the contribution basis is between four and eight times the Social Security threshold (tranche C).

## **Health and Welfare Benefit Plan**

The aim of this Health and Welfare Benefit Plan is to complement the coverage of Social Security.<sup>80</sup> If a company chooses to put in place complementary social coverage for its employees, this constitutes a commitment for the employer, whether it results from a unilateral decision, a referendum, a collective labor agreement or company agreement. The contract concluded with the insurance agency only guarantees the coverage granted to the employees. Participation is imposed on all the employees belonging to the category for which this coverage is intended. However, the employer may also take an individual commitment vis-à-vis an employee for complementary coverage; in this case the employee must contribute to the payment of the special coverage.

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78 - Regional and national collective agreements (see Article 4 of the Executive's National Collective Agreement on Retirement and Social Welfare – Convention collective nationale de retraite et prévoyance des cadres- of March 14, 1947).

79 - €36,372 on January 1, 2012.

80 - Article L.911-2 of the French Social Security Code.

Implementation of a health and welfare benefit plan can result from a collective labor agreement, a referendum or a unilateral decision of the employer.<sup>81</sup>

### **Collective Labor Agreement**

In companies where the employees are not covered by an industry-wide agreement defining a benefit plan for illness, the employer must negotiate annually<sup>82</sup> with all the unions represented within the company.<sup>83</sup> However, the agreement does not have to be signed by all of them.<sup>84</sup> The employer must also inform the employees on the contents of the agreement and conduct a consultation with them.<sup>85</sup>

### **Unilateral Decision of the Employer**

The coverage regarding a health and welfare benefit plan can result from the sole decision of the employer communicated in writing to the employees.<sup>86</sup>

Employees cannot waive coverage for social protection. When a collective commitment has been taken by an employer, the commitment remains in force as long as the employer does not take formal legal steps to change or annul it.

If the employer fails to register an employee with the health and welfare benefit plan determined by the collective labor agreement, the employer must bear the cost of the social protection,<sup>87</sup> and the employee will be entitled to damages.<sup>88</sup>

The employer's contributions to the financing of the health and welfare benefit plans which are collective and mandatory (see above) are exempt from the Social Security contribution basis within the limits of Social Security thresholds, but not from CSG (contribution sociale généralisée) and CRDS (contribution au remboursement de la dette sociale). For businesses with nine employees or more, the employer's

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81 - Article L.911-1 of the French Social Security Code.

82 - Article L.2242-11 of the French Labor Code.

83 - Cour de Cassation, June 1, 1994, No. 92-18.896.

84 - Cour de Cassation, July 9, 1996, No. 95-13.010.

85 - Article L.911-1 of the French Social Security Code. Although Article L.911-5 of the French Security Code provides for a decree to specify the conditions in which the draft agreement should be ratified and adopted, the decree is, to date, still not published. Consequently the requirement for a "majority" of registered employees laid down in Article L.911-1 is used to determine the ratification threshold.

86 - Article L.911-1 of the French Social Security Code.

87 - Cour de Cassation, Soc., June 19, 1990, No. 87-43.560.

88 - Cour de Cassation, Soc., October 8, 1997, No. 95-40.009.

contributions to these plans are subject to an 8% tax whether the plan is optional or mandatory.

This coverage can be kept for former employees receiving a disability pension, a pension benefit or a substitution income when they are deprived of employment.<sup>89</sup>

### **Unemployment Insurance**

The unemployment insurance regime guarantees, under certain conditions, a substitutive income to employees who are involuntarily deprived of employment. Every employer must take out unemployment insurance to insure his employees against the risk of employment deprivation. This obligation concerns every employee whose engagement results from an employment agreement, including employees with a secondment agreement and expatriate employees.

Some employees benefit from the unemployment insurance scheme under special conditions which are adapted to the nature of their activities or type of compensation (for example journalists, temporary workers, workers at home, etc.).

The financing of the unemployment insurance is ensured by contributions based on the salary, and must be paid partly by the employer and partly by the employee. For all the employees, the rate is set, for any income paid since January 1, 2009, at 6.40% of the salary capped at four times the Social Security threshold (4% by the employer and 2.40% by the employee). The employer is responsible withholding the employee portion and for paying both its and the employee portions, which are due from the date of employment of each employee.<sup>90</sup>

### **Company Savings Scheme**

Several plans allow for profit sharing with employees based of the business's performance. The three traditional mechanisms are the participation of the employees in the business' performance, the profit-sharing plan, and the company savings plan.

- The main legal profit-sharing system is mandatory in businesses with at least 50 employees and allows the employees to be associated with the

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89 - Law No. 89-1009 of December 31,1989, Article 4. This provision is of public policy and therefore will apply irrespective of the applicable law.

90 - Article L5422-14 of the French Labor Code.

business' performance.<sup>91</sup> The terms of the participation are usually specified in a company agreement between the employer and the employees or their representatives failing which, a subsidiary system, fiscally more onerous for the employer and less favorable to the employee, is automatically applied.

- The profit sharing plan ("intéressement"), on the contrary, is an optional and collective agreement which allows the employees to be associated with the business's financial results and/or productivity. The employees receive bonuses immediately available. These bonuses come with tax benefits when the employees decide to allocate them (by locking them up for five years) to the company savings plan.
- The company savings plan is a collective saving system which enables the employees to participate, with the help of the company, in the constitution of a portfolio of securities. The company savings plan can be established by decision of the employer. However, when the company has a union delegate or a works council (comité d'entreprise), the company savings plan must be negotiated with the employees, employee representatives or union delegates.<sup>92</sup> In case of failure to come to an agreement, the employer can put a company savings plan into place unilaterally. Here again, the sums are unavailable for five years, but exceptions do exist. Contributions made by the company are exempt under certain conditions from social charges and taxes. Additionally, the sums are not "earnings" in the sense of employment and social security law, and cannot be used by the employer to replace salaries.

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91 - Law No. 90-1002 of November 7, 1990.

92 - Article L.3332-4 of the French Labor Code.

# **8. Intellectual Property**

In France, intellectual property matters are handled by the National Institute of Intellectual Property (Institut National de la Propriété Intellectuelle or INPI) which includes the trade mark, registered design, and patent registries. Useful information can be obtained from its website at [www.inpi.fr](http://www.inpi.fr).

At the European level, patents may be prosecuted through the European Patent Office in Munich, Germany and community trade marks and registered community designs are administered by the Office for Harmonization of the Internal Market (OHIM) in Alicante, Spain.

## **Patents**

While patents may be granted via the European Patent Office under the European Patent Convention (EPC), there is no pan-European patent; patents are granted with respect to each jurisdiction and then enforced under the relevant law of that jurisdiction. The French Intellectual Property Code<sup>93</sup> generally follows the requirements of the EPC, making it similar to the laws in other jurisdictions that are signatories to the EPC.

A patent may be granted for any invention which is new, involves an inventive step and is capable of industrial application. Priority is obtained on a “first to file” basis. Unless a prior invention has been published, “first to invent” will not be relevant.

Patents are granted for a period of 20 years from the date of the filing of the application but may be extended for agro-chemical and pharmaceutical products.<sup>94</sup>

## **Trade marks**

In the EU, each Member State is required to have national laws in place implementing the requirements of EU Directive (89/104/EEC) relating to trade marks. The trade mark laws are essentially similar across the EU, but trade marks are obtained in each

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93 - Originally in the Law No. 68-1 of January 2, 1968.

94 - Article L.611-3 of the Intellectual Property Code.

national jurisdiction and governed by the national law. In France, these provisions are contained in the Intellectual Property Code.<sup>95</sup>

Under the EU Directive, a trade mark is any sign capable of being represented graphically and distinguishing goods and services of one undertaking from those of another. It can include words (including personal names), designs, letters, numerals or the shape of goods or their packaging and may include a smell or sound if capable of being described in writing.

The EU established a Community Trade Mark allowing a trade mark to be obtained for each of the EU Member States with a single registration at the OHIM. While this is a cheaper alternative to registering in each national registry, it will not take precedence over earlier registered trade marks in a national registry, and a single indivisible trade mark may not be appropriate if separate businesses (e.g., separate subsidiaries of a larger group) use the trade mark across the EU. Trade marks are registered for an initial term of 10 years, but may be renewed indefinitely for subsequent 10 year terms.

The international trade mark registration system is run by the World Intellectual Property Organization and allows businesses or individuals to protect trade marks in one or more countries under the so-called “Madrid System.” This international trade mark registration system provides a cost-effective and efficient way for both individual and business trade mark holders to ensure protection for their trade marks in multiple countries through the filing of one application with a single office, in one language, with one set of fees, in one currency. Moreover, no local agent is needed to file the application. While an international registration may be issued, it remains the right of each country or contracting party designated for protection to determine whether or not protection for a mark may be granted. This system is governed by two independent but complementary international treaties, the Madrid Agreement<sup>96</sup> and the Madrid Protocol,<sup>97</sup> to which France is a party. The requirements in order to benefit from an international trade mark will be different depending on the Treaty applicable to the request:

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95 - Articles L.711-1 et seq of the Intellectual Property Code.

96 - Madrid Agreement concerning the International Registration of Marks of April 14, 1891, as revised.

97 - Protocol relating to the Madrid Agreement concerning the International Registration of Marks of June 27, 1989, as amended.

- If the Madrid Agreement applies; (i) for companies possessing a trade mark in France and wishing to obtain an international trade mark, they must have a serious and effective commercial or industrial establishment in France; (ii) for individuals, the requirement is to have a residence in France or if not, to have French nationality.
- If the Madrid Protocol applies, companies or individuals having a trade mark in France and wishing to obtain an international trade mark, have the choice between the three following criteria: (i) to have either a serious and effective commercial or industrial establishment in France, (ii) to have a residence in France, or (iii) to have French nationality.

## Designs

The EU allows the protection of a design that is new and has individual character.<sup>98</sup> A design means the appearance of the whole or a part of a product resulting from the features of in particular, lines, contours, colors, shape, texture, or materials.<sup>99</sup> These characteristics can be those of the product in itself (any industrial or home-made product, except computer programs) or its packaging. Registration is done at the INPI.

EU Regulation (6/2002/EC) allows a Community Design to be registered at the OHIM. The latter provides protection for a registered design across all EU Member States in a manner similar to the Community Trade Mark.

Registration in France and at the OHIM is for a term of five years and may be renewed for successive five year periods up to a total of 25 years.<sup>100</sup> Designs are protected by both the provisions of the Intellectual Property Code on author's rights and the provisions related to designs. Even if the registration of the design comes to an end, it automatically continues to be protected by the provisions concerning the authors' rights.

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98 - European Directive 98/71/EC dated October 13, 1998 on the legal protection of designs; Transposed into French law by the Order No. 2001-670 dated July 25, 2001 as Article L.511-2 of the French Intellectual Property Code.

99 - Article L.511-1 of the French Intellectual Property Code.

100 - Article L.513-1 of the French Intellectual Property Code.

## Author's Rights (*Droits d'Auteur*)

The EU has sought to harmonize the national laws of Member States concerning the author's rights through a number of Directives. The main difference between author's rights and copyright is the moral rights attached to the author's rights which do not apply in the case of copyright. Therefore on material issues (such as the nature of protection, duration of the author's rights, protection of computer programs, licensing and lending rights and issues relating to satellite broadcasting and cable transmission), national law in each Member State is similar. The laws on author's rights are contained in Article L. 111-1 *et seq.* of the French Intellectual Property Code. For a work to be protected by author's rights, it must have a material form and be unique from what already exists. A mere idea can not be protected by author's rights.

Author's rights may apply to original literary works (including a table, compilation, or a computer program), theatrical, musical, or artistic works as well as sound recordings and films or broadcasts and the typographical arrangement of published editions. Generally, for literary, theatrical, musical, or artistic works the duration of the protection is for the life of the author plus 70 years. Sound recordings are protected for a period of only 50 years from first publication.

Following the implementation of the EU Directive 96/9/CE, French law recognizes a separate intellectual property right when a substantial investment in obtaining, verifying, or presenting the content of a database exists.<sup>101</sup> Database rights last for a period of 15 years from January 1st of the year following the completion of the database.<sup>102</sup>

## Ownership and Evidence of IP Rights

Under French law, when IP rights are produced by an employee in the course of his employment, the employee remains the holder of those rights. IP rights in France tend to protect the creator or the inventor of a work, regardless of his employment status. This differs materially from English law (where an employer may automatically acquire rights in an employee's work) and US law providing for "works for hire" to vest in the employer.

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101 - Law No. 98-536 dated July 1, 1998.

102 - Article L.342-5 of the French Intellectual Property Code.

Consequently, a precise written agreement distinct from the employment agreement is necessary if the employer wishes to have full use of an employee's creation.

Nevertheless, exceptions exist in fields where the economical factor is more important, such as employee developed software, following the implementation into French law of the EU Software Directive.<sup>103</sup> The IP rights over software created by an employee in the course of his employment will be passed on to the employer. In this case, the employee has no right to claim compensation.

The principle is that registration is not required to evidence any work covered by author's rights. IP rights arise out of the mere creation of the work by the creator. This principle is clearly mentioned in Article L.111-1 paragraph 1 of the French Intellectual Property Code which provides that "The author of a work of the mind benefits on this work, by the mere fact of its creation, from an exclusive incorporeal property right opposable to all." Registration procedures exist in order to ensure public disclosure.<sup>104</sup> Formalities such as filing and/or registration do not condition the existence and the opposability *erga omnes* of the IP rights. However, for certain technologies (i.e., databases, software, multimedia documents) a number of formalities should be followed if disclosed to the public (e.g. legal filing or *dépôt legal*).

## Confidential Information

Confidential information can be protected if the information is truly confidential, has been disclosed in circumstances where the recipient is aware of its confidential nature, and the recipient has used it for his own benefit to the detriment of the owner. A non-disclosure or confidentiality agreement is customary before any disclosure in order to create the elements that are necessary to bring a claim to protect any such confidential information.

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103 - Article L.113-9 of the Intellectual Property Code.

104 - Article L.111-2 of the Intellectual Property Code.

## 9. Data Protection

The EU Data Protection Directive (95/46/EC) requires Member States of the EU to put into place national legislation providing protection as to the manner in which information about individuals is obtained, held or used. The French data protection legislation includes in particular Law No. 78-17 of January 6, 1978 related to information technology, files and freedoms.<sup>105</sup> These laws impose important obligations and serious criminal liabilities on companies that do not comply with their provisions.

These laws apply to “personal data” about a living individual – a “data subject” – identifiable by reference to identifiable numbers (i.e., social security number) or to several elements which are unique to that individual and allow his or her identification. Processing of personal data includes any operation or ensemble of operations which involve the collection, downloading, organization, conservation, adaptation or modification, extraction, consultation, utilization, communication by transmission, diffusion or any other form of making available the connection or interconnection, as well as the storing, erasing, or destroying of personal data.

A “data controller” is a person who determines the purpose for which and the manner in which any personal data is or is not to be processed. Compliance is generally the responsibility of a data controller. Each data controller is required to make “declarations” on the processing of personal data to the French data protection authority, the CNIL (*Commission Nationale de l’Informatique et Libertés*).<sup>106</sup>

In particular, Article 6 of Law No. 78-17 sets out five principles that govern the processing of personal data. Under this provision, personal data must be:

- processed fairly and lawfully;
- obtained only for specified, explicit and legitimate purposes and may not be subsequently processed in a manner incompatible with those purposes;

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105 - As amended by Law No. 2004-801 of August 6, 2004 related to the protection of physical persons with respect to treatment of their data of a personal character.

106 - Law of January 6, 1978, as amended by Law of August 6, 2004.

- adequate, relevant and not excessive in relation to the purposes for which it is obtained and subsequently processed;
- accurate and, when necessary, kept up-to-date. Appropriate measures must be taken to delete or rectify personal data which are inaccurate or incomplete for the purposes for which it is obtained or processed;
- kept for no longer than is necessary for the purposes for which it is processed.

The processing of sensitive personal data is illegal except in limited cases.<sup>107</sup> Sensitive personal data includes data on ethnic or racial origin, political or philosophical opinions, religious beliefs, trade union membership, physical or mental health, or sexual orientation.<sup>108</sup>

Data subjects have a right to access their personal information, require that processing cease when it is likely to cause substantial unwarranted damage or distress, and request that inaccurate information be removed.<sup>109</sup>

Transfer of personal data to a territory outside the EEA may take place only if the country or territory in question ensures an adequate level of data protection. For instance, Switzerland has been recognized by the European Commission as having an adequate level of data protection.

The European Commission (2000/520/EC) generally recognizes an adequate level of protection for the transfer of data from the EU to the US in cases where businesses or organizations comply with the “Safe Harbor Principles.”

However, it is possible to transfer data to a country not having an adequate level of protection:

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107 - Cases listed in Article 8-2 of the law of January 6, 1978 as amended.

108 - Article 8-1 of the Law of January 6, 1978, as amended.

109 - Article 40 of the Law of January 6, 1978, as amended.

- if specific approval of the individual concerned by the data transfer is expressly given or if the data transfer is necessary in particular to save the individual's life or to protect public interest;<sup>110</sup>
- if companies enter into a so-called "Data Transfer Agreement" in accordance with the EC Commission Decision of February 5, 2010 (EU standard contractual clauses) for transfers to data processors and the decisions of December 27, 2007 or June 15, 2004 for transfers to data controllers;
- if a group of companies set up Binding Corporate Rules or "BCRs."<sup>111</sup>

Any entity processing personal data within the EU is required to comply with relevant national laws of Member States implementing the Data Protection Directive which includes France. A data controller should carefully consider whether it is appropriate to make contractual arrangements in which it intends to transfer any personal data outside the EEA to any country that has not been recognized by the European Commission as having in place an adequate system of personal data protection.<sup>112</sup>

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110 - Article 69 of French law No. 78-17 dated January 6, 1978 as amended.

111 - BCR constitute an intra corporate global privacy policy that complies with EU standards of data protection.

112 - Article 68 of the Law of January 6, 1978, as amended.

# 10. Taxation

## Basic Taxation Rules

### ***Companies***

Corporation tax is due on the profits of the companies operating in France. However, French tax law does not define the concept of "company operating in France". In order to determine what is meant by this notion, one must look to case law or, when there is one, to the relevant international convention. Most of the time companies carrying on a trade through a "permanent establishment" in France will be liable for tax on their profits.

Companies having their registered office in France pay corporation tax on the profits realized in France. In some cases, an exception to the principle is the territoriality made to improve the tax situation of French companies located abroad (some companies can deduct the deficit their foreign subsidiaries and affiliates are subject to world income or consolidated revenues regimes). In the case of a non-French resident company operating in France, the taxable profits will be those attributed to the permanent establishment in France.

Corporation tax is currently charged at 15% and 33.33%. The lower rate applies to the first €38,120 earned profits per year for small and midsize companies (*PME*), and the rest of the company's profits are taxed at the standard rate. It is due in quarterly installments: on the 15<sup>th</sup> of March, June, September, and December. The calculation basis for the down payments is determined in accordance with the profits realized during the past fiscal year. However, the first down payment is provisionally calculated based on the profits of the next to last fiscal year.

### ***Individuals***

In principle, individuals who have their tax domicile in France are liable to French taxation on their worldwide income and profits. Tax domicile is characterized by an individual having one of the following in France:

- her or his home;

- her or his principal place of residence;
- professional activity;
- the center of her or his economic activities.

Individuals who do not meet any of the above criteria may nevertheless be subject to French tax if they possess real estate in France. If they do, they may be subject to the payment of French tax (i) with regards to their profits earned from a French source or (ii) if such profits do not exist or are less than the profits earned from a foreign source, they will have to pay French tax on a flat fee basis of three times the rental value of their house(s). If non-tax domiciled individuals do not possess real estate in France, they will only incur French taxation on income from French sources.

Income tax is calculated on a progressive scale. However, the system provides for a so-called family income splitting which allows for a different tax progression depending on the family charges of each individual. Rates vary between 0% and 41% depending on the level of personal income.

Capital gains tax on asset disposals is, broadly, payable by individuals at a flat rate of 19% of the taxable gain on the first euro transferred and when the operation does not benefit from any exemption. Since January 1, 2010 capital gains are subject to social charges applicable on the first euro transferred. Including these social charges, the rate goes up to 34.5% of the taxable gain.<sup>113</sup>

An inheritance tax regime applies under which the entire legal estate of a deceased person domiciled in France is taxable whether or not the personal and real assets are located within France. The rate of taxation can be very high, for instance it goes to 60% between persons sharing no kinship. Gifts of assets between spouses or civil partners are exempt from inheritance tax. Additionally, certain business assets including shares in many trading companies can enjoy a 75% relief from inheritance tax in certain circumstances (i.e., shares subject to a collective keeping agreement known as a *pacte Dutreil*).

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113 - Law n°2012-354 of March 14, 2012, effective as of January 1, 2012 for capital gains referred to in Article L.136-6 and July 1, 2012 for capital gains referred to in Article L.136-7.

Employees and employers pay social security charges on the employees remuneration. The employee's contributions are deducted from salary. The employer's contributions paid on top of the employee's contributions are approximately charged at the rate of 40% of the employee's total gross salary.

## ***Partnerships***

Partnerships are generally treated as semi-transparent unless they have chosen to opt for company tax meaning that the results and profits are determined, declared, and verified within the company but are taxed in the name of the partners. The partner, whether a company or an individual, will be taxed on his share of the profits as if it accrued to him directly.

## ***Double Tax Treaties***

France has concluded many tax treaties for the avoidance of double taxation. It is important to consider the impact of any applicable tax treaty as it may cut across the basic statutory rules, for example to enable a resident of another country coming to France on a short term work assignment not exceeding six months to be exempt from French employment taxes.

If a company or an individual is both a resident in France under French rules and in his home country under local rules and there is a tax treaty between the two countries, the treaty will usually contain a residence "tie-breaker" provision. This provision will determine in which country the person is to be treated as resident for the purposes of allocating taxing rights between the two countries under the treaty.

## **Specific Matters**

### ***Employment Income***

- In certain circumstances, individuals who come to live and work in France for a period of time, but not to settle permanently:
- may be able to temporarily avoid French income tax for up to a maximum of five years (i) on the part of their earnings from employment which are attributed to activities performed outside of France and (ii) on certain property

income provided that they have not been considered as tax domiciled or resident in France for the past five years before their assumption of duties.

- may be able to deduct retirement and social welfare contributions paid to the foreign organizations they were affiliated with before the start of their duties in France.

### ***Companies Subject to Corporation Tax***

There is a degree of competition between corporate tax regimes in Europe, and one of the pressures on governments is to enhance their own country's competitive position. As far as France is concerned, these competitive measures include:

- research incentive tax credit of 40% of R&D expenses for the first year, 35% the second year and 30% the following years up to €100,000,000 and 5% above;
- revenues linked to intellectual property (e.g., royalties and capital gains for patents, manufacturing process) except where the transfer is between companies of the same group, is taxed at corporation tax lower rate of 15%;
- a tax integration system which allows compensation between the results of the various companies within the same group and a parent-daughter regime (*régime mère-fille*) which consists of a tax exemption of the dividends coming from subsidiaries controlled by at least at 5% and the indefinite loss report;
- an attractive tax situation for holdings, as capital gains from shares' transfer held for more than two years are exempted except for a 5% allowance for costs and expenses;
- a wide network of double tax treaties and a comprehensive tax credit regime to avoid double taxation of profits earned abroad and brought back.

### ***Value Added Tax***

Like all EU Member States, France operates a Value Added Tax system (VAT). In broad terms, a sale of goods or a supply of services for consideration will be subject to VAT if the goods or services are consumed or used in France. In certain industries,

including financial services, insurance, gaming, and healthcare, such sales or supplies are normally exempt from VAT. Certain goods and services, including certain categories such as foods and books are subject to a VAT rate significantly lower than the current standard rate (for example, 2.1% for reimbursable medicines).

The current standard rate for VAT is 19.6%. As from October 1, 2012 the rate will be 21.2%<sup>114</sup>. The vendor or the service provider based in France has the responsibility to report the VAT which arises out of a transaction to the tax authorities.

Accordingly, a vendor or supplier must ensure his sale price reflects this or is declared to be "exclusive of VAT".

A business must register for VAT and then charge VAT on its sales if the value of its taxable turnover in the last twelve months has exceeded the registration threshold. The current registration thresholds (as of March 20, 2012) are the following:

- €81,500 for purchase and resale operations of those whose products are consumed onsite, as well as lodging services (excluding furnished lodging not used for tourism purposes, rural shelters, or guest houses);
- €32,600 for other commercial and non-commercial provision of services;
- €42,300 for the regulated activities of lawyers, operations involving intellectual property, and certain other activities (e.g., choreographers).

The vendor must pay the VAT on its sales to the tax authorities. Except for an end-user consumer, the purchaser is usually in a position to recover an amount equal to this VAT either by repayment from the tax authorities or by offsetting against the VAT for which the purchaser has to account on his own sales to customers. However in the industries (see above) where sales to customers are exempt from VAT, the right to recover VAT incurred on purchases is restricted or prohibited.

In a cross-border context, French VAT is:

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114 - Loi n°2012-354 du 14 mars 2012 de finances rectificative pour 2012, art.2

- charged on most imports of goods (and for imports of goods from outside the EU, VAT, together with other customs or excise duties or tariffs, is generally paid at the point of import);
- charged on the purchase of certain services by a French business from businesses either in other EU countries or outside the EU – it is the French business which must account for the VAT under a special reverse charge rule;
- normally zero rated on the export of goods to commercial non-private customers in the EU or any customer in a destination outside the EU;
- not charged on the supply of certain services by French businesses to business customers in other EU countries or to customers generally who are outside the EU.

# 11. Imports, Export Controls and Sanctions

## Imports

The EU is a single trading area with a unified customs law where all goods (subject to very narrow exceptions such as certain limited health and safety exceptions and military items) circulate freely, whether made in an EU Member State or imported from outside. Internal customs duties, fees and barriers are removed within the EU, although Member State customs authorities retain the right to check goods at the border. Moreover, businesses are required to fill out a goods trade declaration (*déclaration d'échange de biens*) reporting all trade between France and another Member State if the purchases represent more than €460,000 per calendar year.<sup>115</sup> There is a common external customs tariff for products imported from outside the EU. That tariff is levied on an *ad valorem* basis and is intended to be applied and interpreted uniformly by all the Member States, although there are differences in interpretation and administration.

The EU has adopted a Community Customs Code,<sup>116</sup> which sets out the general rules and all the customs procedures applicable to goods traded between the EU and non-EU countries, including in respect of import relief in the form of dumping and countervailing duties and quotas. In addition, the EU has adopted a more detailed implementing Regulation (EEC) No 2454/93 which created a Modernized Customs Code that creates a new electronic customs system and will replace the 1992 Community Customs Code once the necessary provisions are adopted and made applicable<sup>117</sup>. A Safety and Security Amendment was also introduced to the Community Customs Code aimed at ensuring an equivalent level of protection through customs controls for all the goods brought into or out of the EU's customs territory. One of the main changes is that an advance declaration (security data) must be provided *before* the goods enter or leave the Community customs territory.

The Customs Code and the Customs Regulations are directly applicable in the Member States and are administered and enforced by Member State customs authorities. The national customs authority in France is the General Directorate

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115 - Article 467 of the French Customs Code, Articles 289 C of the French Tax Code and 41 sexiès B of its Annex 4.

116 - Regulation (EEC) No 2913/92.

117 - Article 188 of the Regulation (EC) No 450/2008: "Notwithstanding the entry into force of the implementing provisions, the provisions of this regulation referred to in this paragraph shall enter into force on June 24, 2013 at the latest."

for Customs and Excise Duties (DGDDI). Relevant legislation is found in the French Customs Code.

In some cases, imports may require a national or EU license. These can include Common Agricultural Policy licenses for certain foodstuffs, licenses for the importation of livestock, blood, plant life, and other items subject to health and safety controls.<sup>118</sup>

## Export Controls and Sanctions

Exports of dual-use goods, including technology and software from the EU, and certain intra-EU transfers of such items, are controlled under EU Regulation No. 428/2009, which is directly applicable in the EU Member States. Individual Member States have implemented legislation to exercise options under the EU Regulation, and to establish administrative procedures and penalties with respect to violations, details of which legislation may vary from state to state. In general, the competent authority of the Member State in which the exporter is established is the relevant licensing and enforcement authority with respect to the EU Regulation, even though the items to be exported may be located in another Member State. In addition, Member States are also permitted to establish national licensing requirements for reasons of public security or human rights considerations for dual-use items not controlled by the Regulation. The Regulation also imposes licensing requirements for exports to destinations outside the EU of items listed on the EU Dual-Use List which is attached to the Regulation,<sup>119</sup> and licensing or notification requirements if the exporter is informed or aware that items may be intended for use in connection with certain nuclear, chemical or biological weapons or missile activities (weapons of mass destruction or WMD activities) or for certain military end-uses.

Exports of military items are controlled by each individual Member State.

Export licensing of dual-use and military items in France is administered by the Export Control of Dual Use Goods and Technology Unit (*SBDU*), belonging to the General Directorate for Competitiveness, Industry and Services (*DGCIS*). France has established general licenses in addition to individual licenses for exports of certain

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118 - See for instance Regulation 1221/2008 relating to the commercialisation of fruits and vegetables.

119 - [http://trade.ec.europa.eu/doclib/docs/2009/june/tradoc\\_143390.pdf](http://trade.ec.europa.eu/doclib/docs/2009/june/tradoc_143390.pdf)

items to certain destinations. The EU Regulation also established Union General Export Authorizations (UGEAs) for exports of many EU Control List items to certain "friendly" Nations (Australia, Canada, Japan, New Zealand, Norway, Switzerland (including Liechtenstein) and United States).

Exports may be subject to controls under legislation other than that relating to dual-use items administered by different agencies. Restrictions to exportations can also concern specific countries and under certain conditions currently: Belarus, Burma, Guinea, Iran, Iraq, Ivory Coast, Korea, Libya, Syria and Zimbabwe.

The EU and its Member States also participate in various economic sanctions and arms embargo regimes pursuant to UN, EU and OSCE (Organization for Security and Cooperation in Europe) initiatives. These include financial sanctions relating to terrorists, Al Qaeda, Burma, Liberia, Libya, Syria, Tunisia, Iran and other persons and destinations and may affect the ability to export as well.

In France, the Directorate General of the Treasury (*Direction Générale du Trésor*) administers and enforces financial sanctions and maintains a consolidated list of persons subject to financial sanctions designated by the UN, the EU and France.<sup>120</sup><sup>121</sup>

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120 - See for instance Regulation CE 1027/2010 imposing certain specific restrictive measures against certain persons and entities associated with the Al-Qaeda network and the Taliban.

121 - See for instance Regulation CE 1027/2010 imposing certain specific restrictive measures against certain persons and entities associated with the Al-Qaeda network and the Taliban.

# 12. Competition Law

Both French and EU competition law are potentially applicable to individuals and entities doing business in France. In general, if anti-competitive behavior would have an “appreciable” effect on trade between EU Member States, Article 101 or 102 of the Treaty on the Functioning of the European Union (TFEU) would apply. If anti-competitive behavior would have a direct or indirect effect within France, Articles L.420-1 and L.420-2 of the French Commercial Code would apply.

As a result of the Modernization Regulation on the implementation of the competition rules laid down in Articles 101 and 102, the European Commission shares the competence to apply Articles 101 and 102 with the French Competition Authority (*Autorité de la Concurrence*) and French courts, which also have responsibility for domestic competition law.

The French and EU competition authorities have very broad powers of investigation, including the power to enter and search professional and private premises and can perform what are commonly known as “dawn raids”.

The two ideas of “concerted practices” and “dominant positions” are not exclusive. Consequently, the same anti-competitive agreements of two or more companies can constitute a concerted practice and a dominant position.

## ***Anti-Competitive Agreements and Concerted Practices***

Article 101 of the TFEU and Article L.420-1 of the French Commercial Code prohibit agreements between undertakings,<sup>122</sup> decisions by associations of undertakings, and concerted practices that have an appreciable effect on trade within a relevant market and have the object or effect of preventing, restricting, or distorting competition in the market.

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122 - i.e. companies, partnerships, sole traders, and self-employed professionals that carry out economic or commercial activities.

These prohibitions can affect agreements and concerted practices between competitors (horizontal transactions) as well as between undertakings or groups of undertakings acting at different levels of a market (vertical transactions).

An agreement or concerted practice that falls within Article 101 or Article L.420-1 is not necessarily illegal. Both EU and French legislation provide for certain exemptions from the prohibition with respect to certain restrictive agreements and concerted practices.

Except in rare circumstances, the parties must self-assess whether an agreement meets the requirements for an exemption (which are subject, of course, to the ultimate determination of the courts).

Under French law, exemptions from the prohibition concern anti-competitive agreements which:

1. result from a specific regulatory or legislative text; and
2. can be justified by an “economic progress,” including the creation or the containment of employment, giving the users an equitable part of the profits without giving the opportunity to the companies concerned to eliminate the competition for a substantial parts of the products. In any case, these practices have to be essential in order to reach this objective of “economic progress.”<sup>123</sup>

The EU has also established “block exemptions” for certain categories of agreements.

Where an agreement does not come under a block exemption, it may still be individually exempted provided the requirements for an exemption are met. However, hard-core restraints in agreements such as those involving price fixing (both horizontal and vertical) and export bans partitioning national markets, which are contrary to the goal of single market integration in the EU, will generally not be exemptible and may attract heavy penalties. In 2007 for example, the European Commission fined members of elevator and escalator cartels over €990 million.<sup>124</sup>

France applies several administrative, civil, and criminal measures to ensure

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123 - Article L.420-4 of the Commercial Code.

124 - European Commission, IP/07/209, February 21, 2007.

compliance with competition law. First, there is a framework of administrative penalties by which the Competition Authority can impose injunctions or pecuniary sanctions. Secondly, civil courts can terminate prohibitive agreements and indemnify victims of prohibitive agreements. Finally, criminal law provides for a maximum of four years imprisonment and penalties up to €75,000 pursuant to Article L. 420-6 of the French Commercial Code.

### ***Abuse of a Dominant Position***

Article 102 of the TFEU and Article L.420-2 of the French Commercial Code are aimed at unilateral conduct by dominant firms which abuse their dominant position within a relevant market in the EU or in France. A dominant position is generally one in which an undertaking (or a group of undertakings) has the economic strength to prevent effective competition on a relevant market such that the dominant firm has the power to behave independently of its competitors, customers, and consumers. Having a dominant position is not prohibited "per se" but it is prohibited to abuse that position.

While there is no level of market share that is conclusive to determining what constitutes a dominant position, generally a market share of 50% or more will lead to a presumption of dominance. Depending on the circumstances, undertakings with a lower market share may have sufficient market power to be viewed as dominant. Each case will be decided depending on the definition of the relevant market. This is a highly precise area of law and one that continues to evolve.

Issues have arisen in the context of single branding arrangements (such as exclusive purchasing, requirement contracts, non-compete obligations), tying arrangements, and refusals to supply involving dominant firms. In addition, certain pricing practices by dominant firms can raise issues, such as loyalty rebates, bundling, predatory and excessive pricing, and price discrimination.<sup>125</sup>

### ***Merger Control***

Concentrations involving French businesses where certain turnover thresholds are met, such that the concentration has a "Community dimension," are subject to the

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125 - 102 of the TFEU and Article L.420-2 of the French Commercial Code.

exclusive jurisdiction of the European Commission under the EU Merger Regulation<sup>126</sup> (subject to certain “referral back” provisions). The EU Merger Regulation imposes mandatory pre-merger filing requirements in respect of such transactions and generally requires suspension of the transaction until approval is received. The exclusive jurisdiction of the European Commission operates as a “one stop shop” and approvals obtained in this manner are valid with regard to all EU Member States.

Acquisitions or mergers (whether in the form of an acquisition of shares or assets, a joint venture or similar transaction) not subject to the EU Merger Regulation may qualify for investigation by the French Competition Authority if certain tests are met.<sup>127</sup> A relevant merger situation will arise for such purposes if two or more enterprises have ceased to be or will cease to be distinct enterprises (i.e., are brought under common ownership or common control) and where the following three conditions are met:

- the global turnover before taxes of the entirety of the business, or groups of individuals, or groups of businesses parties to the merger exceeds €150 million;
- the global turnover before taxes in France of at least two of the businesses or groups of individuals or businesses concerned exceeds €50 million; and
- the concentration involved does not enter into the domain of application of the EU Merger Regulation.<sup>128</sup>

In the case where at least two of the undertakings involved operates one or more retail stores, the above criteria is changed as follows:

- the global turnover before taxes of the entirety of the business, or groups of individuals, or groups of businesses exceeds €75 million;
- the global turnover before taxes realized in France in the retail stores area by

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126 - EC Regulation 139/2004

127 - Law No. 2008-776 of August 4, 2008.

128 - Article L.430-2 of the French Commercial Code.

at least two of the businesses or groups of individuals or businesses exceeds €15 million;

- the concentration involved does not enter into the domain of application of the EU Merger Regulation.<sup>129</sup>

Where one of the undertakings has operations in the French overseas departments or territories, the following criteria apply:

- the global turnover before taxes of the entirety of the business, or groups of individuals, or groups of businesses exceeds €75 million;
- the global turnover before taxes realized individually by at least two businesses, groups of individuals or businesses in at least one overseas department territory exceeds by €15 million, or €7.5 million in the sector of retail stores;
- the concentration involved does not fall under the EU Merger Regulation.

As is the case under the EU Merger Regulation, French law requires companies contemplating a merger to file notification with the French Competition Authority. A notification before the merger is mandatory, and should be made as soon as the parties are able to present a project and particularly when they have signed a memorandum of understanding, a letter of intention, or made a public offer.<sup>130</sup> In the absence of a notification or when notification is inexact or incomplete, the parties can be fined a maximum value of 5% of their net turnover, before taxes, based on the last fiscal year's numbers or a maximum of €1.5 million if the party failing to file the notice is an individual.<sup>131</sup> The notification must be transparent, meaning published and made available to the Minister of the Economy,<sup>132</sup> as well as to the Work Counsel of the undertakings concerned.

Notification suspends continuation of the merger for 25 working days from the time at which the notice filing is deemed complete by the Competition Authority. During

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129 - Law No. 2008-776 dated August 4, 2008 will apply, that is Articles L.430-2 et seq. of the French Commercial Code.

130 - Article L.430-3 of the French Commercial Code.

131 - Article L.430-8 of the French Commercial Code.

132 - Articles L.430-3 last paragraph of the French Commercial Code.

the suspension and investigation, the Competition Authority examines the proposed concentration and considers whether it will violate French law. The 25 working days can be extended by an additional 15 working days if the parties to the concentration provide supplementary information to remedy any potential violation. The parties can also ask the Competition Authority to suspend the time frame for 15 working days in case of “unusual necessity.”<sup>133</sup>

If the Competition Authority has serious doubts about the anti-competitive effects of the concentration (e.g., it creates or reinforces a dominant market position on the part of the parties) further examination may be ordered. This further investigation cannot last longer than 65 working days from the time at which the notice filling is deemed complete, and this time frame may be extended or suspended for 20 working days, for the same reasons.

After reviewing the notification for the proposed merger, the Competition Authority essentially makes one of three decisions:

1. prohibit the concentration and require the parties to take any actions necessary to re-establish a sufficient degree of competition;
2. authorize the merger on the condition that the parties fulfill certain obligations that they may require; or
3. authorize the merger with a decision stating the reasons on which it is based. The authorization may be submitted to the fulfillment of the commitments of the parties.

After the decision is made by the Competition Authority, the Minister of Economy may reopen the evaluation of the concentration and request further investigation of the matter for reasons bearing on general public interest. After performing its supplementary review, the Minister of Economy may permit a concentration that the Competition Authority has refused. The law is unclear whether the Ministry of Economy may prohibit a concentration that the Competition Authority has approved.

The parties may appeal the decision taken by the Competition Authority to the

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133 - Article L.430-5 of the French Commercial Code.

Council of State, (*Conseil d'Etat*) the highest administrative court in France on the grounds that the decision they have reached exceeds the scope of their power under administrative law. With respect to the decisions of the Minister of Economy, such appeals should as well be lodged directly with the Council of State.

# 13. Contact Us<sup>134</sup>

**Disclaimer:** The information contained in this guide is correct as of 1 January 2012.

The information is general in nature and is intended to provide an overview of the relevant law and legal issues. It does not constitute legal advice with respect to any matter or set of facts. Professional advice should always be obtained before applying any information to particular facts and circumstances.

We welcome the opportunity to discuss any of the issues raised in this guide or any other questions you might have. If you would like to know more, please get in touch with your usual Bryan Cave contact or any of the Bryan Cave lawyers in Paris listed below.

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134 - When calling from outside France, the country code is +33 and callers should drop the first (0)

# 14. Glossary of Relevant French Terms and Institutions

Institutions - English-Français	
Bulletin of Required Legal Announcements	Bulletin des annonces légales obligatoires
Business Registration Center	Centre de Formalités des Entreprises
Commercial and Companies Registry	Registre du commerce et des sociétés
Commercial Court Clerk's Office	Greffe du Tribunal de Commerce
Constitutional Court	Conseil Constitutionnel
Customs Office	Direction Générale des Douanes
Defender of rights	Defenseur des droits
Department for dual-use items	(SBDU)
Directorate General of the Treasury	Direction Générale du Trésor
Financial Markets Authority	Autorité des Marchés Financiers
Free Market	Marché Libre
French competition authority	Autorité de la Concurrence
French Office for Immigration and Integration	Office Français de l'Immigration et de l'Intégration (OFII)
General Directorate for Competitiveness, Industry and Services	Direction Générale de la Compétitivité, de l'Industrie et des Services (DGCIS)
General Directorate for Customs and Excise Duties	Direction Générale des Douanes et des Droits Indirects DGDDI

High Authority in the Fight Against Discrimination and for Equality	Haute Autorité de lutte contre les discriminations et pour l'égalité (HALDE)
Minister of the Economy	Ministre de l'Economie
National Commission on Information Technology and Liberties	Commission Nationale de l'Informatique et Libertés (CNIL)
National Institute of Economic Statistics and Studies	Institut National de la Statistique et des Etudes Economiques (INSEE)
National Institute of Intellectual Property	Institut National de la Propriété Intellectuelle INPI
Supreme Administrative Court	Conseil d'Etat
Supreme Judiciary Court	Cour de Cassation
Unemployment Authority	Pôle emploi

Terms – English-Français	
actual headquarters	siège réel
adjudication panel	bureau de jugement
appeal before the Supreme Court	pourvoi en Cassation
author's rights	droits d'auteur
authorization to remain in the French territory	carte de séjour
basic social security plan	régime général de la sécurité sociale
block	tranche
board of directors	conseil d'administration
capital gains	plus-values réalisées par les particuliers
certificate of incorporation	Extrait K-bis
certificate of non conviction	déclaration de non condamnation- casier judiciaire vierge
Chief Executive Officer	Directeur Général (DG)
chief of the board	Président Directeur Général (PDG)
civil company	société civile
collective keeping agreement	engagement collectif de conservation
company of limited liability	société à responsabilité limitée (SARL)
company operating in France	entreprise exploitée en France
company saving scheme	épargne salariale
company savings plan	plan d'épargne entreprise (PEE)

conciliation panel	bureau de conciliation
corporation	société anonyme (SA)
corporation tax	impôt sur les sociétés (IS)
de facto corporation	Société créée de fait
definite term employment contract	contrat à durée déterminé (CDD)
directorate	directoire
economic interest group (EIG)	groupement d'intérêt économique (GIE)
european economic interest group (EEIG)	groupement européen d'intérêt économique (GEIE)
executives scheme	régime des cadres
executives' national collective agreement on retirement and social welfare	convention collective nationale de retraite et prévoyance des cadres
family income splitting	quotient familial
general commercial partnership	société en nom collectif (SNC)
general partners	commandités
Goods Trade Declaration	Déclaration d'Echange de Biens
gross misconduct	faute lourde
health and welfare benefit plan	prévoyance complémentaire
health and welfare benefit plan	régime de la protection sociale complémentaire
hiring declaration	declaration unique d'embauche
income tax	impôt sur le revenu

indefinite term employment contract	contrat à durée indéterminée (CDI)
interference	délit d'entrave
investment income	revenus mobiliers
Labor inspectors	inspecteurs du travail
liaison office	bureau de liaison
limited partners	commanditaires
limited partnership	société en commandite simple
market undertaking	entreprise de marché
objection	faire opposition
order	arrêté
parent-daughter regime	régime mère-fille
participation of the employees in the business's performance	participation aux résultats de l'entreprise
price guarantee offers	garantie de cours
private pension plans	régimes de retraite complémentaire obligatoire
professional investor	opérateur de marché
Professional Security Contract	contrat de sécurisation professionnelle (CSP)
profits of foreign securities	revenus de valeur mobilière étrangère
profit-sharing plan	intéressement
registered headquarters	siège statutaire
residency card	titre de séjour

serious misconduct	faute grave
simplified stock company	société par actions simplifiée (SAS)
small and medium companies	petites et moyennes entreprises (PME)
social security ceiling	plafond de la sécurité sociale
sole shareholder simplified stock company	SAS unipersonnelle (SASU)
supervisory board	conseil de surveillance
simplified limited partnership	société en commandite simple (SCS)
sweat equity	en industrie
tax integration regime	intégration fiscale
undeclared partnership	société en participation
work certificate	attestation de travail
work permit	autorisation de travail

Institutions Français-English	
Autorité de la Concurrence	French Competition Authority
Autorité des Marchés Financiers	Financial Markets Authority
Bulletin des annonces légales obligatoires	Bulletin of Required Legal Announcements
Centre de Formalités des Entreprises	Business Registration Center
Commission Nationale de l'Informatique et Libertés (CNIL)	National Commission on Information Technology and Liberties
Conseil Constitutionnel	Constitutional Court
Conseil d'Etat	Supreme Administrative Court
Cour de Cassation	Supreme Judiciary Court
Défenseur des Droits	Defender of Rights
Direction Générale de la Compétitivité, de l'Industrie et des Services (DGCIS)	General Directorate for Competitiveness, Industry and Services
Direction Générale des Douanes	Customs Office
Direction Générale des Douanes et des Droits Indirects DGDDI	General Directorate for Customs and Excise Duties
Direction Générale du Trésor	Directorate General of the Treasury
Greffe du Tribunal de Commerce	Commercial Court Clerk's Office
Haute Autorité de Lutte contre les Discriminations et pour l'Egalité (HALDE)	High Authority in the fight against discrimination and for equality
Institut National de la Propriété Intellectuelle (INPI)	National Institute of Intellectual Property
Institut National de la Statistique et des Etudes Economiques (INSEE)	National Institute of Economic Statistics and Studies

Marché Libre	Free Market
Ministre de l'Economie	Minister of the Economy
Office Français de l'Immigration et de l'Intégration (OFII)	French Office for Immigration and Integration
Pôle emploi	Unemployment Authority
Registre du Commerce et des Sociétés	Commercial and Companies Registry
Service des Biens à Double-Usage (SBDU)	Department for Dual-Use Items

Terminology Français-English	
autorisation de travail	work permit
bureau de conciliation	conciliation panel
bureau de jugement	adjudication panel
bureau de liaison	liaison office
carte de séjour	authorization to remain in the French territory
commanditaires	limited partners
commandités	general partners
conseil d'administration	board of directors
conseil de surveillance	supervisory board
contrat à durée déterminé (CDD)	definite term employment contract
contrat à durée indéterminée (CDI)	indefinite term employment contract
convention collective nationale de retraite et prévoyance des cadres	executives' national collective agreement on retirement and social welfare
contrat de sécurisation professionnelle (CSP)	Professional Security Contract
Déclaration d'Echange de Biens	Goods Trade Declaration
déclaration de non condamnation- casier judiciaire vierge	certificate of non conviction
déclaration unique d'embauche	hiring declaration
délit d'entrave	interference
Directeur Général	Chief Executive Officer
directoire	directorate

droits d'auteur	author's rights
en industrie	sweat equity
engagement collectif de conservation	collective keeping agreement
entreprise de marché	market undertaking
entreprise exploitée en France	company operating in France
épargne salariale	company saving scheme
extrait K-bis	certificate of incorporation
faire opposition	objection
faute grave	serious misconduct
faute lourde	gross misconduct
garantie de cours	price guarantee offers
groupement d'intérêt économique	economic interest group
groupement européen d'intérêt économique	european economic interest group
impôt sur le revenu	income tax
impôt sur les sociétés (IS)	corporation tax
Inspecteurs du travail	Labor inspectors
intégration fiscale	tax integration regime
intéressement	profit-sharing plan
opérateur de marché	professional investor
participation aux résultats de l'entreprise	participation of the employees in the business's performance

plafond de la sécurité sociale	social security ceiling
plan d'épargne entreprise (PEE)	company savings plan
plus-values réalisées par les particuliers	capital gains
petites et moyennes entreprises (PME)	small and medium companies
pourvoi en Cassation	appeal before the Supreme Court
Président Directeur Général	Chief of the Board
prévoyance complémentaire	health and welfare benefit plan
quotient familial	family income splitting
régime de la protection sociale complémentaire	health and welfare benefit plan
régime des cadres	executives scheme
régime général de la sécurité sociale	basic social security plan
régime mère-fille	parent-daughter regime
régimes de retraite complémentaire obligatoire	private pension plans
revenus de valeur mobilière étrangère	profits of foreign securities
revenus mobiliers	investment income
SAS unipersonnelle (SASU)	sole shareholder simplified corporation
siège réel	actual headquarters
siège statutaire	registered headquarters
société à responsabilité limitée (SARL)	company of limited liability
société anonyme (SA)	corporation

société créée de fait	de facto corporation
société en commandite simple	simplified limited partnership
société en nom collectif	general commercial partnership
société en participation	undisclosed partnership
société par actions simplifiée (SAS)	simplified corporation
sociétés civiles	civil company
sociétés en nom collectif (SNC)	general commercial partnership
titre de séjour	residency card
tranche	block



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