

SEVERAL OPTIONS TO DEVELOP YOUR ACTIVITY ABROAD
Non Stable Establishments – Only for representation purposes

1) **The RFE – Representative Foreign Company:** Acts on behalf of the foreign company and reverts all development issues for validation to the Parent Company. Can not be in charge of the whole commercial cycle or the Parent Company may risk a Tax requalification into a stable establishment.

2) **The Liaison Office / Representative Office :** Official Local Office only allowed to represent the Parent Company in terms of Marketing and B to B / C development. More than one individual can be employed by the Liaison Office. Can not be in charge of the whole commercial cycle or the Parent Company may risk a Tax requalification into a stable establishment.

5) **The Fiscal Representative/Agent:** Its role is to represent the Foreign Parent company for Tax & VAT issues when a stable establishment is not registered locally & when business transactions are requiring Tax & VAT to be declared locally.

Stable Establishments – French GAAP compliance

3) **The Subsidiary:** A French fully registered company whose registered /paid up capital is partially or fully owned by the parent company (ref: How to form SARL). Submitted to French accounting regulations & to French corporation taxes.

4) **The Branch:** Foreign Establishment - No paid up capital in France. Submitted to French accounting regulations & to French corporation taxes.

THE BRANCH
LEGAL ASPECTS

The Director of the branch does not have to be a French resident. Ideally, the French legal Director will have a European nationality to make the registration easier.

Once the branch is set up, the company will receive a “K-Bis” (French Certificate of Incorporation), and the SIRET, SIREN, RCS & VAT numbers like any French fully established companies.

To establish a Branch, no social capital is necessary, therefore signifying a cash flow economy. By consequence, the Head Office is legally responsible for the Branch.
Also note that the Memo. & Articles of the Head Office must be translated & certified into French.

FISCAL and ACCOUNTING ASPECTS

The Branch is totally subject to French Laws and French Taxation. The Branch must have its own book-keeping under French formats. The accounts must strictly obey French Laws to prevent any tax control (Depreciations, reserves, assets ...)

It is important to note that French accounting methods greatly differ from their Anglo-saxon counterparts.

In order to ease the consolidation of accounts into the accounts of the parent company at the financial year end period, the French accounts must be set up in harmony with the chart of accounts of the Head Office.

The French turnover & French expenses & assets must be booked in the French accounts and not in the Head Office accounts.

In the case of a loss in France, the Head Office will incorporate the loss against its profits and in case of profit, it will be cumulated with the profits or loss of the parent company. Tax agreements enable to deduct French taxes on the Head Office side and gives the opportunity not to pay twice the corporation tax.

Consolidated accounts have to be filed at year end with the French Companies House.

SOCIAL ASPECTS
Common Rule

Social security contributions must be paid in the country where the employees are based.

If the Branch recruits in France, the employees must be declared in France, and social security contributions must be paid in France (ref: *Main Issues: Recruitment*).

Exceptional circumstance : “detached employee”

The Head Office can detach an employee to its foreign Branch for a short term or long term period.

In that case, after the authorisation of social government bodies (Inland revenue/CLEISS under form A1), the employee of the Branch can remain under the Head Office payroll in terms of work contract and social security charges. Only, some minimum level of salaries & additional covers will have to be formerly checked.

This authorization (A1) is issued for two years and is renewable once up to 5 years maximum (extension agreement art .16. ECE Reg 883/2004 of the Social Security).

Note: *On the 23rd October 2017, Emmanuel Macron's proposal was adopted. From now on, a detached employee will only be able to work for 12 months in a European Union country of which he is not a national (but the duration may be extended for another six months at the request of the company and by decision of the welcome country). This agreement does not concern the transport sector. The agreement will take the form of a directive that should not come into force until 2022.*

Documents to be provided:
1) Concerning the Head Office:

- Documents of incorporation from the Head Office (must be translated into French)
- Activity of the Head Office
- List of Directors / Annual return
- Proof of registered address in France (domiciliation contract for example)

2) Concerning the director:

- Copy of document proving his/her identity
- Proof of his/her place of residence
- Affidavit
- Minutes certifying the appointment of the Director in France and the scope of his/her powers

3) Concerning the Branch:

- Certificate of domiciliation or Lease in France
- Corporate Profile concerning the Branch's activity in France

Time required for the incorporation: min 15 working days.

**IF YOU NEED ADVICE OR ASSOCIATED SERVICES:
PLEASE CONTACT US!**