SEDI

How to form...

BRANCH
"Succursale"

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.

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.

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.

THE BRANCH

LEGAL ASPECTS

The Director of the branch does not have to be a French resident (the Director of the parent company may also be the legal representative of the branch).

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 established companies.

To establish a Branch, no social capital is necessary, which means a cash flow saving. 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 the French accounting system can be very different from the accounting system of the parent company

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.

Supplier and customer invoices must be incorporated into French accounting and not into that of the parent company.

In the event of losses in France, the Parent Company 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.

Exceptional circumstance : "posted employee"

The Parent company can detach an employee to its foreign Branch for a limited period.

"Since July 30, 2020, France has applied the new European rules on posted workers adopted in 2018. A posted employee must now receive the same remuneration as a local worker performing the same tasks. Still on a principle of fairness, the collective agreements of the host country must be applied to posted workers who can thus benefit from the same bonuses and reimbursements as their national counterparts: travel, accommodation and living expenses.

The directive also limits secondment to 12 months, instead of the initial 24 months, but allows its duration to be extended by an additional 6 months if the company makes a reasoned declaration. Beyond that, a long-term secondment status allows the employee to benefit from all the rights applicable to national employees, apart from the provisions relating to the conclusion and termination of the employment contract. It should be noted that the text does not concern road transport, which was the subject of separate legislation, adopted by the European Parliament on July 9, 2020."

Documents to be provided:

1) Concerning the Parent company:
- Documents of incorporation from the Parent company (must be translated into French)
- Activity of the Parent company
- List of Directors
- 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
- 2 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 is min 15 working days.

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