SEDI

S.A.R.L
SOCIETE A RESPONSABILITE LIMITEE
Filiale (Subsidiary)

How to form...

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 : This legal form of Office doesn't exist anymore as such and can not obtain a SIRET number or a KBIS : a foreign company can lease premises in France but only the registration of employees in France will generate a SIRET Number in France and a proof of existence. Any hidden commercial activity may risk a Tax requalification .

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 establishent is not registered locally & when business transactions are requiring Tax & VAT to be declared locally.

SARL / SAS

In France, two types of limited liability companies have to be considered :
=> The SARL of which each share held has the right to vote at General Meetings in proportion to the shares held.
=> SAS, which allows the creation of several categories of shares, including shares that do not give access to voting rights. This can be useful if the Legal Director wishes to involve his/her employees in profit at the end of the year or to open the capital to third parties.

Incorporation procedure

- Minimum : 1 Shareholder (SARL unipersonnelle or EURL)
- Maximun : 100 shareholders
- Share / Paid up Capital : minimum 1 Euro since Dutreil Law (August 2003)

Bankers and your suppliers may require more investment capital from you for economic reasons and not necessarily legal reasons!

It is particularly important to note that your share capital also allows you to absorb your losses at the end of the year. Shareholders' equity in France must remain above 50% of the share capital in order to avoid forced recapitalization within two years and your registration with the Banque de France as a risky company.

Incorporation documents

1) Legal notice to be published
2) 3 original copies of the signed Bylaws
3) 3 copies of the minutes of incorporation appointing the Legal Director(s)
4) Registered office & lease contract / domiciliation contract
5) Bank certificate certifying deposit of paid up capital prior to company registration.
6) Legal Director = “Gérant”:
    - Scan of valid passport certified by himself or herself
    - Proof of address
    - 2 Affidavit
7) 1 M0 and registration fees payable to the « Greffe »
8) Declaration of the beneficial owner (PSCs in the UK)

Time Required for a SARL registration

- Final KBIS & INSEE registration: 3 weeks
- VAT registration: 1 month

Key documents and registration numbers:

KBIS = Certificate of Incorporation
INSEE certificate
Welcome letter from the Tax Office (Les impôts)

RCS number
SIRET number
APE code
VAT number

Shareholding

SARL's Shareholders hold partnership shares (*parts sociales*) rather than ordinary shares (*actions*). These partnership shares are distributed to the shareholders in consideration of their respective contribution and in proportion to the unit value of each partnership share.

Shareholder contributions may take different forms :

1° Cash contributions (***apports en numéraire)***

2° Asset contributions (***apports en nature) :*** contributions of tangible and intangible assets such as real estate, movable assets, land, goodwill, trademarks, brands, patents, designs and models, lease rights, equipment, tools, goods, etc...

3° Licence/ industrial contributions (***apports en industrie) :*** contributions of labor, technical expertise, know-how...

The Legal Director = “Gérant”

He/she must be a physical person, and is usually appointed at the General Meeting of Shareholders for a limited or unlimited period.

He/she represents the company to third parties and is empowered with all authority required to make everyday management decisions.

However, he/she must obtain prior authorization from the General Assembly for important decisions, in particular those which may call into question the assets of the company.
The shareholding structure directly impacts the social status of the Legal DIrector: Self-employed (TNS) or employee. Very important to check the Legal Director's unemployment rights with Pole Emploi.

France
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SEDI France SARL
18 rue Gambetta, 95 880 ENGHIEN LES BAINS, France
Tel : +33 (0)1 34 05 07 71
RCS Pontoise B 410 485 981

SEDI UK LTD
Wilberforce House, Station road, NW4 4QE LONDRES, UK
Tel: +44 207 953 4025
Company registered in England &Wales, n°3494781

Website : www.sedigroup.com - Email : info@sedigroup.com