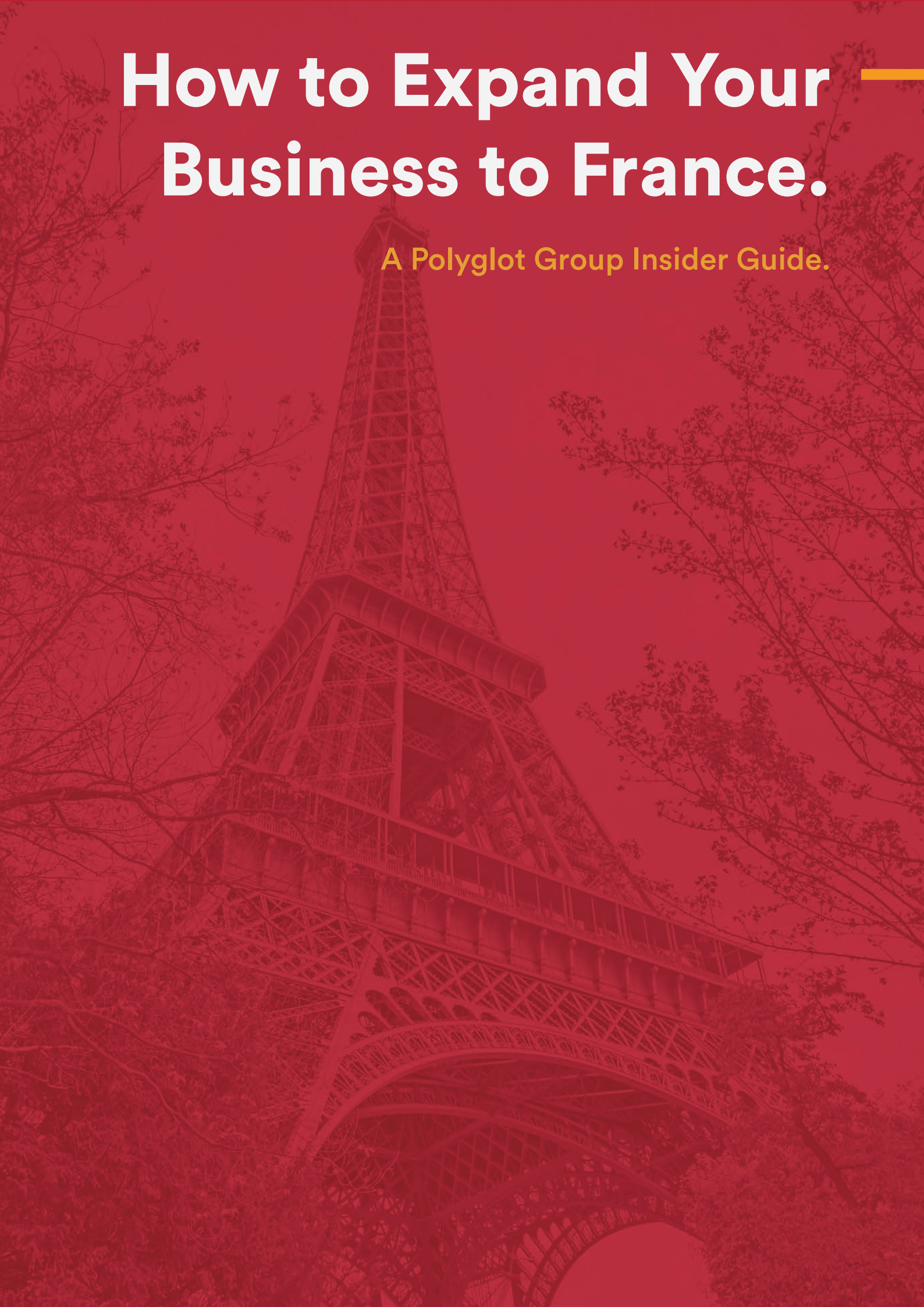
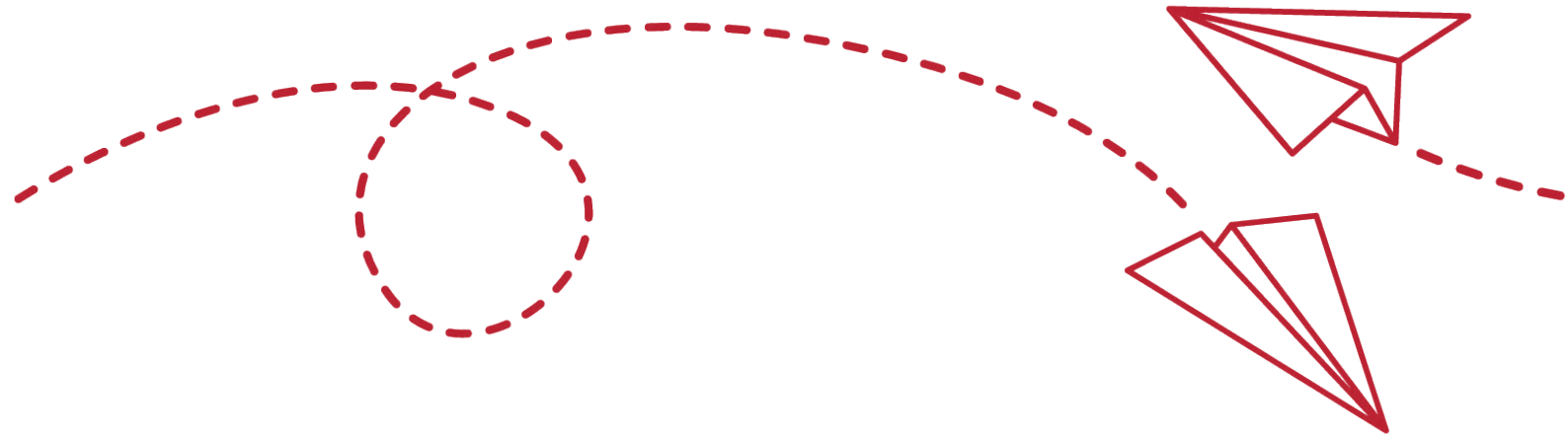
How to Expand Your Business to France.

A Polyglot Group Insider Guide.





In a post COVID-19 world, businesses are looking to **make their mark on the global stage** now more than ever. Whilst 2020 saw an unprecedented decline in investment flows worldwide, 2021 saw a considerable bounce back, and 2022 is set to continue this trend.

As businesses consider their options moving forward, it's important to remember that **global mobility remains a key factor** to successful international business expansion. Naturally, many organisations are turning towards trusted and tested market options to ensure success in today's unpredictable climate.

Ranked as the **eighth largest economy** in the world, **centrally located within the EU** as well as a powerhouse within the European Union, France remains a popular (and safe) choice for business expansion.

As a top tourist destination, a leader in many growing industries as well as **offering entrepreneurial benefits & incentives** for expanding companies, what's not to love about doing business in France?!

Whilst France remains a safe bet, there are plenty of **complexities**, **regulations, costs** and **challenges** to address before contemplating expansion.

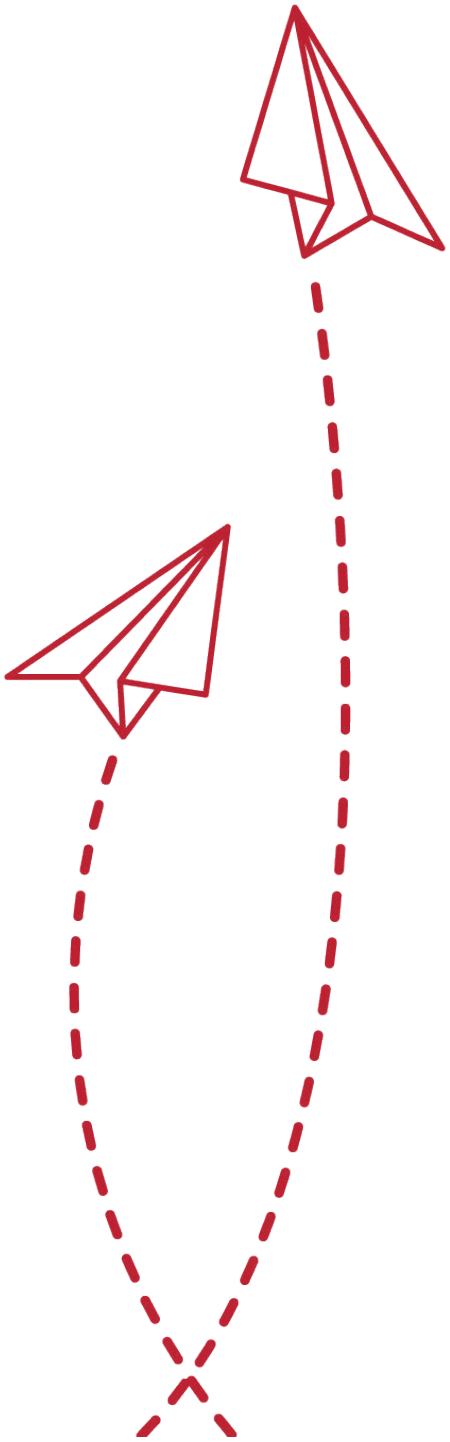
As a global expansion partner, Polyglot Group is intimately aware of the challenges that arise during this process. With that in mind, one vital question becomes apparent:

What is the ultimate way for you to **take your business to France?**

To answer this critical question, we will explore the benefits & implications of **3 popular solutions** for a smooth and efficient setup in France.

Each of the 3 solutions will suit different types of businesses (depending on their size & industry) — yet can all be **tailored** to suit your specific business goals and requirements.

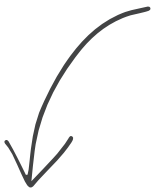
Regardless of your business's size, industry or country of origin, it is important to consider **Deadlines**, **Budget**, **Market Size** as well as **Product & Service Regulations** when kick-starting your expansion in



Menu

Quick Tip

Hello there! I'm an **interactive menu.** That means you can click me to get to where you want faster!



1. Opening a Liaison Office in France

2. Expand by Establishing a Branch in France

3. Expand by Establishing a Subsidiary in France

01.

Establishing a liaison office of your overseas company in France

01.

Opening a Liaison Office in France

Setting up a liaison office remains the easiest way to create a French presence in terms of administrative burden.

The objective of setting a liaison office (“bureau de liaison” in French) is to **explore the market**, meet with prospects and run advertising or PR campaigns.

In principle, registration is not required, **unless the liaison office employs staff**. This type of representative office has a simple structure and is not legally independent.

This structure is an extension of a foreign company in France and **cannot carry out commercial activities**.

Quick Tip

> **A Liaison office is a temporary solution. As soon as your business is operating at a commercial level, you should consider establishing a branch.**

01.

How does it work?

A liaison office may serve as the **first** and **'lightest'** step in your expansion to France. It is not separate from your overseas parent company as it does **not have its own legal identity**.

With a liaison office, you may continue to use your lighter presence for **marketing or other activities** to **support** your parent company's core business operations.

Alternatively, you may eventually **transition to a more permanent structure** when you are ready to become fully operational, e.g. with a branch or subsidiary.

As an example:

An Australian service provider wants to explore the French market to see if it holds untapped potential for the business.

Setting up a liaison office is a good alternative to **reinforce operations and support activities locally** while the contracting and invoicing is managed from the overseas parent company.

This will also allow employees to feel part of the team (and not as independent contractors). The company will, however, need to manage local HR & Payroll administration for their employees.

01.

This option is ideal for you if...

You are looking for a lighter presence.

Of the various setup options available to your business, opening a liaison office involves **less administrative work** as you do not need to register with the Commercial Registry.

You want to explore the market beforehand.

This solution is ideal for the **initial stage** of the business's expansion. With a liaison office, you may **explore the market, build brand awareness, and test the waters** in France.

You don't require a local office or facility.

This is ideal if you don't need a **physical office** (storage facility, factory, or IT infrastructure) for goods or services you supply, and are instead happy for your team member to be hosted at a co-working space.

You want to directly employ a small team.

With a liaison office, you may **employ staff locally**. This is recommended only in the **early stage of expansion**, when you will likely **have a small team** (e.g. one or two employees).

01.

Establishing a French Liaison Office To-Do List

1. Obtain a SIRET & SIREN number

Since a liaison office does not have economic activity, there is no requirement to register it with the French Commercial Registry.

However, it is possible to address a declaration of existence to the relevant Chamber of Commerce & Industry in order to obtain a SIRET and SIREN number.

2. Appoint a Local Representative

of the overseas company who will register the liaison office.

3. Gather Required Documentation

Gather the Certificate of Incorporation, the Articles of Association of the parent company, a resolution of the establishment of the liaison office and a copy of the passport of the person registering the office.

01.

Establishing a French Liaison Office To-Do List

4. Ensure you're Compliant with French Labour Codes

Decide on applying for either the Work Code or the CBA (Collective Bargaining Agreement). Most businesses opt for the CBA as the work code provides less benefits.

5. Register with the Local Social Security Authorities

Register with the local social security authorities for health & pension insurance purposes. This should be done from the moment one or more employees are hired.

6. Establish a Local Address

Having a local address is recommended to receive communications from the French Tax Authorities and Social Security bodies.

“ This list is not exhaustive and not intended to provide every step required as part of the setup process for this solution.

01.

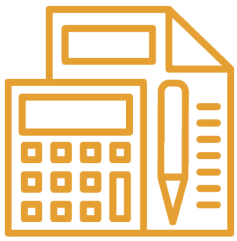
Ongoing Administrative Duties

Minimum HR Compliance

Ensure compliance with the applicable Collective Agreement (“Convention Collective”), apply for health & life insurance (“Mutuelle” & “Prevoyance”), set-up occupational medicine & risk prevention plans and define policies & procedures, among other things).

Local Payroll Processing & Payment

Standard payroll processing and reporting is required for any employees that you manage in France and must be in line with French payroll legislation.



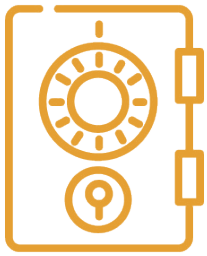
Perform Quarterly & Annual Form Lodgements

Contributions to Social Security

An employer’s contribution and a contribution on behalf of the employee is required by law.

01.

Restrictions to remember...



Registration with the “Registre du Commerce et des Sociétés” may be necessary in some occasions in order to open a **bank account** in France.

You **cannot draw local business contracts or invoices locally** as you have no local legal entity. Consequently, you **cannot claim the TVA** - the local goods and services tax, also known as the sales tax (USA), IVA (SP), VAT (UK, EU), GST (AU), etc.

Registration with the URSSAF and the **local corporate tax office** is mandatory if the office has its own premises or is planning to have several employees in France.

Your business may be considered a **PE** (**Permanent Establishment)** if the office conducts commercial activities. Such classification involves further obligations with the French Tax Authorities and professional tax advice is recommended regarding this matter.

02.

Establishing a Branch of your overseas company in France

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Establishing a Branch of your overseas company in France

When establishing operations in France, there is also the option of setting up a branch.

Whilst a subsidiary requires a general board or directors and has a lengthier setup process, a branch can function with a representative **acting as a kind of proxy**, or stand-in figure on behalf of the parent company. This individual has the authority to enter into agreements with this parties on the company's behalf. No minimum share capital is required for a branch.

A branch **does not have its own legal identity**. Rather, it has the same legal personality as the parent company. Consequently, the overseas company is **subject to unlimited liability** for the activities (and losses) of its French branch.

There are also differences between a branch and a subsidiary from a tax point of view: regarding sharing benefits and dividends with the parent company, participation on the general expenses of the parent company, as well as with the interests from loans lent by the parent company. It is recommended to **seek the advice of a qualified tax advisor** if this is something you wish to consider.

Quick Tip

> **If your intention is to carry out economic activities in France, establishing a branch from the beginning will allow you to skip several steps.**

02.

How does it work?

A branch is essentially an **extension** of your overseas parent company, as it is **registered locally** in France but **does not operate as a separate legal entity**, unlike a subsidiary.

Generally, any interest on loans granted from the parent company to the branch are **not tax-deductible** in France. However, general expenses for your parent company can usually be considered tax-deductible for a branch.

Thus, a branch is ideal if you know you **intend to carry out economic activity** in France, as you have more freedom than with a representative office. When compared to a subsidiary, the differences with the branch option are mainly in the **group structure**, **degree of liability**, and **level of autonomy** that you hold on behalf of the parent company.

As an example:

A publicly listed US food company wishes to enter the French market and has already opened branches in Canada and Australia. They want to **be able to sign contracts locally and sell their products** in France, while keeping the same governing bodies that they have at their headquarters. They also already have a financial reporting structure established within the group.

The optimal solution is to establish a branch. Whilst this requires more administrative steps than a liaison office, opening a branch considerably minimises restrictions for doing business.

02.

This option is ideal for you if...

You want to be able to claim the TVA.

As a branch, you are able to **sell and invoice from your local entity**. As such, your business will be entitled to **register for** and **claim back the TVA**, or the local sales tax.

You would like to directly employ your French team.

With a local branch you hold the **right to employ staff locally**. This is particularly useful if you are ready to **grow your French team**. When enlarging your local team, you may wish to **seek support with HR & Payroll** (e.g. outsourcing services) to ensure compliance & simplify your French employment.

You wish to maintain your company reporting structure.

If the business's **reporting structure** is already setup for branches (due to previous setups in other countries), it may be advisable to **continue your expansion** in this manner for consistency.

You want to open a local bank account.

As a branch, you will be able to open a local bank account, making it easier to invoice your clients, pay invoices to contractors, as well as store funds in the local currency.

02.

Establishing a Branch To-Do List

1. Appoint a Local Representative

who can act on behalf of the overseas company.

2. Establish a Local Address

Having a local address is recommended to receive communications from the French Tax Authorities and Social Security bodies. The address can be the branch's premises, a local business address company or the legal representative's home address.

3. Register with the "Registre du Commerce et des Sociétés"

Registration with the "Registre du Commerce et des Sociétés" of the geographical area where the establishment will be located.

4. Gather Required Documentation

Gather the Certificate of Incorporation, the Articles of Association of the parent company, and a copy of the passport of the person registering the office.

02.

Establishing a Branch To-Do List

5. Obtain your SIREN & SIRET numbers

A SIREN number is your unique French business identification number. To obtain it you must register your branch with the French Commercial Registry.

Your SIRET number will be issued once you have registered your business with the Chambre de Commerce (RCS) for trade, Chambre de Metiers for crafts and manual work or with URSSAF for intellectual services such as translator or website designer.

6. Review your Accounting Obligations

Foreign companies which have branches in France are still required to file accounts. As such, getting your accounting in order is paramount.

02.

Ongoing Administrative Duties

Minimum HR Compliance

Ensure compliance with the applicable Collective Agreement (“Convention Collective”), apply for health & life insurance (“Mutuelle” & “Prevoyance”), set-up occupational medicine & risk prevention plans and define policies & procedures, among other things).

Local Payroll Processing & Payment

Standard payroll processing and reporting is required for any employees that you manage in France and must be in line with French payroll legislation.

Perform Quarterly & Annual Form Lodgements

Contributions to Social Security

An employer’s contribution and a contribution on behalf of the employee is required by law.

02.

Restrictions to remember...

Your branch is **not a separate legal entity** and is therefore subject to **unlimited liability** (losses), which will be taken on by the parent company.

In the eyes of your clients, partners, and other third parties, your branch may **not be considered as permanent & well-established** as a local entity (subsidiary) would.

With a branch, any **interest** on **loans** granted by the parent company is **not generally tax-deductible** in France - unlike with a subsidiary, for example.

Your branch **must carry out either part or all of the same activities** as the parent company, because the branch functions as an extension of your overseas business.

03.

Establishing a Subsidiary of your overseas company in France

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Establishing a Subsidiary of your overseas company in France

When expanding to France, a business may choose to **establish a local legal entity in the form of a subsidiary** in France.

Two typical structures for a French subsidiary include the simplified limited company (Société par Actions Simplifiée or SAS) and the limited liability company (Société à Responsabilité Limitée or SAR), also referred to as Enterprise Unipersonelle à Responsibilité Limitée or EURL in the case where is only one partner.

Each of these options **require a minimum share capital of 1 euro**. Another option is to incorporate a public limited company (Société Anonyme or SA), which requires a share capital of 37,000 euros.

By definition, a French subsidiary is a **separate legal entity with limited liability** and has its **own legal identity for tax and legal purposes**. Because it remains legally independent, all potential risks and liabilities within France remain with the subsidiary.

The legal representative of the subsidiary will be appointed as Chairman for the sake of public deeds. The company can be wholly owned by an individual and may be directly owned by an individual or a company.

Quick Tip

> **Bear in mind that the time required to create a SARL, SAS or EURL will vary if you have to gather paperwork from overseas because the shareholder (either a company or a person) is a non-resident.**

03.

How does it work?

A subsidiary effectively acts as an autonomous local establishment, separate from your overseas company.

The **legal representative(s) of the subsidiary** can either be **local or non-resident(s)** and will be appointed as administrators for the sake of public deeds. If the legal representative(s) is a non-resident, it is strongly advised that you appoint a local to manage the day-to-day operations.

The company can be **wholly owned by a foreign shareholder** provided that the **shareholder obtains a NIF** prior to the registration of the company.

As an example:

An Indian IT Services Company which already has a few clients in France is looking to officially set up their business there.

A subsidiary is a good option for them to grow local operations by establishing a registered SARL, SAS or EURL and appointing an experienced Chairman who is prepared to take care of the initial administrative duties.

This solution allows them to **sign contracts locally**, open a bank account and be seen by their clients as a local business with **full autonomy**.

03.

This option is ideal for you if...

You want to be able to claim the TVA.

As a subsidiary, you are able to **sell and invoice from your local entity**. As such, your business will be entitled to **register for** and **claim back the TVA**, or the local sales tax.

You wish to access local incentives.

Subsidiaries have **some tax advantages** in relation to their consideration as any other domestic company. This allows subsidiaries to access incentives from the French government.

You want to minimise liability for your parent company.

As a **separate legal entity** which has its **own identity for tax** and **legal purposes,** a subsidiary remains **legally independent**, which means that all potential liabilities remain with the subsidiary.

You want a fully-owned registered local entity.

As a registered local entity, you will be able to **sign local contracts** (sales, employment, purchasing, etc.), lease offices and warehouses, and trade and invoice locally, which may give your business **more credibility** in the eyes of third parties such as clients and partners.

03.

Establishing a Subsidiary To-Do List

1. Obtain a SIREN & SIRET number

2. Draft the Articles of Association

in the presence of a French notary. These must include the reason for opening the subsidiary, the main activities of the company, the name & address of the subsidiary as well as the director's responsibilities.

3. Register the Official Name of Your Subsidiary

Name checking in the French Patent and Trademark Office.

4. Open a Local Bank Account

and deposit the minimum share capital (1 euro in the case of a SAS or SAR, and 37,000 euros in the case of a public limited company).

5. Register wit the Social Security Authorities

Register with the Social Security authorities as well as apply for health and pension insurance.

6. Establish a Local Address

to receive communications from the French Tax Authorities and Social Security organisations.

03.

Establishing a Subsidiary To-Do List

7. Acquire Official Company Seals

Depending on the features of the company, there is an obligation to have a company book & stamp for general assemblies.

8. Obtain all Necessary Registrations

for tax, social security, and insurance purposes.

9. Retrieve an Opening Licence

from the relevant municipal council when applicable.

10. Formally Announce your Subsidiary

Once incorporated, you must share your subsidiary details with the Commercial Registry (Registre du commerce et des sociétés - RCS in French). This is deemed a legal and transparent announcement to formally & publically recognise its existence.

“ This list is not exhaustive and not intended to provide every step required as part of the setup process for this solution.

03.

Ongoing Administrative Duties

Minimum HR Compliance

Ensure compliance with the applicable Collective Agreement (“Convention Collective”), apply for health & life insurance (“Mutuelle” & “Prevoyance”), set-up occupational medicine & risk prevention plans and define policies & procedures, among other things).

Local Payroll Processing & Payment

Standard payroll processing and reporting is required for any employees that you manage in France and must be in line with French payroll legislation.

Local Accounting & Tax

You must follow local bookkeeping & tax return obligations such as the Corporate Income Tax, withholdings and payment on account, quarterly & annual form lodgements as well as annual accounts, among other things.

Contributions to Social Security

An employer’s contribution and a contribution on behalf of the employee is required by law.

So...

What's next for your business?

France is an exceptional place in which to do business. With a strong economy, foreign investment incentives, a highly educated workforce, as well as a booming innovation & start-up ecosystem, France remains an attractive market for foreign business expansion.

Furthermore, France's strategic geographical location and high-quality transport infrastructure also allow businesses easy access to many geographical regions, including Europe, the Middle East and Africa.

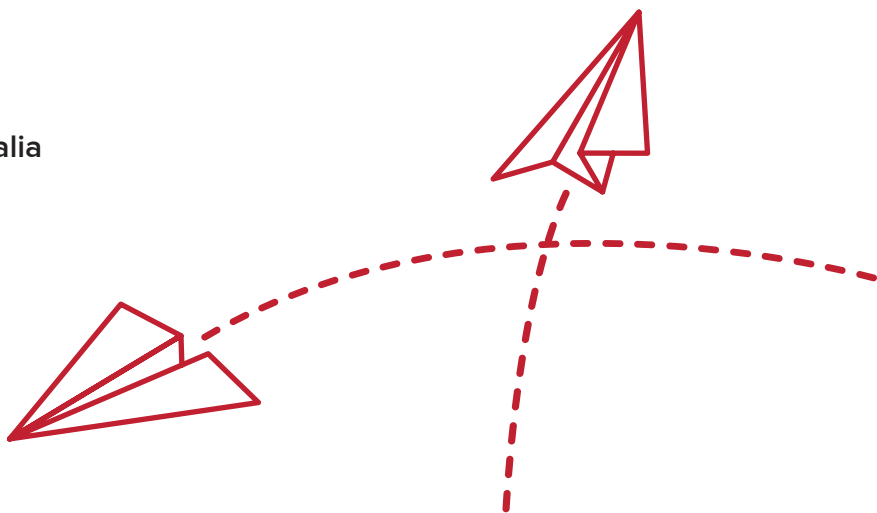
All of these factors combined have contributed to France topping the rankings for the most attractive country in Europe for foreign investors, beating the UK (especially since Brexit).

Why wait to expand your business to France?

Also in this series...

How to Expand Your Business to Australia

How to Expand Your Business to Spain



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