

Further analysis has to be provided taking into account specific issue and information about foreign investors and services provided in France.



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is your best advisor.

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INFORMATION FOR PERMANENT  
ESTABLISHMENTS  
*(Non exhaustive list)*



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## MAIN DIFFERENCES BETWEEN A BRANCH AND A SUBSIDIARY

- ◆ A subsidiary company is a French legal entity, which might be in some circumstances more comfortable for French clients.
- ◆ A subsidiary company is not always audited. The simplest company you can have is an EURL (Limited Liability Company with only one shareholder who can be a US company). The financial responsibility of the shareholder is limited to the share-capital (Except some specific circumstances). On the contrary, in case of a Branch, the foreign company's financial responsibility is unlimited as well as the personal responsibility of the CEO.
- ◆ Any profit incurred in the Branch will be considered as distributed. Consequently, any related tax (regarding dividend paid to foreign companies), if any, will have to be paid each year. On the contrary, any profit in a subsidiary is distributed only if the shareholder decides so.
- ◆ Regarding a small company (i.e. EURL), no audit is required before getting 2 out of 3 legal limits during 2 financial years.
- ◆ A French company will have to prepare yearly financial statements (not required for a Branch) and organised yearly shareholder's meeting (not required for a Branch).

- ◆ Subsidiary and Branch are liable to almost same taxes (VAT, intrastate, corporate tax, business licence tax, training tax, etc...)
- ◆ Revenue recognition issue (transfer of profit) is the same for Branch and a subsidiary company.
- ◆ However, a Branch can not invoice services to itself (meaning the foreign country), but Revenu could be recognised as if it was producing services for a third party.

### DOCUMENTS REQUIRED TO COMPLY WITH THE RULES OF THE FRENCH TAX AUTHORITIES

- ◆ A general ledger and monthly journals maintained in French language and in Euros and according to the French chart of accounts which gather the accounting entries. The monthly journals should show a total amount of the entries.
- ◆ The sub-ledgers CAP and AR should include every entry related to debtors and creditors (Invoices and payments) and not only the outstanding entries.
- ◆ A description of the accounting procedures when it is necessary to clarify the specific entries.
- ◆ Reliable accounting books: The entries must be recorded chronologically and cannot be amended afterwards.

### SUPPORTING DOCUMENTATION

- ◆ The accounting records must be maintained according to the French accounting principles.
- ◆ All accounting entries should detail the origin, the content and the impact of each data and the reference of the supporting documentation.
- ◆ All accounting books and supporting documentation must be kept during 10 years.

### SETTING-UP AND CONTROL OF THE ACCOUNTING SYSTEM

- ◆ The total documentation relating to the software and computer organisation should be available in France in case of a tax audit (documentation, programs and processes).
- ◆ The information must be kept as computerised data for at least 4 years on their initial medium (disk, tape, etc...).