

When you set up a business, you have to choose what kind of company to create.

There are several considerations to take into account:

- Initial sharecapital, the number of shareholders,
- Whether there are any partners,
- The responsibilities of the management,
- The tax regime for the management, etc.

Our chart sets out a few criteria and specific constraints for each type of company that have to be adapted in accordance.



**Your Accountant
is your best consultant.**

Don't hesitate to get in contact!



26, 28 rue Marius AUFAN
92300 LEVALLOIS
+33 (0) 1 41 49 06 66
www.afigec.com



**WHAT KIND OF COMPANY
FOR YOUR BUSINESS?**



MAIN FORMS OF COMPANY/BUSINESS

Individual business

Set up and launched individually, without a company structure. Earnings from the business are liable to income tax ("IR").

Partnership – SNC (Société en Nom Collectif)

Partners are physical individuals or corporate entities. The profits from a SNC are liable to the tax regime of each partner unless it opts for corporation income tax ("IS").

Limited Liability Company – SARL (Société à Responsabilité Limitée) and EURL (Entreprise Unipersonnelle à Responsabilité Limitée)

- Partners are individuals or corporate entities.
- These two kinds of company have similar requirements in term of reports and formalities.
- A EURL is a SARL but has only one partner.
- A SARL is always liable to corporate income tax unless it is a family SARL opting for personal income tax.
- A EURL is liable to income tax if the partner is a physical person but can opt for corporation income tax.

Joint stock company – SA (Société Anonyme)

- Partners are physical individuals or corporate entities.
- A SA is liable to corporate income tax.

Simplified joint stock company – SAS (Société de capitaux par Actions Simplifiées)

- This is a hybrid form of company marrying the features of a SARL and a SA.
- A SAS is liable to corporate income tax.

MAIN ADVANTAGES

- No share capital contribution
- Administrative, legal, accounting and tax formalities are reduced

- No minimum share capital contribution
- Flexibility for financing

- Suitable for both small and medium businesses
- No minimum capital required
- Limited liability
- The SARL is the most widespread legal form in France
- Simplified legal formalities
- Low social security costs for (majority-owning) the Manager
- It can have a single partner and is then called a EURL

- Limited liability for shareholders
- Suitable for large companies with prospects for substantial growth
- Can raise funds from the public
- Obligatory audit which is a guarantee for commercial partners and shareholders

- Limited liability
- The capital can be held by one or more shareholders
- Flexibility for the management, voting rights, distributions, and to attract shareholders (variable capital)
- From 1 January 2009, no minimum capital required (previously minimum capital of €37,000)

MAIN DISADVANTAGES

- Financial liability is not limited
- Minimum social protection and pension obligation

- Unlimited financial, civil, criminal liability for partners
- Important decisions are taken at an AGM, normally unanimously

- Not flexible for future development as impossible to raise funds from the public
- Business relations can be more difficult with companies of a national or international scale
- Banks and suppliers may not appreciate the low share capital contribution
- No systematic obligation for an audit (depends on certain thresholds)
- A corporate entity can only be associated with one EURL

- Minimum capital requirement of €37,000
- At least 7 shareholders
- Accounting, reporting and auditing formalities

- Cannot raise capital from the public
- Accounting and reporting formalities
- No systematic obligation for an audit (depends on certain thresholds)