

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.**

## MAIN FORMS OF COMPANY/BUSINESS

■ Main advantages

▶ Main disadvantages

### Individual business

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

- No share capital contribution
- Administrative, legal, accounting and tax formalities are reduced
- ▶ Financial liability is not limited
- ▶ Minimum social protection and pension obligation

### 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").

- No minimum share capital contribution
- Flexibility for financing
- ▶ Unlimited financial, civil, criminal liability for partners
- ▶ Important decisions are taken at an AGM, normally unanimously

### 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.

- 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

- ▶ 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

## Joint stock company – SA (Société Anonyme)

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

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

## 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.

- 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)
  - ▶ Cannot raise capital from the public
  - ▶ Accounting and reporting formalities

No systematic obligation for an audit (depends on certain thresholds)



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