

Gifts purchased by a company, whether for third parties or for employees, are subject to certain fiscal and social rules and regulations, as well as limits governing the deductibility of these expenses from the companies income.



Corporate gifts made to clients and/or associates

Deduction of gift expenses from taxable profits

Expenses related to gifts are considered deductible business expenses, as long as they comply with normal management practices: they must be incurred in the interest of the company and their value must be reasonable.

Note: the assessment of the « reasonable » character of the gifts by the fiscal administration is done on a case by case basis, depending on the nature of the business, its sector of activity, its size, turnover generated with the third party, etc.

In the case of gifts that would not qualify as deductible expenses, and which are paid for directly by the company's directors, who later ask to be reimbursed, the French tax administration considers these expenses as additional, taxable, compensation for the directors concerned (IRPP). In any other case, the expense is not considered deductible.

During a tax audit, it is necessary to produce not only a receipt for the gift, but also the name of the beneficiary of the gift.

Reporting obligations

The declaration no. 2067 « Relevé des Frais Généraux » must be completed if the total value of the gifts exceeds 3000 € per annum.

Gifts whose value is inferior to 60 € (VAT included), and which are part of a marketing exercise, are not included when calculating the total value of gifts to declare on the "Relevé des Frais Généraux".

Consequences on the deduction of VAT

VAT on purchases of gifts for clients, suppliers or other third parties, is not normally recoverable.

However, if the total value of the gifts does not exceed 60 € (VAT inclusive) per person per year, and if the gifts qualify as deductible expenses, then VAT is recoverable. Furthermore, if the distribution of gifts is resumed during the same financial year, the total value of the gifts given to each beneficiary must not exceed 60 € (VAT inclusive), otherwise VAT is irrecoverable.

Gifts and vouchers intended for employees

Exemption from social charges

Vouchers and gift certificates are exempt from payroll taxes as long as their value does not exceed 5% of the monthly Social Security ceiling, per employee, per year (147,30 € in 2011).

This principle applies to benefits provided by the works council (Comité d'Entreprise), as well as vouchers and gifts offered by the CEO, if there is no works council.

Even if their cumulative value exceeds 5% of the monthly Social Security ceiling, the vouchers and gifts may still be exempt from payroll tax if they meet all of the following criteria:

- They are given to all the employees (appraisal by socio-professional group);
- They are linked to a specific event. The list of applicable events is as follows: Christmas, Mother's Day, Father's Day, St. Catherine's Day, St. Nicolas' Day, marriages, births, going back to school ("rentrée scolaire") and retirement;
- Their value must not be excessive : no more than 5% of the monthly Social Security ceiling per event, per calendar year, or per beneficiary;
- The voucher must allow the purchase of an asset. It must allude to the type of asset to be purchased, the store department(s) in which the asset can be found, or the store(s) in which it can be purchased.

Example: An employee received two vouchers in 2011, worth 100 € each, the first when he moved house and the second for Christmas. The total value (200 €) exceeds the limit of 147,30 €. If we consider each voucher separately, the voucher given for Christmas is exempt from payroll tax, while the other is considered a benefit-in-kind because moving house does not figure on the list of admissible events.

Note: If the vouchers can only be redeemed when buying books, CDs, or other cultural assets, then they will be exempt from social security contributions, from CSG and from CRDS. However, the prerequisites defined by the work council, relating to the distribution of the vouchers, must still be respected.

Taxes on profits and income

As long as the 5% ceiling is respected, the benefit received by the employee is not subject to income tax, and the expense is deductible from the company's corporation tax.

Otherwise, the gift is considered a benefit-in-kind for the employee, and will therefore be subject to payroll tax and income tax.

VAT

VAT is deductible as long as the value of the gift does not exceed 60 € (VAT included), per employee, per year.

**Your Chartered Accountant is your best consultant.
Don't hesitate to contact us!**

This information is only a rough summary. It does not cover all the situations nor resume the whole French Employment Code - which is very intricate. Please contact us for accurate information adapted to your situation. We cannot be held responsible for any misinterpretation of this document. Edition Nov-11