



## A New Tax

The calculation of the French business licence tax in France changed on January 1<sup>st</sup> 2010. Moreover, its name changed from “Taxe professionnelle” to “Contribution Economique Territoriale” (CET).

As previously, this tax applies to branches and subsidiaries established in France.

The “Contribution Economique Territoriale” (CET) is composed of two separate taxes:

- The “Contribution Foncière des Entreprises” (CFE)
- The “Contribution sur la Valeur Ajoutée des Entreprises” (CVAE)

In other words, **CET = CFE + CVAE**.

As a reminder, the former “taxe professionnelle” was a single tax but also composed of two parts:

- one based on the value of the office premises owned or leased
- one based on the value of the company fixed assets

## The CFE

The CFE corresponds to the part of the former “taxe professionnelle” assessed on the value of office premises.

### Base of taxation

The CFE is a tax based on the value of owned or leased office premises. It is calculated by multiplying the cadastral value of the premises by a certain coefficient, designated by the local authorities and updated every year.

The CFE is calculated per calendar year and per establishment: if a company has one office in Paris and one office in Nice, it will have to pay two CFE.

Moreover, each municipal council sets the minimum contribution payable by the companies in their jurisdiction, which can vary between €200 and €2,000. This minimum contribution will apply notably to companies who have only a virtual office in France.

### Reporting obligations

The calculation is not done by the tax payer, but by the tax administration, who sends a payment notice by the 15<sup>th</sup> June (if an instalment is due) and by 15<sup>th</sup> December.

The tax payer has to declare the characteristics of his office premises, when he sets up a new office or when the characteristics (surface, etc.) of this office change. The form #1447 has then to be filed by 31<sup>st</sup> December to declare the new situation.

### Payments

If the CFE of the previous year amounted to €3,000 or more, an instalment, equal to half the CFE paid the previous year, is due by 15<sup>th</sup> June.

The balance of the CFE is due by 15<sup>th</sup> December of the same year.

#### Example:

If 2010 CFE = €5,000, payment by 15<sup>th</sup> June 2012 = €2,500.

And if 2012 CFE = €5,500, payment by 15<sup>th</sup> December 2012 = 5,500 - 2,500 = €3,000

## The CVAE

The CVAE is a tax based on the company value added, whereas the former “taxe professionnelle” was based on the value of the fixed assets owned by the company. It is therefore a new approach for the calculation of the business licence tax.

### Base of taxation

The taxation base (i.e. the value added) is roughly equivalent to Revenue less Outside Purchases (of materials and services).

The value added is capped at:

- 80% of the turnover for companies whose turnover does not exceed €7,600,000
- 85% of the turnover for companies whose turnover exceeds €7,600,000

The CVAE of a year Y is based on the financial statements for fiscal year Y: this implies that the total amount of CVAE to be paid cannot be known before year-end.

### Reporting obligation

Every company whose turnover exceeds €152,000 has to declare the value added created during the fiscal year. The form #1330 should be e-filed with the corporate tax return as per the usual year-end closing schedule.

### Calculation of tax

The CVAE is theoretically equal to 1.5% of the value added.

However, for companies whose turnover is below 50 million Euros, the tax rate is adjusted according to the level of the company turnover.



Turnover	Effective rate
< € 500,000	0%
€ 500,000 ≤ turnover ≤ € 3,000,000	$[0,5\% \times (\text{turnover} - € 500,000)] / € 2,500,000$
€ 3,00,000 < turnover ≤ € 10,000,000	$[0,9\% \times (\text{turnover} - € 3,000,000) / € 7,000,000] + 0.5\%$
€ 10,00,000 < turnover ≤ € 50,000,000	$[0,1\% \times (\text{turnover} - € 10,000,000) / € 40,000,000] + 1.4\%$
> € 50,000,000	1.5%

If the company turnover is below € 500,000, the CVAE is not due.

If the company turnover is over € 500,000, a minimum tax of €250 is due.

### Payments

If the CVAE of the previous year was higher than €3,000, two instalments have to be paid by 15<sup>th</sup> June and 15<sup>th</sup> September. Each instalment is equal to half the previous CVAE known.

The balance of the CVAE of year Y has to be paid by the 31<sup>st</sup> May of the following year (Y+1).

Each payment has to be accompanied by a form #1329, and should be paid by direct debit to the French tax administration.

### Example:

Payment by 15<sup>th</sup> June 2012: €2,000  
 Payment by 15<sup>th</sup> September 2012: €2,000  
 If 2012 CVAE amounts to €6,500, payment by 31<sup>st</sup> May 2013: €2,500.

## The CET

As already indicated, the CET is composed of the CFE and the CVAE.

This global amount is capped and subject to a transition tax relief.

### A capped global amount

The CET is capped at 3% of the value added created by the company. If the CET remitted to the tax authorities exceeds the 3% threshold, the company may make a claim for tax reimbursement before the 31<sup>st</sup> December of the following year.

### A transition tax reduction

The French government has set up a temporary tax relief system in order to minimise the initial financial impact of the transition from the "Taxe professionnelle" to the CET. The base amount of tax relief is equal to the difference between:

- The CET paid during the year Y
- The amount that would have been paid during the year Y if the "Taxe professionnelle" was still in effect, increased by 10%

However, the base amount of tax relief is reduced each year, according to the following declining scale:

- 2010: 100% of the base amount of tax relief will be reimbursed
- 2011: 75% of the base amount of tax relief will be reimbursed
- 2012: 50% of the base amount of tax relief will be reimbursed
- 2013: 25% of the base amount of tax relief will be reimbursed

The tax relief is not reimbursed if it is below €500.

This temporary tax relief will stop in FY2014.

## SUMMARY

With the CET, the French government assesses the business licence tax on the basis of the company's revenues, instead of their investments, in order to encourage investment in France.

$$\text{CET} = \text{CFE} + \text{CVAE}$$

	<b>CFE</b>	<b>CVAE</b>
<b>Taxation base</b>	value of office premises	value added created by the company
<b>Declaration</b>	only in case of new office set-up or change in office characteristics by 31st December	form #1330 to be filed each year with corporate tax return by 15th May (roughly)
<b>Payments</b>	15th June Y (instalment if applicable) 15th December Y (balance)	15th June Y (instalment if applicable) 15th September Y (instalment if applicable) 31st May Y+1 (balance)

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