



WHAT KIND OF COMPANY BEST SUITS YOUR BUSINESS?

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 share capital, the number of shareholders,
- Whether there are any partners,
- The responsibilities of the management,
- The tax regime of the management, etc.

Our chart sets out a few criteria for each type of company so that you may choose the type that best corresponds to your particular constraints.

MAIN FORMS OF COMPANY/BUSINESS IN FRANCE

Sole trader

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

Main Advantages

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

Main Disadvantages

- 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").

Main Advantages

- No minimum share capital contribution
- Flexibility for financing

Main Disadvantages

- 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.

Main Advantages

- 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

Main Disadvantages

- 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
- A corporate entity can only be associated with one EURL
- No obligation for statutory audit except if the company exceeds two of the following three thresholds at the end of a financial year: Assets > 1 550 K€ ; Turnover > 3 100 K€ ; Staff > 50 employees.

Joint stock company – SA (Société Anonyme)

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

Main Advantages

- 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

Main Disadvantages

- Minimum capital requirement of €37,000
- At least 2 shareholders for non-listed SA
- Accounting, reporting and auditing formalities
- Systematic obligation for statutory audit

Simplified joint stock company – SAS (Société 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

- 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

- Cannot raise capital from the public
- Accounting and reporting formalities
- No systematic obligation for an audit unless:
 - the company controls or is controlled by another company
 - or the company exceeds two of the following three thresholds at the end of a financial year: Assets > 1 550 K€ ; Turnover > 3 100 K€ ; Staff > 50 employees.