What kind of firm for your business in France?

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

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 for the management, etc.

- **Main advantages**
- **Main disadvantages**

MAIN FORMS OF COMPANY/BUSINESS

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

Partners are individuals or corporate entities. The firm may have only one partner, it is then called a “EURL”

A “SARL” usually:

- Is suitable for both small and medium businesses
- No minimum capital required
- Limited liability
- The “SARL” is the most widespread legal form of company in France
- Simplified legal formalities
- Lower social security costs for (majority-owning) the Manager
- It can have a single partner and is then called an “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)
- The shareholder of an “EURL” cannot be another “EURL”

An “EURL” is liable to personal income tax if the partner is an individual person but can opt for corporate income tax.

A “SARL” is always liable to corporate income tax unless it is a family “SARL” opting for personal income tax or within the first 5 years after the set-up of the firm, if they opt for it.

An “EURL” is liable to corporation income tax if the partner is a legal entity.

Public company – SA (Société Anonyme)

Shareholders are individuals or corporate entities.

A SA is liable to corporate income tax apart from an option made within the first 5 years after the set-up of the firm : Limited liability for shareholders

- Suitable for large companies with prospects for substantial growth
- Can raise funds from the public
- Statutory audit which is a guarantee for commercial partners and shareholders
- Minimum capital requirement of €37,000
- At least 7 shareholders
- Accounting, reporting and auditing obligations

What kind of company for your business in France?

Simplified public company – SAS (Sociétés de capitaux par Actions Simplifiée or SAS)

- This is a hybrid form of company mixing the features of a SARL and a SA. A SAS is liable to corporate income tax apart from an option made within the first 5 years after the set-up of the firm:Limited liability
- The capital can be held by one or more shareholders
- Flexibility for the management, voting rights, distributions.
- No minimum contribution for an unpaid foreign manager.
- Since 1 January 2009, no minimum capital required (previously minimum capital of €37,000)
- Compulsory audit if the company is over a certain threshold (legal auditors) or if it is held by other companies (to be checked with your Chartered Accountant).
- No systematic audit is required (depends on certain thresholds)
- Cannot raise funds from the public
- Accounting and reporting formalities

Sole proprietorship (excluding « autoentrepreneurs »)

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

- No share capital contribution
- Administrative, legal, accounting and tax formalities are reduced
- Financial liability is not limited
- Social protection and pension rights

Sole Proprietorship with Limited Liability

This is a new form since 1st January 2011 (only for sole owner): in this structure, the liability is limited to the asset which is allocated to the professional practice with an option to be liable to corporation income tax.

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
- Joint and unlimited liability (financial, civil, penal) for partners
- Important decisions are taken at an AGM, normally unanimously

Your best adviser is your accountant!
Do not hesitate to contact him!

Contact details of the firm