



ATLAS
BY BNP PARIBAS

CASH MANAGEMENT

www.cashmanagement.bnpparibas.com/cg



BNP PARIBAS

The bank
for a changing
world

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Make sure to always check the latest updates on the [Atlas website](#)

France is a major medium-sized economy, the seventh largest economy in the world (2019) in nominal GDP USD terms. On a PPP (purchasing power parity) per capita basis, it ranks 25th. France is the second largest country in the Eurozone, representing about 20% of the region's GDP. France's economy is strongly focused on tertiary industry, with services representing 79% of total gross value added while the share of secondary industry is only 13%. Agriculture counts for slightly less than 2% and the construction sector for 6%. For comparison purposes, these figures for the EU-27 as a whole are 73%, 20%, 1.8% and 5% respectively.

As a result of this economic structure, and also because of the scale of its welfare state, France is not a highly cyclical economy: it suffers from less severe recessions than elsewhere and the recoveries are also less vigorous. However, the shock of the Covid-19 pandemic has shaken up this pattern because of its severe impact precisely on the French economy sectoral specificities. The large share of the market services sector, which usually acts as a buffer, was a strong negative this time. The tourism and aerospace industries, accommodation and food activities, and arts, entertainment and recreation sectors were all heavily impacted and will be long to get back to their normal levels of activity. Combined with the stringency of the lockdown, this explains why the recessionary shock was massive in France. French GDP plunged by 8% 2020 in annual average terms, in the top four of the most severely hit Eurozone countries (with Spain, Italy, and Malta). The French government launched a huge emergency package in the spring (amounting to about EUR 500 bn) followed by an also huge recovery plan in the fall (EUR 100 bn over 2021-2022). They proved effective to buffer the shock and enhance the ensuing recovery, as evidenced in particular by the much more limited fall in employment (-0,9% in 2020). In 2021, French GDP is expected to jump by around 6% and return to its pre-crisis Q4 2019 level by the end of the year, a strong performance.

On the structural challenges front (such as lack of competitiveness, large-scale unemployment and deep fiscal imbalances), a number of reforms have been launched since 2007 to try and boost the supply side in order to revive the economy. This strategy has been reinforced since 2012 with a series of corporate tax and employer contribution cuts, coupled with various efforts to introduce more competition in the goods and services market, add flexibility in the labour market, support innovation, increase financing to SMEs and build a more business-friendly environment. These reforms are being continued and somewhat amplified since President Macron's appointment in 2017. In the 2020 recovery plan, the long-term goal is to "build today the France of 2030" by supporting the ecological transition, competitiveness and innovation, and social and territorial cohesion. The Government is also preparing a new investment plan to be presented in October 2021. It shares with France Relance the aim of preparing France for 2030 but follows up on the broader and more heteroclite measures of France Relance with more targeted measures in favour of the strategic industrial sectors of the future.

Once the Covid-19 shock is behind us, these reforms should help raise French potential growth by a few-tenths from its 2019 estimate of 1.1%. France must also capitalise on its numerous resources to facilitate growth e.g. its geography, demographics, infrastructure, diversified economy, deep and liquid capital and credit markets, abundant private savings, energy, culture, creativity, attractiveness, skills, know-how, and world leading companies.

Summary

BNP Paribas presence

BNP Paribas is well-established as the market-leading bank in France, providing comprehensive services to both retail and institutional clients of all sizes, including cash management, international trade services, and support for e-commerce. A strong network of 38 business centres across France is complemented by 1,899 branches. In addition, 28 trade centres, 6 regional dealing centres and a central dealing room for large customers provides a unique degree of local contact. Competence centres in cash management and trade provide specific expertise, advisory services and solution design and delivery. Further capabilities include:

- Extensive card acquiring solutions, including e-commerce, NFC contactless, mobile POS, Lyf pay and Payllb mobile wallets, Dynamic Currency Change, cross border card acquiring with European reach (12 countries)
- Innovative collection solutions: Marketplace /Collection on Behalf, Virtual Accounts, Alipay Wechat pay wallets, PSD2 payment initiation, SDD electronic mandates
- Comprehensive payment solutions methods, live experimentation of SWIFT gpi initiative, international payments via blockchain technology, leading instant payments initiative
- Full connectivity offer: SWIFTnet, Ebics, FTPS, Connexis, local web solutions Netcash and MaBanque Entreprises, secured flows
- SCT Instant payments domestic and cross border (via API!) from France. Note: reachability of the beneficiary is still a key factor.

Currency

Currency

France uses the euro (EUR).

Exchange rates

	2015	2016	2017	2018	2019	2020
Exchange rate: EUR per USD	0.9017	0.9040	0.8873	0.847	0.893	0.88

Source: IMF, International Financial Statistics, June 2021.

Central Bank

- The French central bank is the Banque de France (www.banque-france.fr).
- The Banque de France is a member of the European System of Central Banks (ESCB) and operates certain activities, such as issuing currency, under the authority of the European Central Bank (ECB – www.ecb.europa.eu).

Bank Supervision

- In November 2014, the ECB, via the Single Supervisory Mechanism (SSM), assumed responsibility for supervising the financial stability of banks operating within the euro zone. However, while the ECB has final supervisory authority over all banks operating within the euro zone, it will only directly supervise those banks classified as ‘significant’ under the terms of the SSM (115 significant banking groups have been recognized to date). ‘Less significant’ banks will continue to be supervised by the national supervisory authority, i.e. the ACPR.
- French banks and other credit institutions are also supervised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR – acpr.banque-france.fr).
- The Ministry of Economy and Finance (www.economie.gouv.fr) is responsible for the regulatory regime for banks and insurance companies.
- The Comité Consultatif du Secteur Financier (CCSF) supervises relationships between credit institutions and users (CCSF – www.ccsfin.fr).
- New regulations must first be scrutinised by the Comité Consultatif de la Législation et de la Réglementation Financières (CCLRF – www.tresor.economie.gouv.fr/CCLRF).

Bank accounts

Resident / non-resident status

- There is no statutory definition of company residence in French law; a company is generally considered resident in France if its place of effective management is located in France.

Bank accounts for resident entities

	Within FRANCE	Outside FRANCE
Local Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.
Foreign Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.

Bank accounts for non-resident entities

	Within FRANCE	Outside FRANCE
Local Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.
Foreign Currency	Permitted without restriction, fully convertible.	<ul style="list-style-type: none"> • Not applicable

Lifting fees

- Lifting fees are rarely applied on payments between resident and non-resident bank accounts.
- Item-based charges and/or subscription fees are applied on payments between resident and non-resident bank accounts.

BNP Paribas Cash Management Capabilities

Collections

Cash collections	✓
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Cheque collections	✓
Direct debit collections	✓
Domestic incoming transfers	✓
Virtual IBAN	✓
Virtual accounts	●
International incoming transfers	✓
Card acquiring	✓

Payments

Cash withdrawals	✓
Cheque payments	✓
Direct debit payments	✓
Domestic outgoing transfers	✓
Commercial cards	●
Virtual cards	✓
International outgoing transfers	✓
SWIFT gpi	✓
Real-time international payments through BNP Paribas' network	●
Card issuing	✓

Channels

Local e-Banking	✓
Global e-Banking - Connexis	✓
SWIFT/ host to host	✓

Payments & collections

Market overview

Electronic credit transfers are the payment instrument most commonly used by companies to make supplier, payroll and tax payments. Cheques remain popular among consumers and small businesses, although their use is declining rapidly. Direct debits are used by companies to collect regular payments. Card payments, predominantly via debit card, account for over 50% of all cashless payments by volume. Mobile payment schemes such as YouPass, Lydia, Lyf Pay and Apple Pay, are available.

Promoting a cashless society is the cornerstone of the central bank's National Retail Payments Strategy (2019-2024). The strategy includes incorporating contactless functionality into every payment terminal and strengthening the security of, and confidence in, electronic payments.

Electronic banking services are available from all banks. Domestic companies primarily use SEPA-compliant EBICS protocols. Multinational companies also use the SWIFT for Corporates messaging standards. Transaction and balance reporting, automated end-of-day sweeping, and some transaction initiation services are available on a domestic and cross-border basis.

Online and mobile banking services are provided by all of the country's banks. The YouPass mobile payment app enables customers to effect contactless payments by holding mobiles over POS terminals. Transactions are secured by the consumer's existing bank.

Payment Systems

TARGET2 - BANQUE DE FRANCE	Type	<ul style="list-style-type: none"> • Real-time gross settlement. • French component of the pan-European TARGET2 system.
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	Participants	<ul style="list-style-type: none"> • 135 direct, 165 indirect.
	Transaction types processed	<ul style="list-style-type: none"> • High-value and urgent EUR-denominated domestic and cross-border credit transfers. • Net obligations from CORE.
	Operating hours	<ul style="list-style-type: none"> • 06:45-18:30 CET, Monday to Friday.
	Clearing cycle details(e.g. cut-off times)	<ul style="list-style-type: none"> • Payments cleared and settled in real time. • Interbank payment cut-off time = 18:00 CET.
	System holidays	<ul style="list-style-type: none"> • TARGET2 is closed weekends and 1 January, Good Friday, Easter Monday, 1 May, 25, 26 December.
CORE	Type	<ul style="list-style-type: none"> • Multilateral deferred net settlement system.
	PARTICIPANTS	<ul style="list-style-type: none"> • 10 direct, 154 indirect.
	TRANSACTION TYPES PROCESSED	<ul style="list-style-type: none"> • Domestic and cross-border payments. • SEPA payments (credit transfers and direct debits). • Paper-based payments (cheques, bills of exchange) which must be truncated into electronic items before processing. • Payment card transactions.
	OPERATING HOURS	<ul style="list-style-type: none"> • 24 hours a day, Monday to Friday. • CORE closes at 14:00 CET, Saturday.
	CLEARING CYCLE DETAILS (eg cut-off times)	<ul style="list-style-type: none"> • CORE operates a number of clearing cycles for different payment types. • Credit transfers, direct debits, card payments and ATM withdrawals are settled on a same-day basis. Cut-off time = 13:30 CET • Cheques are settled on a next-day basis. Cut-off time = 18:30 CET. • Electronic bills of exchange and promissory notes (LCRs and BORs) are settled on a five-day cycle. Cut-off time = 18:30 CET.
	SYSTEM HOLIDAYS	<ul style="list-style-type: none"> • CORE is closed on all French bank holidays. • French bank holidays are: • 2nd half 2021: 14 July, 15 August, 1, 11 November, 25, 26 December. • 2022: 1 January, 15, 18 April, 1, 8, 26 May, 6 June, 14 July, 15 August, 1, 11 November, 25, 26 December.

Credit transfers

- Credit transfers are used by companies to pay salaries and suppliers, to make tax payments via the *transfert de données fiscales et comptables* procedure) and for treasury payments.
- SEPA credit transfers can be settled via CORE, STEP2 or via correspondent banking networks. STET has plans to migrate SEPA credit transfers (SCTs) from CORE to SEPA.EU. Unlike the current system used by CORE, in SEPA.EU the cycle concept will be replaced by continuous settlement with a prefunding model.
- Approximately 268 banks in France participate in the SEPA credit transfer scheme.
- High-value and urgent domestic and cross-border (within the euro zone) credit transfers can be settled in real time via TARGET2-Banque de France.
- High-value and urgent cross-border credit transfers can also be settled with end-of-day value via the Euro Banking Association's EURO1 system. Fourteen banks in France participate directly in EURO1.
- Cross-border transfers can be made via SWIFT and settled through correspondent banks abroad.
- The European Payment Council's SCT Inst scheme (a pan-European 24/7 instant payment scheme for SEPA credit transfers) enables the transfer of funds (the maximum threshold value is EUR 100,000) to another account in less than ten seconds. There are 126 participants of the SCT Inst scheme in France.
- The SEPA.EU platform hosts STET's Instant Payments CSM, which launched alongside the launch of the EPC's SCT Inst scheme.
- EBA Clearing and Italy's SIA Group have developed and implemented a pan-European platform for instant EUR payments called RT1. It is fully compliant with the SCT Insts scheme and is in line with the ISO 20022 global messaging standards for instant payments.
- TIPS is a pan-European service for the settlement of instant payments in central bank money. The service enables payment service providers and ACHs with access to TARGET2 to offer fund transfers 24/7, 365 days a year. TIPS is aligned with SCT Insts. It is primarily focused on EUR payments but is technically capable of settling payments denominated in other currencies.

Direct debits

- Direct debits are used for regular payments, such as utility bills.
- SEPA direct debits can be settled on a same-day basis via CORE or STEP2.

Cheques

- The cheque as a cashless payment instrument is in decline. In 2019, cheque volume and value fell 9.2% and 8.6% respectively to 1,586 million, with a value of EUR 814.52 billion.
- Cheques are truncated into electronic items before being settled on a next-day basis via CORE.

- A small number of cheques cannot be truncated. These, and cheques with a value greater than EUR 5,000, are physically exchanged within four days of presentation.
- Cheques are valid for just six months.
- Negotiable, transferable bills of exchange are also available in France. These are truncated into electronic items before being settled on a five-day cycle via CORE. There are two forms which remain out of the scope of SEPA:
 - The *lettre de change relevé* (LCR): an electronic trade bill, which is usually discounted to finance trade.
 - The *billet à ordre* (BOR): a promissory note.

Card payments

- Card payments, particularly debit cards, are increasingly popular, especially for retail transactions.
- In 2019, debit card payments increased 9.1% and 6.4% respectively in volume and value terms, to 12,561 million, with a value of EUR 521.7 billion. Credit card volume and value increased 15.6% and 10% respectively to 2,047 million transactions, with a value of EUR 87 billion.
- Groupe de Cartes Bancaires (GCB) is France's national payment card operator. It has 120 member institutions.
- There were 69.1 million debit cards and 15.4 million credit cards in circulation at the end of 2019.
- Most cards issued in France are co-branded with GCB and either MasterCard or Visa.
- American Express and Diners Club credit cards are also available.
- There are also two domestic credit card issuers: Cofinoga and Cetelem.
- Domestic card payments are processed by CORE.
- Contactless card technology is available in France.
- All cards issued are SEPA-compliant with EMV chips.

ATM/POS

- There were 52,969 ATMs in France at the end of 2019.
- There were 2.09 million POS terminals in France at the end of 2019.
- All payments are settled via CORE.
- All ATMs and POS terminals are EMV-compliant.

Electronic wallet

- Electronic wallet schemes are available via reloadable pre-paid cards.

- Mobile payment schemes such as YouPass, Lydia, Lyf Pay, Samsung Pay and Apple Pay are available and increasingly popular.
- In 2020 Societe Generale partnered with Apple Pay to launch an instant digital card. This 'virtual' payment card can be issued on a permanent or temporary basis.
- E-money payments are settled via CORE.

Short term investments

Market overview

Interest payable on credit balances

- Interest-bearing current accounts are available.

Demand deposits

- Demand deposits are available in EUR or major foreign currencies.

Time deposits

- Time deposits are available in EUR or major foreign currencies for terms ranging from one week to one year.

Certificates of deposit (CD)

- Domestic banks issue certificates of deposits (CDs) with terms ranging from overnight to 12 months. Terms of three and six months are most common.
- CDs can be issued paying fixed or variable interest.
- The minimum investment is EUR 150,000.

Treasury (government) bills

- The French sovereign debt management agency (Agence France Trésor) issues treasury bills (*bons du Trésor*).
- Short-term treasury bills are issued at a discount for terms up to one year. These are known as BTFs (*bons du Trésor à taux fixe*).

Commercial paper

- Domestic commercial paper is issued by companies and public authorities. Most paper (*billet de trésorerie* – BT) is issued for a month, although terms ranging from overnight to 12 months are permitted.
- Euro commercial paper (ECP) is issued by larger companies with a published credit rating. ECP can be issued in a range of currencies.

Money market funds

- Domestic money market funds (*organismes de placement collectif en valeurs mobilières* - OPCVMs) are popular short-term investment instruments.
- There are two main forms of OPCVMs:
 - SICAVs (*société d'investissement à capital variable*) are open-ended investment funds, required to publish their net asset value daily; and
 - Investors in FCPs (*fond commun de placement*) co-own assets bought by the fund, similar to a unit trust.
- OPCVMs are permitted to invest in many types of instrument, including money market instruments, bonds and equities.
- International money market funds are also available to French investors.

Repurchase agreements (repos)



- Repurchase agreements with maturities ranging from overnight to one week are commonly available in France. Longer terms are sometimes available.

Bankers' acceptances

- These are not used in France.

BNP Paribas Trade Finance Capabilities




Trade payments

Documentary credits	
Documentary collections	

Guarantees

Bank guarantees	
Standby letters of credit	

Supply chain management

Receivables	
Payables	
Inventory	

Trade channels

Connexis Trade	
Connexis Supply Chain	
SWIFTNet Trade for Corporates	
Connexis Connect	
Connexis Guarantee	
SWIFTnet Supply Chain	

- BNP Paribas is a key trade finance bank in France with 18 trade centres incorporating 50 senior trade managers and trade advisors to address the full range of clients' trade finance needs. A centralised competence centre supports the trade centre network providing a high level of expertise, innovative solutions and advisory services. In addition, the trade development team supports clients' international expansion ambitions by providing bespoke solutions such as tailor-made market studies, prospecting missions and research into potential partners, amongst others. Corporates benefit from high quality electronic trade finance solutions and ISO-certified documentary operations platforms.

International trade

General trade rules

- As a member of the EU, France follows the EU customs code and applies all associated regulations and commercial policies.
- Trade with countries in the European Economic Area (EEA) and Switzerland is exempt from tariffs and other controls.

Trade agreements

- The EU has trade agreements in place with over 30 countries.
- The EU is currently in free trade negotiations with a number of countries, including the Association of Southeast Asian Nations (ASEAN), Australia, Indonesia, Mercosur (the Southern Common Market), Uruguay, and the USA. The EU-UK Trade and Cooperation Agreement entered into force on 1 May 2021.

Imports / exports

Imports	Packaged medicines	Vehicles	Crude oil	Aircraft machinery	Refined oil		
Primary Import sources	Germany (18%)	Belgium (9%)	Italy (9%)	Spain (7%)	China (7%)	Netherlands (6%)	UK (5%)

Exports	Packaged medicines	Aircraft	Cars and vehicle parts	Gas turbines	Wine		
Export markets	Germany (14%)	USA (8%)	Italy (7%)	Spain (7%)	Belgium (7%)	UK (7%)	

Import / export volumes

		2016	2017	2018	2019	2020
Exports	- goods USD bn	521	560	616	597	501
	- services USD bn	259	272	303	294	246
Imports	- goods USD bn	557	610	674	650	572
	- services USD bn	237	249	273	270	231
Current account as % GDP		– 0.5	– 0.6	– 0.6	– 0.7	– 1.9

Source: IMF, International Financial Statistics, June 2021.

Trade finance - Imports

Documentation

- Documentation is not required for imports from within the EU, although a commercial invoice should be supplied.
- The following documentation is usually required in order to import goods into France from outside the EU:

- customs declaration
- commercial invoice
- bill of lading
- packing list
- certificate of origin (in certain cases).

Import licences

- Import licences are required for specific products and for items from certain countries.
- Import licences are required for items with quantitative restrictions from outside the EU and for items from within the EU that are deemed to be of national interest or of a strategic nature.
- Various imports from outside the EU require administrative visas from the relevant ministry or the customs authorities. These visas are required for imports from outside the European Coal and Steel Community (ECSC) which are listed in the ECSC Treaty.

Import taxes and tariffs

- Tariffs are set according to the EU customs code for all imports from outside the EU, with higher tariffs for agricultural imports.
- There are currently two free zones (the Free Zone of Verdon – Port de Bordeaux and the Free Zone of French Guyana) operating in France.

Financing requirements

- None

Risk mitigation

- None

Prohibited imports

- France prohibits the import of certain items in line with EU regulations and UN Security Council resolutions.

- Specific imports are prohibited in order to protect fauna and flora, for health and safety or moral reasons, and/or for national security.

Trade finance - Exports

Documentation

- Documentation is not required for exports from within the EU, although a commercial invoice should be supplied.
- The following documentation is usually required in order to export goods from France outside the EU:
 - customs declaration
 - commercial invoice
 - bill of lading
 - packing list
 - certificate of origin (in certain cases).

Export licences

- Licences are not required for most exports. In some instances, prohibited items can be exported under a special licence.

Export taxes and tariffs

- None

Financing requirements

- None

Risk mitigation

- France has implemented the EU directive on export credit insurance.
- Compagnie Française d'Assurance pour le Commerce Extérieur (Coface), France's national export credit agency, provides state-supported export credit insurance in conjunction with the Ministry of Economy and Finance.
- Export credit insurance is also available from private insurance companies.
- Coface finances exports from its own account and on the state's behalf. Export financing is also available privately from commercial banks.

Prohibited exports

- France prohibits the export of certain items in line with EU regulations and UN Security Council resolutions.

Regulatory requirements

Reporting regulations

- Transactions between resident accounts and accounts held by non-residents within SEPA do not need reporting.
- As of January 1, 2019, all transactions, including transactions between residents and non-residents from SEPA countries, above EUR 50,000 must be reported to the Banque de France on a monthly basis.
- The assets and liabilities of approximately 100 resident banks in relation to non-residents are reported on a quarterly basis.
- All other transactions between resident accounts and accounts held by non-residents must be reported on an annual basis.

Exchange controls

- France has been a member of the eurozone since 1 January 1999.
- Restrictions apply to investors from non-EU states establishing branches of an insurance company or agricultural business, or acquiring a vineyard.
- Investors from non-EU states cannot acquire control of French airlines or French flagged ships.

Resident / non-resident

- A company incorporated in France is deemed a tax resident. A foreign company is considered resident if it is managed and controlled in France.

Financial instruments

- None

Interest and financing costs

- None

Foreign exchange

- None

Advance tax ruling availability

- Rulings are becoming a regular practice. A special ruling procedure exists to confirm whether a foreign entity has a PE in France.

Capital gains tax

- Capital gains from the disposal of movable assets (e.g. securities, bonds) are subject to a 30% tax rate (i.e. 12.8% income tax and 17.2% social contribution). Capital gains from the disposal of immovable property are taxed a special flat rate of 19%, plus special social security surcharges..

Withholding tax (subject to tax treaties)

Payments to:	Interest	Dividends	Royalties	Other income
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Resident entities	None	None	None	None
Non-resident entities	None	0%/26.58%	0%/26.5%	0%/26.5%

- Withholding tax applies to dividends, royalties and payments to non-resident companies for services rendered in France.
- Dividends paid by a French corporation to a non-resident shareholder are subject to a 26.5% withholding tax (reduced from 28% in 2020), unless a tax treaty provides for a lower rate or the EU parent-subsidiary directive applies. Under the directive, dividends paid by a French corporation to a qualifying EU parent company are exempt from withholding tax. The 26.5% rate should be reduced to 25% in 2022, in line with the reduction in the standard corporate tax rate.
- Royalties paid to a non-resident entity are subject to the corporate income standard tax rate of 26.5%, regardless of the entity's annual income. The rate may be reduced or eliminated under a tax treaty or where the royalties qualify for the benefit of the EU interest and royalties directive. The rate should be reduced to 25% in 2022, in line with the reduction in the standard corporate tax rate.
- The branch remittance tax should be reduced to 25% in 2022, in line with the reduction in the standard corporate tax rate.

Tax treaties / tax information exchange agreements (TIEAs)

- France has exchange of information relationships with 144 jurisdictions through 115 double tax treaties and 29 TIEAs (www.eoi-tax.org).
- France, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, has signed a multilateral co-operation agreement with 30 other countries ("the MCAA"). Under this multilateral agreement, information is exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).
- With Country-by-Country reporting tax administrations of jurisdictions where a company operates have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It also covers information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information is collected by the country of residence of the MNE group, and then exchanged through exchange of information supported by such agreements as the MCAA.

Thin capitalisation

- Interest expense deduction limitation rules apply in line with the EU Anti-Tax Avoidance Directive (ATAD 1). Net borrowing costs ("exceeding borrowing costs"), such as interest expense, guarantee costs or foreign exchange losses on borrowings, are deductible only up to the greater of 30% of the tax EBITDA (i.e. earnings before, interest, tax, depreciation and amortisation, restated with tax exempt income) or EUR 3 million.

- For companies that are considered to be thinly capitalised, (i.e. where the related party debt-to-equity ratio exceeds 1:5), the portion of deductible financial expenses will be determined based on the application of two sets of rules:
 - External debt: The standard 30% EBITDA test will apply to the portion of interest deemed to derive from external debt, calculated as total interest multiplied by the amounts put at the disposal of the company by unrelated parties increased by 1.5 x equity/total amounts put at the disposal of the company.
 - Related party debt: Interest on related party debt will be subject to stricter rules, with a 10% of tax EBITDA limitation applying to interest expense deemed to derive from related party debt, calculated as total interest multiplied by the amounts out at the disposal of the company by related parties/total amounts put at the disposal of the company.
- Financial expenses that are deemed to be non-deductible based on the external debt rule may be carried forward indefinitely to be deducted in a subsequent financial year. However, only one-third of financial expenses that are deemed to be non-deductible based on the related party debt basis rule may be carried forward.
- A specific safeguard clause applies to consolidated groups for financial accounting purposes, whereby the reinforced mechanism provided for in the case of thin capitalisation will not apply if the company can demonstrate that the debt ratio of the consolidated group to which it belongs, is higher than or equal to its own debt ratio. In that case, the company will continue to benefit from the application of the standard thresholds (i.e. 30% of the tax EBITDA or EUR 3 million), as well as from the general safeguard clause allowing an additional deduction (if certain conditions are fulfilled)..

Transfer pricing

- French entities controlled by entities established outside France are taxable in France on profits transferred, directly or indirectly, to the entity located abroad through an increase or decrease in the purchase or sales prices or by any other means. Companies exceeding certain thresholds must maintain contemporaneous transfer pricing documentation.
- Rates on interest paid by French corporate taxpayers to related parties are deemed to be arm's length if they do not exceed an index corresponding to the average annual floating rate applied by banks to two-year loans granted to businesses. If the interest rate exceeds that index, the taxpayer will have to demonstrate that it would have paid a similar or higher rate to a bank in a comparable situation.

Stamp duty

- Stamp duties apply, but they are nominal.
- No [stamp duty](#) is levied on loan agreements.

Cash pooling

- A French company entering into a [cash pooling](#) agreement is not subject to thin capitalisation rules in relation to the deduction of interest incurred to finance the cash pool. Other participants to the [cash pooling](#) arrangements are subject to thin capitalisation rules on interest remitted to the French company holding the cash pool header account.

Financial transactions / Banking services tax

- A financial transaction tax at 0.3% applies to transactions involving shares of publicly traded companies established in France, the capital of which exceeds EUR 1 billion. The tax is calculated based on the value of the shares.

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2021 (www.deloitte.com).



BNP PARIBAS

The bank
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