



Fidelity

THE BUSINESS OPERATOR'S GUIDE

2021

LEGAL
COMMERCIAL
ACCOUNTING
TAXATION
INFORMATION TECHNOLOGY



By becoming an entrepreneur, the creator gets a new status, but also numerous obligations and responsibilities :

- Legal,
- Commercial,
- Accounting,
- Taxation,
- Information technology,
- ...

To make it easier to navigate, your accountant has made this guide available to you on the main concerns of the business owner.

The writing is intentionally affordable in order to remain succinct and informative.

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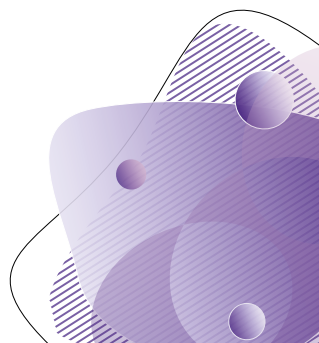
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Updated as of June 1, 2021



SHEET

1

Legal

The director's responsibility



WHAT YOU MUST REMEMBER :

By becoming a business operator, a creator changes her/his status, takes over the management of her/his professional activity, and personally commits to the proper performance of her/his work (or that of her/his employees). S/he may be held liable in case of an offence.

THE DIRECTOR'S CRIMINAL RESPONSIBILITY

A company director may be held criminally liable from the moment that a criminal law is violated, even if s/he did not personally participate in the violation and even should there be no damage.

A company director may be held criminally liable for a variety of offences, including :

- Tax fraud,
- Forgery and use of forgeries,
- Embezzlement,
- Neglect of safety rules,
- Customs offences,

- Environmental offences,
- Deception regarding the quality of the product sold.

Criminal proceedings are always initiated by the public prosecutor, that represents the interests of society and is embodied by a magistrate representing the State.

PENALTY

Alongside any criminal proceedings, the victims (natural or legal persons, etc.) of the offence can file civil actions, i.e. ask the judge to order compensation for any harm suffered.

THE DIRECTOR'S CIVIL LIABILITY

The director will be held liable if it can be shown that s/he has committed an offence that results in harm for the company or third parties. If several directors have participated in the offence, they will be held jointly and severally liable. The court will determine each director's share in the compensation for the harm.

A civil liability action may be initiated :

- By a partner or a third party who has personally suffered harm (individual action),
- By one of the following qualified persons when the aim is to repair harm suffered by society (group action) :

- a partner acting individually,
- partners representing at least 10% of the capital,
- creditors as part of collective proceedings.

With respect to third parties, the director's civil liability for an offence only applies if this offence can be separated from her/his functions and can be personally attributed to her/him. For example :

- The fact that the director entrusts an employee with an uninsured vehicle ; if the employee has an accident and injures someone, the director could potentially be held personally liable,
- The failure of a construction company's director to obtain a ten-year insurance policy,
- The fact that an entity's director exceeds the powers granted to her/him by the articles of association or a general meeting by arranging for a loan in excess of the authorisation provided to her/him,

- The fact that a director commits a « management error », the definition of which is given only by case law and that ranges from simple carelessness to fraudulent actions.

PENALTY

De facto directors are subject to the same penalties and responsibilities as de jure directors.

THE LEGAL PERSON'S CRIMINAL LIABILITY

A legal person (civil or commercial company, association, EIG, local authority, etc.) may be convicted of a criminal offence when this offence has been committed on its behalf by one of its management bodies or by any person under a delegation of authority. It may be held liable even if this is not envisaged by the text providing describing the offence.

As relevant, a company's Social and Economic Committee (CSE) must be informed of criminal proceedings brought against the company.

Penalties will be adapted to the entity's legal nature and the seriousness of the offence :

- Dissolution of the entity,
- Prohibition of public offerings,
- Prohibition of certain activities,
- The maximum ceiling for fines is five times higher than the ceiling applicable to natural persons.

Each entity has a police record that summarizes all of its convictions. It can be obtained by certain bodies such as the AMF (French Financial Markets Authority) or the government and local authorities.

PENALTY

The liability of legal persons does not prevent a company director from also being held liable for the same offence.

SHEET 2

Legal

Regarding commercial leases



WHAT YOU MUST REMEMBER :

Leases are contracts in which an owner rents a building to a tenant. They include considerable advantages for the tenant, notably thanks to the rent capping rule and the lease renewal right. It is not possible to agree on an application of this statute that deviates from the legal scope, nor to set it aside (except for tenancies at will and short-term leases).

SCOPE

- Companies with an industrial, commercial, craft or liberal activity,
- The building must be used for the operation of a business or craft or to perform a liberal activity.

WARNING

A commercial lease can only be signed if the building has been administratively designated for a professional activity.

FORM OF THE LEASE

No special form for the validity of the lease contract.

WARNING

Verbal leases are not recommended, as they pose problems of proof (existence and content).

DURATION

Minimum 9 years. It can be longer, but its duration cannot be indefinite.

WARNING

If the term is not 9 years, the rent is not capped.

TERMINATION

Unless the lease states otherwise, the tenant may terminate the lease after 3 years (hence the expression « 3-6-9 lease »).

NOTE : notify the lessor by bailiff's deed at least 6 months in advance. It is not entitled to any compensation.

If the lease has continued after its expiry date (tacit extension), it ends at the end of the calendar quarter with 6 months of advance notice.

The tenant may also terminate the lease at any time in case of retirement or disability.

The lessor has the same option in case of construction, rebuilding or raising of the existing building, or property restoration.

WARNING

If the lease continues beyond 12 years, the rent is no longer capped but is set according to the rental value of the premises.

RENEWAL RIGHT

The following are necessary for a renewal :

- The old lease has expired,
- The tenant is registered with the Trade and Companies Register or with the Trades Register.

■ EVICTION COMPENSATION

If the owner does not wish to renew a lease at the time of its expiry, eviction compensation must be paid to the tenant. Its amount depends on the consequences for the tenant (loss of clientele or not). It generally corresponds to the market value of the business, or the value of the leasehold right. The tenant must leave the premises within 3 months of payment of the compensation.

NOTE : until the compensation has been paid, the tenant cannot be forced to leave the premises.

■ RENT

It is unrestricted and determined at the time of the signing of the lease. Upon its renewal, it may be subject to legal or contractual review.

■ RENT CAPPING

This rule applies in case of revision of the rent amount. The rate of change of the rent may not exceed the change that has occurred since the setting of the rent subject to the ILC ⁽¹⁾ (commercial activities) or the ILAT ⁽¹⁾ (other activities).

⁽¹⁾ Indices published quarterly by INSEE.

NOTE : changes to the ILC and ILAT are less significant than those of the ICC.

Consequences of the coronavirus

If the tenant company is eligible for the solidarity fund, it can fully defer or spread the payment of the rent for its professional and commercial premises.

If the lessor waived or abandoned the rents between 15 April and 31 December 2020, the relevant property income will not be taxable.

A lessor that has cancelled the November 2020 rents can, under certain conditions, benefit from a tax credit of 50 % of the cancelled rents.

These two mechanisms are not cumulative.

■ CONTRACTUAL REVISION

The lease may include a rent indexing clause, while adhering to the capping rule. The revision is calculated relative to the index known on the signing date (indicated in the lease) and the index known at the time of the revision.

■ THREE-YEAR REVISION

Independently of an indexing clause, the parties may request revision of the rent when it has applied for at least 3 years.

■ REVISION UPON RENEWAL

The rent cap can be removed upon renewal of the lease, if 2 conditions are met :

- Uncapping reason such as a change of the characteristics of the premises, the activity authorised under the lease, the obligations of the parties to the contract...
- This change has a direct impact on the performed activity and causes the rental value to change by more than 10 %.

Under the law of 18 June 2014, the rent increase of the renewed lease is limited, for one year, to 10 % of the rent amount paid the previous year: smoothing applies every year until the entire increase is incorporated into the rent. This rule applies to contracts concluded or renewed as of 1 September 2014.

■ SUBLEASE

Any total or partial sublease is prohibited, unless :

- Formally anticipated in a clause of the lease,
- Subsequent consent is provided by the lessor (letter or lease amendment).

SHEET 3

Legal

Undeclared labour



WHAT YOU MUST REMEMBER :

To prevent undeclared labour, any person who signs a contract in an amount of at least €5,000 (or successive contracts for less than €5,000) must verify, when concluding the contract and every 6 months until its end, that the contractual partner is complying with all legal obligations regarding undeclared labour.

PERSONS CONCERNED

Individuals and professionals, natural or legal persons, under private or public law.

The principal is the person who entrusts another person with the performance of work.

The principal is behind the operations related to the design, preparation, manufacture or performance of work that is entrusted to a professional, for which the principal will be the recipient or final beneficiary.

The service provider or subcontractor is the professional contractual partner, regardless of nationality, whether established or domiciled in France or in another country, that actually performs the work or services covered by the contract.

OPERATIONS CONCERNED

This applies to contracts with **a tax-included amount of at least €5,000, for :**

- The performance of work,
- The performance of a service,
- The performance of a commercial act.

The overall amount of the operation should be considered, even if it involves several payments or invoices.

The supply of the vigilance certificate and its verification therefore involve all types of services, such as contracts for production, manufacturing, processing, repair, construction, supply, sale, agricultural work, performance of material, intellectual or artistic services, transport, industrial subcontracting or work.

DOCUMENTS TO BE PRODUCED

When signing the contract and every 6 months until the end of its performance, the service provider (or subcontractor) must produce :

- An attestation of having submitted its social declarations and paid its social contributions, dated within less than 6 months (from the authority responsible for collection). This is the « vigilance certificate »,
- A Kbis extract (certificate of incorporation) or proof of registration in the trades register or receipt for the declaration filed with a business formalities centre when registration in the trade and companies register or the trades register is not compulsory or cannot be justified (e.g : company in the process of registration),
- Authorisation to perform a regulated profession,

- If the subcontractor employs foreign workers, it provides a list of the names of the foreign employees, while specifying for each one : the hiring day, nationality, type and number of the document providing a work authorisation.

NOTE : When the principal is an individual that enters into a contract for personal purposes, the vigilance obligation is reduced.

The individual must be provided with only one of the documents listed above.

The service provider (or subcontractor) may use an estimate, an advertising document or professional correspondence, rather than the vigilance certificate.

PENALTY

Any person who fails to perform the required checks can be held liable. S/he will be jointly and severally liable with the subcontractor :

- For payment of the compulsory taxes, duties and contributions owed to the Treasury and the social security institutions, including any penalties and surcharges,
- For payment of the wages and charges due for the employment of undeclared workers,
- As relevant, the repayment of sums corresponding to the amount of public aid received by the party guilty of undeclared labour.

Moreover, the Urssaf may cancel the reductions or exemptions from levies and contributions from which the principal has benefited if the latter has not checked the situation of its subcontractors, which were then involved in undeclared labour.

The cancellation applies for each of the months during which the principal had not fulfilled its obligations, up to a limit of €15,000 for a natural person and €75,000 for a legal person.

AUTHENTICITY CHECK

The principal must ensure the authenticity of the vigilance certificate.

This check can be done on the homepage of the site www.urssaf.fr.

The screenshot shows the Urssaf website interface. At the top, there are navigation links: "Lettre d'information", "Taux et barèmes", "Espaces dédiés", and "Outre-mer". The main header features the Urssaf logo and the tagline "Au service de notre protection sociale". Below the header, there are two main sections: "Employeur" and "Indépendant". On the right, there is a "Votre espace" section with fields for "Siret / Identifiant" and "Mot de passe", and a "Créer votre espace" button. Below this, there is a "Rechercher" button. In the center, there is a "Vérifications d'attestation" section with a "Recherche par code sécurité" field and a "Code sécurité figurant sur l'attestation" field. At the bottom, there is a "Utilité et pratique" section with links to "Taux et barèmes", "Outils en ligne", "Estimateurs", and "Tutoriels".

SHEET 4

Legal

Formalities after the fiscal year closing

WHAT YOU MUST REMEMBER :

A number of fiscal and legal formalities must be fulfilled after the fiscal year closing, and strict deadlines apply.

These formalities differ according to your company's legal form, the nature of the taxation on profits (income tax or corporation tax), and the profit or loss of the fiscal year.

ANNUAL EARNINGS DECLARATION

It indicates the company's taxable income and traces the transition from accounting income to taxable income.

When the taxation regime is « real » or non-presumptive (and not the micro regime), the company must declare its earnings at the latest :

- Within 3 months of its closing, if the fiscal year does not correspond to the calendar year,
- Each year in May (2nd business day after 1 May) if the fiscal year coincides with the calendar year (closing on 31/12).

The company must declare its earnings online, regardless of the nature of its tax (income tax or corporation tax). This professional declaration must not be confused with the income declaration for the taxable household.

PENALTY

Companies that are late with the filing of their tax forms / earnings declaration incur late filing penalties as well as another penalty in the form of a surcharge on the income tax or corporation tax. Regardless of the reason for the late filing, the late penalty is 0.4 % of the tax due per month.

Depending on the case, the tax surcharge then ranges from 10 % to 80 %.

Companies that close their fiscal year during the calendar year have a maximum of 3 months after the closing in which to file their tax forms with the SIE (Business Tax Services).

NOTE : Your chartered accountant looks after and manages the transmission of the files containing the declarative data.

APPROPRIATION OF EARNINGS

For commercial companies, the ordinary general meeting must approve the past year's financial statements and decide on the appropriation of earnings within six months of the fiscal year closing.

This appropriation decision is included in the draft resolutions of the ordinary general meeting that approves the year's financial statements.

From the fiscal year's earnings, as indicated in the financial statements newly approved by the meeting, it is necessary to determine the distributable profit available to the meeting and how it will be appropriated.

- **Distributable profit** : this is the fiscal year's profits less possible prior losses and sums to be allocated to reserves in keeping with the law or the articles of association, and increased by any retained earnings,

- **Legal reserve** : in an LLC (SARL) or joint stock company, a 5 % deduction is made from the fiscal year profit (less any prior losses) and allocated to the legal reserve. This deduction is no longer required once the reserve is equal to 10 % of the share capital,
- **Statutory reserves** : the articles of association may require a certain portion of the profits to be allocated to one or more reserve funds.

By decision of the shareholders' meeting, the distributable profit can then be totally or partially allocated to reserves, retained earnings or distributed to the shareholders.

NOTE : Dividends must be paid within no more than 9 months after the fiscal year closing.

FILING OF THE ANNUAL FINANCIAL STATEMENTS

The filing of annual financial statements is mandatory for :

- All public limited companies (SA, SAS, SASU, SCA),
- All limited liability companies (SARL, EURL),
- General partnerships (SNC) whose partners are SARLs or SAs,
- Professional practices (SELAS, SELURL, SELASU),
- Agricultural cooperatives or agricultural cooperative unions (under certain conditions),
- And EIRLs (Limited Liability Sole Proprietorships).

The annual financial statements are filed with the clerk of the Commercial Court for the location of their registered office.

This filing must be made within one month of their approval by the ordinary general meeting, i.e. a maximum of seven months after the fiscal year closing date. Non-filing can result in a fine for the offending company.

This period is extended by one month in case of online filing at www.infogreffe.fr.

The company documents having to be filed with the clerk of the commercial court include :

- Annual financial statements (balance sheet, income statement and appendix, if relevant),
- The proposed appropriation of the earnings and the resulting resolution,
- The statutory auditor's report for companies that have one (or an indication of the statutory auditor's favourable opinion of the financial statements with or without observations, with or without reservations, unfavourable opinion or no opinion - when the medium-sized enterprise opts to file its simplified annual financial statements - cf. next sheet).

Non-listed companies are not required to file an annual management report. However, their annual management report must be kept available to anyone who might request it.

SHEET 5



Legal

Publication rules for annual corporate financial statements

WHAT YOU MUST REMEMBER :

The obligation to file annual corporate financial statements is accompanied by an obligation to publish them.

They must enable any interested party to assess the evolution over time of the company's solvency, as well as its financial soundness.

A reduction of the obligation to publish annual financial statements has been implemented for certain companies.

FILING AND PUBLICATION OBLIGATION

Reminder of the elements that must be filed with the Clerk of the Commercial Court.

ANNUAL CORPORATE FINANCIAL STATEMENTS

After each closing, companies must submit their annual financial statements to the Clerk of the Commercial Court, namely the following elements :

- Balance sheet,
- Income statement,
- Appendix.

Any interested party can consult these elements upon their publication by the Clerk. Depending on their size, however, some companies may request confidentiality (total or partial) of their annual financial statements.

CASE OF MICRO-COMPANIES

Micro-companies now have the option of not publishing their annual financial statements.

It should be noted that this is not the tax regime for micro-entrepreneurs.

In practice, micro-companies must meet at least 2 of the following criteria :

- Balance sheet total below €350,000,
- Net turnover below €700,000,
- Fewer than 10 employees on average.

To benefit from the non-publication of financial statements, micro-companies must submit a confidentiality declaration, via a form that can be downloaded online, when filing their annual financial statements.

Indeed, this possibility is an option, and is only available as long as the company meets the required criteria !

WARNING

The confidentiality of the annual financial statements does not mean that they no longer need to be filed with the Clerk !

CASE OF SMALL COMPANIES

Since 6 August 2016, small companies, as defined by the EU Directive, **have the option of requesting that their income statement not be made public.**

Companies that do not exceed at least 2 of the following 3 criteria can be considered as small companies :

- Balance sheet total of €6 million,
- Net turnover below €12 million,
- Fewer than 50 employees.

As is the case for micro-companies, small companies wishing to benefit from this option must submit a request for a confidentiality declaration

to the Clerk when filing their annual financial statements.

WARNING

For small companies, only the income statement will not be made public !

CASE OF MEDIUM-SIZED COMPANIES

Medium-sized companies can benefit from the simplified publication option for their annual financial statements, provided that they do not exceed at least 2 of the following 3 criteria :

- Bal. sheet total < €20 million,
- Net turnover < €40 million,
- Fewer than 250 employees.

The publication of the simplified annual financial statements is simply accompanied by an indication of the favourable opinion, with or without reservations, the unfavourable opinion or the absence of opinion of the statutory auditors. In case of an unconditional opinion, the fact that the statutory auditors have drawn the attention of the directors to a particular point is also mentioned.

EXCEPTIONS TO THE CONFIDENTIALITY OF ANNUAL FINANCIAL STATEMENTS

Certain exceptions must be taken into account. Indeed, the confidentiality option is not available to certain small companies, if :

- They belong to a group,
- They are credit institutions and/or finance companies,
- They are insurance or reinsurance companies,
- They are active in the management of equity interests and investment securities (holding company).

IN CASE OF THE CONFIDENTIALITY DECLARATION

When a micro-company or small company submits a confidentiality declaration, the Clerk informs third parties. In parallel, a certificate is issued to the filing company, certifying that the annual financial statements have been filed but that they are not available to third parties.

Special note : though the confidentiality declaration means that third parties cannot consult the financial elements of the filing company, this information can still be consulted by the administrations, legal authorities and Banque de France.

FILING OF FINANCIAL STATEMENTS : WORTH KNOWING

Individual entrepreneurs (shopkeepers, craftsmen, liberal professions, self-employed entrepreneurs, etc.) are not concerned by the obligation to file annual corporate financial statements.

WARNING

EIRLs must file their annual financial statements with the clerk where their asset allocation declaration was filed.

PENALTY

If the filing of the annual financial statements is late or forgotten, reminders are sent out by the Clerk. If they remain unanswered, the Presiding Judge of the Court is notified and initiates an injunction procedure for the filing of the corporate financial statements under penalty. The company can be fined from €1,500 to €3,000.

SPECIFIC FEATURE OF THE ACCOUNTING APPENDIX

Order n° 2014-86 of 30 January 2014 reduced the filing obligations for annual financial statements for companies meeting the following criteria :

- Balance sheet total < €350,000,
- Turnover < €700,000,
- Fewer than 10 employees on average.

These companies no longer have to file the accounting appendix. Only the balance sheet and income statement must be provided when filing the annual financial statements.

WARNING

Some financial information still needs to be included in a note appended to the balance sheet and income statement.

SHEET 6

Legal

Document retention periods for companies

WHAT YOU MUST REMEMBER :

Any document issued or received by a company as part of its business must be retained for certain minimum periods.

These limitation periods may vary depending on the nature of the document.



CIVIL AND COMMERCIAL DOCUMENTS

Document type	Retention duration
Contract concluded in connection with a commercial relationship	5 years
Guarantee for goods or services provided to the consumer	2 years
Contract signed electronically (as of €120)	10 years from the delivery or service
Contract for the purchase or sale of real estate and property assets	30 years
Commercial correspondence	5 years
Bank document (cheque stub, bank statement...)	5 years
Merchandise transportation document	5 years
Customs declaration	3 years
Insurance policy	2 years from the contract termination
Document relating to intellectual property (filing, patent trademark, design and model)	5 years from the end of protection
Attorney's file	5 years from the end of the mandate

ACCOUNTING DOCUMENTS

Document type	Retention duration
Accounting books and registers (journal, ledger, inventory book...)	10 years from the fiscal year closing
Supporting document: purchase order, delivery or receipt slip, customer and supplier invoice...	10 years from the fiscal year closing

TAX DOCUMENTS

Document type	Retention duration
Aid from the solidarity fund (and similar, such as aid in order to cover fixed costs)	5 years
Income tax and corporation tax	6 years (e.g. items relating to 2013 earnings, reported in 2014, must be retained until the end of 2019)
Industrial and commercial profits (BIC), non-commercial profits (BNC) and agricultural profits (BA) under the « real » regime	6 years (e.g. items relating to 2014 earnings, reported in 2015, must be retained until the end of 2020)
Corporation tax for EIRLs, SARLs (farms, liberal practice companies)	6 years
Local direct taxes (property taxes, public audio-visual contribution)	6 years
Company property levy (CFE) and CVAE	6 years
Turnover tax (VAT and similar taxes, tax on entertainment, tax on insurance agreements, etc.)	6 years

CORPORATE DOCUMENTS (COMMERCIAL COMPANIES)

Document type	Retention duration
Articles of association of a company, EIG or association (if applicable, amending document to the articles of association)	5 years from the loss of legal personality (or delisting from the TCR)
Annual fin. statements (bal. sheet, income statement appendix...)	10 years from the fiscal year closing
Merger treaty and other documents relating to the company's operation (+ documents of the absorbed company)	5 years
Log of registered shares, log of share movements, transfer order, register of minutes of meetings and boards of directors	5 years from the end of their use
Attendance sheet and powers of attorney, report from the manager or board of directors, statutory authors' report	last 3 fiscal years

PERSONNEL MANAGEMENT

Document type	Retention duration
Pay slip (double paper or electronic form)	5 years
Single personnel register	5 years from the employee's departure
Documents relating to employment contracts, wages, bonuses, compensation and full and final settlement, pension plans, etc.	5 years
Documents relating to social security charges and payroll tax	3 years
Accounting of days worked by employees under a flat-rate agreement	3 years
Accounting of work schedules of employees, on-call time and compensation thereof	1 year
Observation or formal notice from the labour inspectorate, verification and control by the CSE (ex-CHSCT), accident declaration to the primary health insurance fund	5 years

SHEET 7

Legal

Limitation periods



WHAT YOU MUST REMEMBER :

The limitation period refers to the period of time after which a legal action, whether civil or criminal, is no longer admissible. Limitation is a legal method of acquiring (acquisitive prescription) or extinguishing (extinctive prescription) rights, by the simple fact of their possession for a certain period of time.

MAIN DEADLINES TO REMEMBER

5 years - Time limit under **ordinary law** for actions involving personal or movable property.

« Consumers therefore have a period of 5 years to seek the contractual or criminal liability of professionals (except for personal injury, for which the limitation period is 10 years). As such, actions between merchants or between merchants and non-merchants are now time-barred after 5 years ».

10 years - Limitation period :

- In case of personal injury (from the date of stabilisation of the injury),
- To enforce a court decision (judicial or administrative),
- For the liability of the builders of the work and their subcontractors.

30 years - Limitation period :

- For real estate actions,
- Repair of environmental damage,
- Real estate actions (other than those that concern a right of ownership or its attributes, that are not subject to lapse).

STARTING POINT OF THE TIME LIMITS

The common law period of 5 years has a « floating » starting point. The Civil Code states that it is « the day on which the holder of a right knew or should have known the facts enabling her/him to exercise it ».

INTERRUPTION AND SUSPENSION OF THE TIME LIMIT

The limitation period may be interrupted or suspended.

In case of interruption, a new time limit begins on the date of the interrupting act (e.g. a report, an act of prosecution, a procedural act).

The suspension of the limitation temporarily stops its effect without resetting the time that has already elapsed.

NOTE : Suspension is to be distinguished from interruption, which starts a new interval of the same duration as the old one.

Two new causes for suspension of limitation periods : mediation and conciliation, which are two dispute resolution procedures.

CONTRACTUAL ADJUSTMENT OF THE PRESCRIPTION

A contractual adjustment of the limitation is permitted, except between a professional and a consumer (cf. above).

The parties may increase the time limit to 10 years or reduce it to one year.

SPECIFIC RULES OF CONSUMER LAW

2 years - Limitation period for actions brought by merchants against consumers for goods and services that they provide to consumers.

Contractual adjustments of the limitation period between a merchant and a consumer are prohibited.

Legal conformity guarantee :

Actions for conformity guarantee must be initiated by the consumer within 2 years from the delivery of the item.

Insurance :

Actions relating to an insurance contract are time-barred after 2 years from the event that gave rise to it or from the day on which the interested parties have knowledge of the loss.

Lawyers :

An action for damages is time-barred after 5 years from the ending date of the lawyer's mission.

Real estate construction :

Actions of a contractual nature (such as breach of the duty to advise excluding - the two-year guarantee) are time-barred after 10 years.

Movers :

Liability claims against movers are time-barred after one year.

Bailiffs and notaries :

Claims for taxes and actions for restitution of undue costs are time-barred after 5 years from the payment or settlement date of the action for restitution. Exceptionally, the liability action against a bailiff for the loss or destruction of documents entrusted to her/him is time-barred after 2 years.

Real estate rentals :

All of the tenant's actions are subject to the common law limitation period of 5 years, except for compensation for personal injury (related to a defect of the dwelling), i.e. 10 years. Another exception, actions for nullity and recovery (undue sums paid by the tenant) are time-barred by 3 years.

Credit institution :

The borrower's actions are time-barred after 5 years from the date of the final conclusion of the contract. One exception: consumer credit, actions for payment against the borrower must be brought within two years of the event that gave rise to them.

Telephone and internet :

The ordinary law limitation period applies to liability claims. However, reimbursement claims must be submitted within one year from the payment date.

LIMITATION PERIOD OR FORECLOSURE PERIOD

Foreclosure is more rigorous than limitation; it operates in an inevitable way : when a text specifies that a right must be exercised within a certain period, « on pain of foreclosure » or on « penalty of forfeiture », this time limit can only be suspended by a summons or compulsory enforcement document.

SHEET 8

Legal

Data protection (GDPR)



WHAT YOU MUST REMEMBER :

The new General Data Protection Regulation * (GDPR) took effect on 25 May 2018 in all European Union countries.

It replaces the current Directive on the protection of personal data adopted in 1995.

*** Regulation 2016/679 of the European Parliament and Council of 27 April 2016.**

TO WHOM DOES THE GDPR APPLY ?

This regulation applies to all companies established in the European Union (EU) or companies with processing activities that are related to the supply of goods or services within the EU, as well as to their sub-processors, **from the moment that they collect and process data relating to European residents.**

WHAT IS PERSONAL DATA ?

According to article 4-1 of the GDPR « personal data » includes all information relating to an identified or identifiable natural person.

An « identifiable natural person » is one who can be identified, directly or indirectly, in particular by reference to an identifier such as a name,

an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person.

WHAT IS DATA PROCESSING ?

The « processing of personal information » is any operation or set of operations that involves personal data, regardless of the employed process (collection, recording, organisation, retention, adaptation, modification, extraction, consultation, use, communication by transmission, dissemination or any other form of handover, cross-referencing).

Processing examples : retaining a file of customers, collecting contact information

of prospects via a questionnaire, updating of a supplier file, etc.

The processing of personal data is not necessarily computerized : paper files are also concerned and must be protected under the same conditions.

Each data processing operation must have an assigned objective, that must obviously be legal and legitimate in relation to your business activity.

Example : you collect a lot of information about your customers when you make a delivery, issue an invoice or offer a loyalty card. All of these operations involving these data constitute your processing of personal data with the aim of managing your customers.

HOW TO IMPLEMENT THE GDPR ?

To be GDPR-compliant, companies must :

- Perform an inventory of the processes involving personal data,
- Evaluate their practices and implement procedures (notification of data breaches, management of complaints, etc.),
- Identify the risks associated with processing operations and take the necessary measures to prevent them,
- Maintain documentation to ensure traceability of the measures.

WHAT IS THE PURPOSE OF THE DATA PROTECTION OFFICER (DPO) ?

The GDPR makes the appointment of a DPO mandatory in private or public organisations for which the « core activities require regular and systematic large-scale monitoring of data subjects » or when « the processing is performed by a public authority or public body », with the exception of the courts.

The role of the DPO is firstly to guarantee the conformity of data processing with the principles of privacy protection, as set out in the GDPR, and secondly to manage relations between data subjects (employees, customers) and the supervisory authorities.

WHAT PENALTIES APPLY FOR NON-COMPLIANCE WITH THE GDPR ?

In case of an audit, the company must demonstrate having taken the necessary steps to comply with the GDPR. If they fail to do so, the supervisory authorities, including the French Data Protection Authority (CNIL), may impose administrative penalties of up to 4 % of worldwide turnover (during the previous fiscal year) or €20 million, whichever is higher.

In case of an incident, a notification of a computer attack or security breach leading to a leak of personal information must be made to the CNIL within 72 hours.

The victim company of this data leak must also notify all of its customers and employees by registered letter with acknowledgement of receipt.

For more information, contact your chartered accountant.

NEW IN 2021

The timeframe for bringing mobile sites and applications into compliance with the tracer rules expired on 31 March 2021.

The evolution of the applicable rules, clarified by the CNIL guidelines and recommendation, marks a turning point and progress for Internet users, who will now be able to exercise better control over online tracers. It is based on 2 elements :

- Internet users are clearly informed of the purposes of tracers,
- Rejecting tracers must be as easy as accepting them.

SHEET 9

Legal Estimate



WHAT YOU MUST REMEMBER :

Before any purchase of a product or service, the consumer must be informed of its essential characteristics, price, the date or time for delivery of the product or performance of the service.

This pre-contractual information may be mandatory in certain cases, and is often presented in an estimate.

Before purchasing a product or service, the consumer must be able to know the price, essential characteristics, and the date or time of delivery or performance. For this reason, displaying the prices is mandatory (and usually sufficient).

It should be noted that **an estimate**, as the professional's assessment of the envisaged work, **is legally a contract offer** and, as such, **is firmly binding on the professional** in very precise terms, with regard to **the extent of the work, its cost, but also the planned deadlines.**

CASES IN WHICH PROVIDING AN ESTIMATE IS MANDATORY

The professional must provide a sufficiently detailed estimate in the following cases :

- If simply requested by the consumer :
 - when the price is not determined in advance by the service provider for a given service,
 - when the exact price or price calculation method cannot be stated.
- For some business domains :
 - for breakdown services, repairs and maintenance in the building and home equipment sector, regardless of the estimated amount of the work (Art 4 of the order of 24 January 2017),
 - for personal services, a free customized estimate as soon as the service is equal to or greater than €100 including tax, or when simply requested by the consumer in other cases (Art 6 of the order of 17 March 2015),
 - for vehicle rental services, the professional systematically provides the consumer, free of charge, on a lasting medium, with an estimate for any rental offer that it markets (order of 17 March 2015),
 - for medical optical services, a free estimate must be provided (decree of 23 July 1996),
 - for relocation services, a free estimate must be provided (order of 27 April 2010),
 - for funeral services.

PENALTY

Any failure to comply with the pre-contractual consumer information obligation is punishable by an administrative fine of up to €3,000 for a natural person and €15,000 for a legal person.

MANDATORY INFORMATION FOR AN ESTIMATE

The following information must be included in the estimate :

- Date of the estimate and validity period of the offer,
- Name, company name and address of the company (telephone n° and e-mail address),
- Copy status and legal form,
- For a merchant : TCR number, followed by the name of the city in which the registration has been made,
- For a craftsman : number in the Trades Register (Sirene + RM n° + n° of the registration department),
- Individual VAT identification number,
- Customer's name and address,
- Starting date and estimated duration of the work or service,
- Detailed breakdown (and description) of each service, in terms of quantity and unit price,
- Hourly or flat-rate labour price,
- Travel expenses, if relevant,
- Contract terms for payment, delivery and performance,
- Complaint procedures and after-sales service conditions (notably guarantee),

- Total amount to be paid with and without VAT, specifying the applicable VAT rates.

The estimate prepared in this manner must include the handwritten indication « estimate received before performance of the work ». It must also be dated and signed by the consumer.

PENALTY

In case of non-compliance of the mandatory information, the service provider is liable to a fine of up to €1,500 (€3,000 in case of a repeat offence).

POINTS FOR ATTENTION

When an exact price cannot be indicated for a given type of service, the service provider must indicate the calculation method that enables the recipient to check the price, or provide a sufficiently detailed estimate.

In case of **breakdown services**, repairs and maintenance in the building and household appliances sector, **it is mandatory to indicate whether the estimate is free or not.**

In the case of moving services, the estimate must also indicate the furniture volume and the anticipated type of trip (organised or special).

For craftsmen or micro-entrepreneurs performing an activity for which professional insurance is obligatory (notably the 10-year guarantee for building professionals), it is mandatory to include the following elements in the estimates :

- The insurance obtained for their activity,
- The contact details of the insurer or guarantor,
- The geographical coverage of the contract or cover.

In principle, the estimate is free, but paid estimates can be proposed, notably in case of travel and/or extensive studies of the situation. In this case, the professional must inform the customer of the price payable for preparation of the estimate, which must be independent of the amount of the planned service.

When the estimate is charged, the professional may propose to deduct the amount of the estimate from the subsequently provided service.

SHEET 10



Commercial

Mandatory information to be included in invoices

WHAT YOU MUST REMEMBER :

An invoice is a detailed record of the services or goods sold. In order to be valid, it must contain certain mandatory information.

The penalties imposed by the administration for non-conforming invoices can be very heavy, both for the issuer and the customer.

GENERAL MANDATORY INFORMATION

Indications	Comments
Invoice issue date	Date on which it is issued
Invoice numbering	Unique number based on a continuous and uninterrupted chronological sequence. Example: Invoice 01, invoice 02, invoice 03. To be included on all pages of the invoice
Date of the sale or service	Actual day of delivery or completion of the service
Identity of the buyer	<ul style="list-style-type: none">- Name (or company name)- Address of a company's registered office or an individual's home address (unless the individual objects)- Invoicing address (if different from the registered office)
Identity of the seller or service provider	<ul style="list-style-type: none">- Surname and first name of a individual entrepreneur (possibly followed by her/his business name)- Company name followed by the Siren or Siret number (except for natural persons)- TCR number for a merchant, followed by the name of the city of registration- Trades register number for a craftsman (Siren n° + Trades register + registration n°)- Address of the registered office (and name of the establishment)- If the company is a corporation, mention the legal form (EURL, SARL, SA, SNC, SAS) and the amount of the share capital

WARNING

If the company is in the process of registration, the invoice must be made out in the company's name, with the indication « Siret in the process of being assigned », and not in the name of the creator, otherwise the VAT deduction will be rejected.

GENERAL MANDATORY INFORMATION (CONTINUED)

Indications	Comments
Purchase order number	If previously established by the buyer
Individual VAT identification number of the seller and the business customer (only if the latter is liable for VAT, i.e. taxable or reverse charge)	Except for invoices with a total pre-tax amount of less than or equal to €150
Description of the product or service	<ul style="list-style-type: none"> - Goods : delivery date, quantity, nature, brand, reference of the products - Services : completion date, materials supplied and labour
Detailed breakdown of each service and product supplied	Quantity and price details (optional if the service has been the subject of a prior, descriptive and detailed estimate, accepted by the customer and in line with the delivered service)
Catalogue price	Unit ex-VAT price of products sold or hourly ex-VAT rate of the delivered services
Possible price mark-up	Transport or packaging costs, for example
Legally applicable VAT rate	If the operations are subject to different VAT rates, the corresponding rate must be indicated on each line
Total corresponding VAT amount	
Price reduction	Discounts, rebates, or reductions earned on the date of the sale or service and directly related to that operation, excluding discounts not anticipated in the invoice
Total amount payable excluding tax (HT) and including all taxes (TTC)	
Required payment deadline	<p>It indicates :</p> <ul style="list-style-type: none"> - The applicable discount conditions in case of payment on a date prior to the one resulting from the application of the general terms of sale - The rate of penalties applicable as of the day after the payment date indicated in the invoice - The amount of the fixed compensation for recovery costs owed to the creditor in case of late payment

MANDATORY INFORMATION FOR INVOICES SENT TO A PROFESSIONAL

Indications	Comments
Payment date or time	- Required payment deadline - Discount conditions in case of early payment - If no discount, indicate in the invoice: Discount for early payment : none
Rate of late payment penalties	Payable in case of non-payment on the settlement date (late payment penalties apply without the need for a reminder)
Mention of the fixed compensation of €40	Recovery costs in case of late payment

SPECIFIC INFORMATION

Specific information	In what cases ?
« Member of an approved association, settlement by cheque or bank card is accepted »	If the seller or service provider is a member of a management centre or approved association
« VAT not applicable, French tax code art. 293 septies »	If the seller or service provider is VAT-exempt (e.g. self-employed), the invoice does not include tax
« Reverse charge » : Clearly indicate that this is a « pre-tax amount »	If work is performed by a PW&CE subcontractor for a principal subject to VAT, the subcontractor no longer declares the VAT and it is the main company that does so (VAT reverse charge)
« Self-billing »	The buyer or customer issues the invoice in the name and on behalf of the taxable person (e.g. for sales made for internet platforms)
Indication of the insurance obtained for the activity, the contact details of the insurer or guarantor, the geographical coverage of the contract or cover	Craftsmen or micro-entrepreneurs performing a craft activity, for whom professional insurance is mandatory (in particular the ten-year guarantee)
« Special regime - Art object », « Special regime - Second-hand goods », « Special regime - Collectibles and antiques »	If the regime indicated in article 297 A of the French Tax Code is applied, enter the corresponding information in the invoice : « Special regime - Art object », « Special regime - Second-hand goods », « Special regime - Collectibles and antiques »
Special regime - Agency of travel	In the event of application of the special regime for travel agencies

PENALTIES IN CASE OF NON-COMPLIANCE WITH OBLIGATIONS

A company that does not comply with these obligations may incur :

- A tax fine of €15 per missing or inaccurate information element in each invoice, capped at 1/4 of its amount,
 - A fine of €75,000 for a natural person or €375,000 for a legal person.
- This fine can be doubled in the case of failure to invoice, fake invoices and fictitious invoices.

SHEET 11

Commercial

Electronic invoicing



WHAT YOU MUST REMEMBER :

The EU and France wish to develop the use of electronic invoicing, but without imposing it for now. Under certain conditions, people subject to VAT may « issue and receive electronic invoices using any technical device ». Its transmission and delivery require the recipient's acceptance.

Since 1 January 2020, all companies must send their invoices in electronic form as part of their contractual relations with the State, local authorities and public institutions, using the « Chorus Pro » portal.

THE THREE TYPES OF ELECTRONIC INVOICE

- Invoices by electronic data interchange (EDI) : this is « a message structured according to a standard agreed between the parties, computer-readable, and that can be processed automatically and unambiguously »,
- Signed electronic invoices, i.e. signing by means of a qualified certificate,
- Invoices using any other technical solution : in this case, « documented and permanent controls » must be implemented by the company and provide for « a reliable audit trail to be established between the

issued or received invoice and the underlying delivery of goods or services ».

The company can freely choose the most suitable electronic invoicing process.

ELECTRONIC SIGNATURE

It serves to identify the person using it, and to express this person's agreement in order to avoid any disputes.

To sign electronically, an electronic signature certificate and signature software are required.

WARNING

This is not a digital signature (a handwritten signature that is stored in digital form after signing via a touch screen).

NOTE : For legal persons, the term « stamp » is used, not « signature ». For processes such as archiving, this is called sealing.

ELECTRONIC CERTIFICATE

This is a computer file that serves to authenticate a person's identity, using a cryptographic process.

It is an electronic « identity card » that notably indicates :

- The surname and first name of the certificate holder,
- The company name (name and Siren n°),
- The key used to authenticate the certificate holder's signature.

It can be in several forms :

- A certificate on a medium (confidential data are stored on a smart card, a USB key...),
- A software certificate,
- A server stamp (computer file installed on a workstation or server).

There are several types of certificates, divided into classes, each with a different security level :

- Class 1 guarantees the existence of the e-mail address but not the certificate holder's identity,
- Class 2 guarantees the information concerning the holder and her/his company (verification by the certification authority on the basis of supporting documents, usually sent by post),
- Class 3 guarantees the same information as the class 2 certificate, except that an agent of the certification authority physically checks the holder's identity,
- Class 3+ offers the same guarantees as the previous certificate but is delivered face to face on a cryptographic medium: USB key or smart card.

NOTE : Some class 3 or 3+ certificates are State-approved and have European recognition.

GUARANTEES AND ARCHIVING OF ELECTRONIC INVOICES

Companies are required to keep their invoices (electronic or « paper ») for six years.

As part of tax dematerialization (no paper printout), companies can keep an electronic copy of an invoice, provided that its « authenticity, integrity and durability » can be guaranteed, for the duration of the retention period.

In this case, they must use a service provider that provides electronic storage or safe services, in accordance with the law.

SHEET 12

Commercial E-Commerce



PERSONAL DATA PROTECTION

The e-retailer that collects personal information (name, e-mail) and compiles files, must respect certain obligations :

- Obtain the agreement of customers,
- Inform customers of their right to access, modify and delete information,
- Ensure the security of the information systems,
- Ensure data confidentiality,
- Indicate the data retention duration,
- Submit a declaration to the CNIL.

The e-retailer is not allowed to send a commercial e-mail without the recipient's consent, which is given when the e-mail address is collected, unless :

- The person is already a customer and the prospecting concerns products identical to those already supplied by the company,
- The prospecting is not commercial in nature (e.g. charitable).

Following the entry into force of the GDPR on 25 May 2018, the e-retailer must respect new obligations (cf. Corresponding sheet).

WARNING

The person must, when her/his address is collected, be informed of its use for prospecting and be able to object to this.

WHAT YOU MUST REMEMBER :

To protect consumers, electronic commerce (or e-commerce, or online sales) is subject to specific regulations.

STEPS OF THE SALE

The e-retailer must follow 3 mandatory steps when presenting the order :

- Display of the order details and its total price,
- Correction of any possible errors,
- Confirmation of the order.

These steps must appear and be accompanied by the following information :

- Technical means enabling the user, before the conclusion of the contract, to identify and correct errors,
- Languages proposed for concluding the contract,

- Means for consulting the professional and commercial rules that apply to the seller.

NOTE : These indications do not apply to contracts for the supply of goods or services that are concluded exclusively by exchange of e-mails.

The seller must immediately send an e-mail acknowledging the sale and must also issue an invoice to the customer upon delivery.

■ DELIVERY DATE

Delivery must be made within 30 days of the online order.

Before concluding the contract, the supplier must indicate the latest date by which it undertakes to deliver the goods or perform the service.

In case of delay, the supplier must so inform the customer, who may request a refund within 30 days of payment.

NOTE : E-commerce involving individuals and/or through matching platforms is subject to new VAT rules.

For more information, contact your chartered accountant.

■ RIGHT OF WITHDRAWAL

The customer has a 14-day right of withdrawal from the day of taking possession of the goods or accepting the service offer, without justification and without having to pay any penalties. S/he may be liable for the cost of returning the goods.

This right also applies to products on sale, second-hand or stock-clearing.

Provided that this is clearly indicated at the time of purchase, certain products or services are not subject to the right of withdrawal and cannot be refunded, notably :

- Specially made (e.g. « tailor-made » or « bespoke »),
- Product that cannot be re-shipped due to its nature,
- Perishable product (e.g. food),
- Video tapes, CDs, DVDs if they have been opened,
- Press (newspapers, periodicals or magazines),
- Accommodation, transport, food or leisure services.

Any sums paid, including delivery costs, must be refunded within 14 days of the date on which the professional is informed.

ATTENTION

When the customer is about to conclude the contract, s/he must be informed about the conditions and provisions for exercising this right : duration of the withdrawal period, starting point, product refund, payment of return costs, etc.

■ PRODUCT RETURN

The seller is obliged to take back an item if it is not delivered in compliance with the order or is defective.

The consumer must return it in its original packaging and while indicating the reason for refusal; the costs are borne by the seller.

NOTE : The e-retailer must provide the legal guarantee of conformity that allows the consumer to choose between exchange and repair, in case of manufacturing defect or breakdown for a period of 2 years.

SHEET 13

Commercial

Payment methods



WHAT YOU MUST REMEMBER :

Payment in cash (coins, notes and electronic money) is regulated. For professionals, it is notably authorised in order to settle claims of a limited amount. Alternatively, it may be made mandatory in some cases.

■ PROHIBITED CASH PAYMENT

The use of cash is prohibited when paying a professional (merchant, entrepreneur, etc.) if the sum exceeds the following amounts :

Payer's situation	Personal expenditure (B to C)	Business expenditure (B to B)
Tax residence in France	€1,000	€1,000
Tax residence abroad	€15,000	€1,000

NOTE : Cash payments between individuals (for example, buying a car or painting) are therefore not limited, but an invoice is required above €1,500 as proof of payment.

■ PAYMENT OF EMPLOYEES

Monthly net amount < €1,500	All payment methods
Monthly net amount > €1,500	Cheque or transfer

■ SPECIAL CASES

Real estate transactions (purchase of land or housing) in cash may not exceed €10,000.

If an individual does not have a bank account, the entire purchase can be paid in cash (beware of the problem of proof).

If a merchant buys metals from an individual, cash payment is prohibited (penalty : fine of €1,500).

■ MANDATORY CASH PAYMENT

Obligation to accept cash

No one may refuse cash payment if the amount does not exceed the limits beyond which cash payment is prohibited.

NOTE : A professional may refuse a payment that includes more than 50 coins, but not the Treasury.

Possibility of requiring cash payment

Anyone can demand cash payment and may refuse any other means of payment, as long as the sum does not exceed the limits beyond which cash payment is prohibited.

Correct change requirement

The debtor must pay with the correct change. The creditor can therefore refuse certain notes when the amount to be paid is much lower.

■ DECLARATION OF CASH PAYMENTS

To the customs authorities

If, in order to perform a cash transaction, the payer carries cash of more than €10,000 from France to a location outside of the national territory, this transport must be declared to customs.

The same applies if the payer brings more than €10,000 in cash into France from abroad.

To the tax authorities

In case of a transaction between individuals for non-business purposes, cash payment provides no exemption from the obligation to declare any resulting capital gains.

Failure to comply with the provisions relating to payment methods can be subject to :

- A criminal sanction (fine for class 2 infractions),
- And a tax fine equal to 5 % of the sums unjustifiably paid.

PENALTY

Failure to comply with the provisions relating to payment methods can be subject to :

- a criminal sanction (fine for class 2 infractions),
- and a tax fine equal to 5 % of the sums unjustifiably paid.

SHEET 14

Commercial

Payment time limits



WHAT YOU MUST REMEMBER :

The agreed payment period for sums owed may not exceed 45 days from month end or 60 days from the invoice issue date. Professionals that do not comply with these provisions may be subject to penalties, including a civil fine. In the absence of an agreement, the deadline for payment of outstanding sums is the 30th day after the date of receipt of the goods or performance of the requested service.

A fine of €15,000 can be applied if this time limit is not respected. Companies that have their annual financial statements certified by a statutory auditor will publish information on payment periods.

POSSIBILITY OF AGREEMENTS WITHIN AN ECONOMIC SECTOR

Professionals within a sector may agree either to reduce the maximum period of 45 days from month end or 60 days, or to use the date of receipt of the goods or performance of the service as the starting point for this period, or to use both possibilities.

Also, inter-professional agreements within a given sector may define a maximum payment term of 45 days from month end or 60 days.

Exceptional agreements apply in 5 sectors: leather, agricultural equipment, sporting goods, toys, watches - jewellery - goldsmiths - HBJO).

PERISHABLE FOOD PRODUCTS

For certain perishable food products, the payment terms are strictly regulated and may not exceed :

- **30 days from the end of the 10-day delivery period for purchases of perishable food products** and frozen or deep-frozen meats, frozen fish, ready-made meals and preserves made from perishable food products, with the exception of purchases of seasonal products made in the context of cultivation contracts as indicated in articles L. 326-1 to L. 326-3 of the Rural Code,
- **20 days after delivery for purchases of live cattle** for consumption and fresh meat derived from them,

- 30 days after the end of the delivery month for purchases of alcoholic beverages subject to consumption duties,

- **In the absence of inter-professional agreements or decisions, 45 days from month end or 60 days from the invoice issue date** for purchases of grapes and musts intended for the production of wines as well as and alcoholic beverages subject to circulation duties.

If the limit is exceeded, the offender may be liable to a fine of €75,000.

■ SPECIAL CASES

There are a number of special cases, such as road transport or vehicle leasing, in which the agreed payment terms may in no case exceed 30 days from the invoice issue date. Failure to comply with this time limit is punishable by a fine of €15,000.

The payment time limits begin on the date of customs clearance of the goods at the port of final destination, or, if the goods are placed at the disposal of the buyer in mainland France, from the 21st day after they have been made available (or from the date of the customs clearance, if earlier), for deliveries of goods to the following territories :

- Guadeloupe,
- Martinique,
- Guyana,
- Reunion Island,
- Mayotte,
- Saint-Pierre-et-Miquelon,
- Saint-Martin,
- Saint-Barthélemy.

■ LATE PAYMENT PENALTIES AND RECOVERY FIXED COMPENSATION

Late payment penalties apply in case of late payment. Unless contractually stipulated otherwise, the rate of these penalties corresponds to the semi-annual key rate (refinancing rate or Refi) of the European Central Bank (ECB), in effect on 1 January or 1 July, plus 10 points.

However, the contractual terms may define a lower rate, which may in no case be below the minimum rate equal to 3 times the legal interest rate.

Since 1 January 2013, fixed compensation of €40 for recovery costs is due in case of late payment.

If the incurred costs exceed €40, the creditor may request additional compensation upon justification.

This amount is in addition to the existing penalties, in case of late payment by any professional, but is not included when calculating penalties.

NOTE : The compensation does not apply if the debtor is involved in a safeguard procedure, reorganisation or judicial liquidation proceedings.

Penalties and the compensation are not subject to VAT.

■ MANDATORY INFORMATION

Cf. Invoices : mandatory information (Sheet 10).

SHEET 15



Accounting

General accounting organisation

WHAT YOU MUST REMEMBER :

Accounting serves mainly to describe the company's activity in terms of value. The merchant, whether a natural or legal person, must keep accounts. Any company listed with the Trade and Companies Register (TCR), subject to a « real » tax regime, must keep accounts in accordance with the rules of the General Chart of Accounts (ANC 2014-03).

Accounting serves mainly to describe the company's actual activity in terms of value.

To this end, it relies on documents with legal value such as sales invoices, purchase invoices or tax declarations....

To provide this overview, records are kept of operations resulting from all movements of goods, services and payment instruments (real and monetary flows).

Standardized summary tables provide the information needed for an understanding of the company's financial situation, i.e. the annual financial statements.

A BIT OF HISTORY

The first traces of writing were discovered in archaeological excavations in Mesopotamia. These excavations also led to the discovery of traces of accounting records in the form of entries made on clay tablets. The origins of accounting are interconnected with the origins of writing.

In 1493, the monk Luca Pacioli published the first book on accounting in Italian. In so doing, he popularized the commercial practices used by the merchants of northern Italy, and the technique of keeping a « double-entry » account.

This involves recording every transaction in 2 accounts at the same time.

When the two accounts in question are asset accounts, the entry reflects a change of the asset structure (the merchant pays for goods, the value increase of the goods in stock offsets the decrease within the cash account).

WARNING

All accounting is therefore essentially based on the quality of the collection and filing of the documents that are used to justify the entries. The accounting system is also used when preparing tax declarations.

SOME MAJOR PRINCIPLES

Each economic transaction is recorded in a journal, in the form of an entry on at least 2 lines, with the sum of the debit amounts being equal to the sum of the credit amounts. The entry is then said to be balanced.

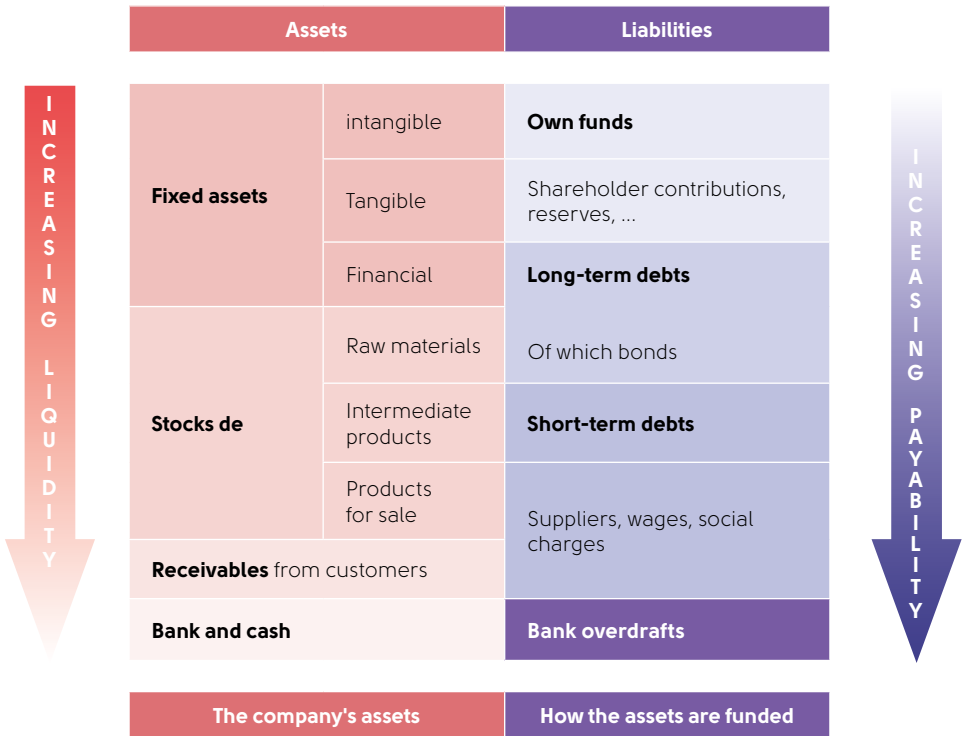
In addition, each accounting entry must be accompanied by a supporting accounting document, that can notably consist of bank statements, customer or supplier invoices, etc.

These documents must also be numbered and properly filed to ensure traceability.

SUMMARY DOCUMENTS

Balance sheet

The balance sheet lists the assets held by the entity (fixed assets, trade receivables, positive cash flow) and the method of their financing (equity, reserves, loans, debts, negative cash flow). It traces the history of operations since the entity's creation.



Income statement

The income statement indicates the company's

performance during its financial year, i.e. did the sales (of goods or services) exceed

the expenses (purchases of raw materials, goods, personnel, taxes) ?

Operating revenue (A)	
Sales of goods	
Production sold	goods
	services
Stored production	
Capitalised production	
Operating subsidies received	
Other income	
Operating expenses (B)	
Merchandise purchases	
Stock variations (goods)	
Purchases of raw materials and other supplies	
Variations of inventories (raw materials and provisions)	
Other external purchases (goods, services, rentals)	
Taxes and similar payments	
Personnel remuneration	
Social charges	
Depreciation allowances	
Provision allowances	
Other expenses	
Operating result (A+B = C)	

Financial income (D)
Financial expenses (E)
Financial result (D+E = F)

Extraordinary income (G)
Extraordinary expenses (H)
Extraordinary result (G+H = I)

Income tax (J)

Profit or loss (Income (A+D+G) Expenses (B+E+H+J = K))

Caption

Income
Expenses
Result

Appendices

The accounting appendix, which serves to explain the balance sheet and income statement. More specifically, its purpose is to provide information on elements that could not be specified in the 2 documents mentioned

above (for example : the accounting methods used by the company, such as the calculation of depreciation allowances, income and expenses, etc.).

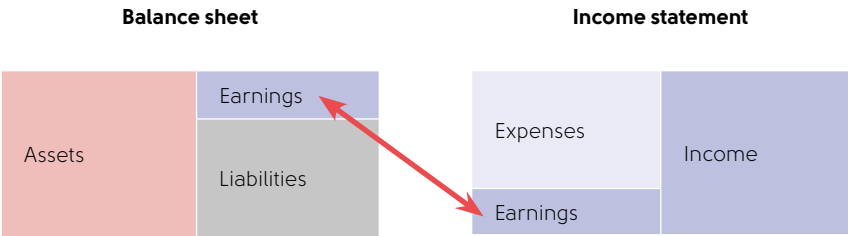
Companies that do not exceed 2 of the following 3 criteria may be dispensed

from having to draft appendices :

- Balance sheet total below €350,000,
- Total turnover below €700,000,
- Fewer than 10 employees.

Link between the balance sheet and the income statement

The balance sheet result (obtained from Assets - Liabilities) is always equal to that of the income statement (obtained from Income - Expenses).



BREAKDOWN OF CYCLES IN THE GENERAL CHART OF ACCOUNTS (GCA)

The chart of accounts must be sufficiently detailed to allow transactions to be recorded in accordance with accounting standards. The accounts are classified according to the following uniform subdivisions :

- **Class 1 - Capital accounts :** they include the partners' contributions to the capital, the operator's account for individual entrepreneurs, the reserves, the retained earnings, the result, the provisions, the bank loans.
- **Class 2 - Fixed asset accounts :** this subdivision contains the production tool and its depreciation.
- **Class 3 - Inventories and work in progress :** this includes the parts and materials waiting to be sold or used.

- **Class 4 - Third-party accounts :** this includes accounts with customers, suppliers, partner current accounts, the State and social security organisations.
- **Class 5 - Financial accounts :** this includes the bank accounts,
- **Class 6 - Expense accounts :** this subdivision contains all purchases, materials, goods, external services, salaries, social charges...
- **Class 7 - Revenue accounts :** this includes the accounts that record sales of goods or services.
- **Class 8 - Special accounts :** these are specific accounts that are notably used to record the value of the commitment of volunteers within associations.

ADAPTATION OF BOOKKEEPING RULES « TO THE SIZE » OF COMPANIES

As mentioned above, French accounting and tax rules are particularly intertwined.

Commitment accounting

All companies subject to corporation tax (by right or by option) and all those subject to the normal real system of industrial and commercial profits (by right or by option), must establish their accounting on the basis of their commitments to third parties.

This accounting system requires the recording of transactions (income and expenditure), as soon as they are certain in principle and determined in terms of their amount, even if they have not yet been paid.

All invoices for the fiscal year must therefore be recognised while adhering to the chart of accounts, as well as transactions related to the fiscal year but not yet invoiced :

- Unreceived invoices from suppliers (invoices relating to the closed fiscal year but issued by the supplier at the start of the next fiscal year),
- Invoices to be issued by the entity (invoices relating to the closed fiscal year but issued at the start of the next fiscal year).

Simplification measures for the smallest companies

Accounting for micro-entrepreneurs (micro regime)

This is a system in which the tax (on income) is calculated on the basis of the earnings less a discount and not on the basis of a result. Only taxpayers with a small economic activity can access this tax regime, namely :

- For agricultural profits (BA), the average revenue for the last 3 years must be less than €85,000,
- For industrial and commercial profits (BIC), the previous year's turnover must be less than :
 - €72,500 for service-providing,
 - €176,200 for sales of goods and similar.

- For non-commercial profits (BNC), the previous year's turnover must be less than €72,500.

Cash accounting

Cash accounting is allowed :

- For certain taxpayers in the BIC income category,
- For taxpayers subject to Non-Commercial Profits (such as self-employed professions and the health sector).

To benefit from these simplification rules, traders and craftsmen must be subject to the simplified real BIC tax regime (for income tax purposes), i.e. persons with a pre-tax turnover between :

- €72,500 and €247,000 for service-providing activities (same as in 2020),
- €176,200 and €818,000 for purchase-resale activities, sales or on-site consumption and providing of accommodations (same as in 2020).

This method involves having the accounts record only cash movements during the fiscal year (receipts and disbursements) and recognising receivables and debts only at the end of the fiscal year.

Cash accounting provides the business operator with the option of simplified accounting.

Super-simplified accounting

Super-simplified accounting is an additional mechanism for easing accounting obligations, the objective of which is to provide entrepreneurs (natural persons) with the means to have access to a simplified and low-cost management tool. This tolerance measure applies both on a legal level (Art. L.123-25 et seq. of the Commercial Code) and a fiscal level (Art. 302 Septies A ter A of the French Tax Code).

The super-simplified accounting simplification measures allow :

- Consideration of cash receipts and cash disbursements,
- No justification needed for overheads paid in cash up to 1 % of the turnover, with a minimum of €150,
- Use of a schedule prepared by the tax authorities in order to calculate fuel costs,
- Simplified assessment of stocks (abatement on the sale price corresponding to the margin in effect on each category of goods) and of the work in progress (assessment according to the amount of deposits claimed from customers before invoicing).

- Recording of movements :
 - from the settlement dates,
 - while breaking transactions down according to the breakdown of the GCA.

■ DISTRIBUTION OF TASKS

The roles of each person

Regardless of the company's size, its administrative organisation requires a definition of each person's roles in the performance of daily tasks.

In the case of a company in which a staff member has been entrusted with administrative and accounting functions, there must be precise rules for handling correspondence (outgoing and incoming mail), keeping cash and chequebooks, and filing.

In principle, no one should have simultaneous access to securities, validation of the supporting documents and posting of the relevant transactions.

Distribution of roles between you and your chartered accountant

In case of a structure with no staff, it is necessary to clearly specify the division of work between the company and the accounting firm.

If the latter looks after the accounting records and related controls, the business operator will have to ensure the numbering of documents, their filing and storage, regular verification of cash operations (bank, cash) as well as the monitoring of accounts receivable (uncollected customer invoices).

■ DOCUMENT RETENTION RULES

The filing of a company's administrative and accounting documents must meet the following 2 criteria : chronological classification and classification by nature.

Accounting records must be filed in chronological order and in separate files according to the nature of the administrative records.

The presentation of accounting and supporting documents to the administration is mandatory when requested. The Commercial Code requires that registers be kept : the Journal, the General Ledger.

We remind you that the firm never archives the original documents of its clients.

We recommend that all of your documents should be filed in archive boxes, while listing the contents and the period to which the documents relate on the box.

If the company uses computerized accounting, we recommend following these steps :

- Retrieve the closing entries from your accounting firm,
- Compare the resulting trial balances,
- Print out the journals for the year and the General Ledger,
- Make a backup and keep it outside of the company.

SHEET 16

Accounting

Purchases / Suppliers



WHAT YOU MUST REMEMBER :

It is important to maintain a « supplier » file, to use purchase orders and delivery slips, to verify invoices, to record supplier invoices in a schedule, to periodically monitor supplier credit notes, to monitor overhead and to verify the filing of invoices.

■ CHOICE OF SUPPLIERS

In the same way as for customers, the company must maintain a « suppliers » file that records the addresses, contact persons, sales conditions and payment methods.

Every order must be formalized by an order form or some other means (letter, e-mail, fax...).

Orders placed by telephone must be confirmed in writing.

■ RECEIPT OF ORDERS

Upon receipt of the order, check the conformity between the delivery slip and the delivery.

In case of disagreement (e.g. : quantity delivered or merchandise condition), immediately make a written reservation on the delivery slip or a written complaint to your supplier.

Goods arriving at the company must be accompanied by a delivery slip. These are filed pending arrival of the invoice.

■ FILING OF SUPPLIER INVOICES

This mainly includes invoices for the following :

- Purchases of goods (resold as they are),
- Raw materials (intended for manufacturing a product) or subcontracting,
- Fixed assets (durable goods owned by the company and not intended for resale),
- What are commonly known as « overhead » (electricity, office supplies, rent, insurance, fees, advertising, hotels, travel, restaurants, telephone, etc.), except in case of separate processing of a reimbursement by means of an expense report.

When the invoice is received, an internal order number (example : 04/09 for the fourth item in September) is entered on the first copy by the secretary.

An identical number is assigned to each copy received (this internal reference establishes a precise link between documents and the accounting entry).

VERIFICATION OF INVOICES

Check the invoice against the purchase order and delivery slip.

The invoice is approved for payment after verification.

Payment should only be made on the basis of an original document.

The invoice must indicate the payment date and method.

PURCHASE RETURNS

A credit memo is received for purchase returns and must be filed according to its internal order number.

This document must adhere to the same method of accounting, filing, and numbering as invoices (except for the indication « credit note » which must appear distinctly on the document).

OVERHEAD COSTS

A similar organisation must be implemented in order to meet the following objectives : verification of the delivery or service, verification of the invoice and payment.

For expenses personally incurred and disbursed, prepare a monthly summary statement to record only one lump sum payment for reimbursement (attach receipts).

A credit card receipt can under no circumstances be considered as an invoice or supporting document.

SHEET 17

Accounting

Sales / Customers



WHAT YOU MUST REMEMBER :

It is important to maintain a « customer » file, to use purchase orders and delivery slips as relevant and depending on the activity, to quickly prepare invoices, to maintain a record of payments to be received and to monitor compliance with payment schedules.

CUSTOMER FILES

As relevant, the company may have 2 files :

- An « item » file that will list all items (goods or products) offered by the company with their price, reference and packaging. Regular updating is imperative,
- A « customer » file that lists all customers with their addresses, the name of the contact person, sales terms, credit granted, and payment method.

RECEIPT OF CUSTOMER ORDERS

The company receives orders via the following means :

- In writing, by post, e-mail or fax,
- By telephone,

- Taken by representatives and sales staff where applicable.

Upon receipt, the orders must be forwarded to the person in charge who will examine the customer's price, payment, delivery and credit conditions.

As needed by the activity, a summary document (purchase order or delivery slip) must be drawn up and include the following information :

- Customer's name and address,
- Delivery address,
- Identification of the representative,
- Exact description of the products,
- Delivery time limits,
- Ordered quantities,
- Unit prices,
- Payment terms.

FILING OF CUSTOMER INVOICES

Based on the commercial legislation, sales must - or not - result in the preparation of an invoice.

For example, a merchant is not required to issue an invoice when selling food to an individual.

On the other hand, a company that sells goods to other companies is obliged to issue an invoice.

Sales are organised and recorded differently in the two cases.

Cash sales

They exist mainly for retail activities.

These sales are recorded according to the nature of the receipts (cash, cheques, cards, etc.).

Companies are also allowed to record cash transactions globally, at the end of the day, for retail sales or services provided to individuals, if their unit amount does not exceed €76 including tax.

A daily cash sheet must serve to :

- Check the cash register balance at the end of the day according to the inflows and outflows, by payment method (cash, cheques, cards...),
- Itemize sales by the applicable VAT rate (if the company uses several VAT rates) and according to the indications of the management, for the purposes of monitoring the company's business and profitability.

Sales with invoicing

Invoices are issued by the business operator (or assistant thereof) on the basis of delivery slips marked « To be invoiced ».

We recommend that you issue invoices in a minimum of 3 copies.

If a delivery slip has been issued, it will be stapled to copy n°3 of the invoice.

Invoices are then arithmetically checked and placed in the « pending accounting - not paid » file, if payment has not yet been made.

Copy n° 1 is then sent to the secretary for mailing.

All goods leaving the company and services performed before the end of the fiscal year must be invoiced.

The pre-numbering of purchase orders and delivery slips facilitates the preparation of invoices and subsequent verifications.

Indicate date and payment method in the invoice, this will be useful in case of any reminders.

Merchandise returns result in the issue of a credit note, that must be filed after the invoice sequence.

It must follow the same accounting, filing and numbering method as invoices (but while clearly indicating « credit note » on the document).

Invoices and credit notes must be kept for 10 years.

SALES RECEIPTS

The accounts receivable must be regularly monitored so as to react immediately to any late payments.

The management of accounts receivable must be monitored very carefully.

As soon as the bank receives the collection or collection notice, this will be mentioned on copy n° 2 « settled on... by...». This copy is attached to the customer file.

WARNING

The mandatory information in the invoices must not be overlooked.

Cf. Corresponding sheet.

SHEET 18

Accounting Stocks



INVENTORY

It is an exhaustive survey of the stock at a given place and time. At the end of each accounting period or at least once every 12 months (if the period exceptionally exceeds this duration), a physical inventory of your company's various stocks must be prepared. The inventory must be performed on the closing date of the fiscal year.

The following are included in the inventory: goods, raw materials and consumables, products and work in progress, finished products, packaging.

But take note : only things owned by your company should be taken into account, including anything held in custody by third parties (subcontractors, forwarding agents, ancillary depots).

The following must be recorded for each item :

- Reference,
- Quantity,
- Cost price excluding taxes.

Each item's unit and total value must be indicated.

WARNING

The absence of an inventory may be grounds for rejection of the accounting.

RAW MATERIALS, FINISHED PRODUCTS, GOODS

The cost price corresponds to the purchase price, less discounts, rebates and reductions, but with the addition of transport costs, subcontracting costs and customs duties.

WORK IN PROGRESS, FINISHED GOODS, PRODUCTION AND SERVICES IN PROGRESS

The cost price includes :

- The cost of acquiring materials,
- Direct production costs, i.e. costs that are unambiguously assigned to the product or study,

- The share of indirect production costs.

For service activities, the production cost will consist mainly of the cost of labour.

In manufacturing activities, the production cost will consist of the production manpower, machinery depreciation, and energy consumed by the production tool.

PROVISIONS FOR IMPAIRMENT

When losses are probable on the inventory date, a provision for impairment is recorded. We recommend that you keep a separate record of the products in question.

NOTE : For the impairment calculation method, contact your chartered accountant.

WARNING

Retain the details of the inventory and any proof of valuation.

SHEET 19

Accounting Cash



WHAT YOU MUST REMEMBER :

It is important to separate your personal assets from those of your company, namely via separate bank accounts, to only make payments on the basis of supporting documents, to be precise in the wording of your bank documents and to keep a petty cash book for which the balance must align with the physical cash.

YOUR COMPANY'S CASH AND YOUR PERSONAL ASSETS

A strict distinction is mandatory between your personal assets and those of your company, particularly with regard to withdrawals and cash contributions.

In case of a tax audit, if any inconsistency appears between the deductions, personal contributions of the business operator and her/his « lifestyle », the auditor may have to make an adjustment.

The application of these principles firstly requires the opening of separate personal and business bank accounts, with each account being used only for transactions corresponding to its function.

For business expenses, avoid taking cash from the cash register and, in this case, attach the receipt to the cash report.

If an operation of this type is performed by another staff member, the business operator must be able to check these operations at all times.

SIGNING OF PAYMENT ORDERS

All payments (cheques, bills of exchange, etc.) must be signed by the business operator on the basis of the original supporting document. Signing cheques or transfer orders without mentioning the beneficiary is dangerous.

Regardless of the payment method, no transaction is performed without documentation for the expenditure.

Care must be taken to ensure that all payment instruments are completed in full and submitted to the business operator (or other person authorised by the latter) for approval and signature.

PHYSICAL CASH INVENTORY

At all times, the cash accounting balance must match the physical balance of cash in hand. Periodic cash audits ensure this equality.

To perform this control, the cash held in the cash register must be counted, and the « cash control » form must be filled out.

This procedure provides constant monitoring of changes to the cash balance and quickly brings to light any possible credit balance. Irregularity in the accounting can be presumed from the existence of such a balance.

The control form must be signed, after verification and validation, by an authorised manager.

PROTECTION OF CASH AND EQUIVALENTS

Every director will ensure that blank cheques are locked in a cabinet or safe.

Keeping large sums of money in the cash register is strongly discouraged. The amount of cash on hand should never exceed the amount insured in case of theft.

Bank deposits should be made as soon as possible.

RECEIPT OF CHEQUES

It sometimes happens that the issuer of a cheque does not mention the name of the payee. These practices should be prohibited and the order should be written by hand by the person signing the cheque.

If an incomplete cheque is received, it must without fail be immediately completed by stamping it to the order of the company, as soon as the envelope is opened.

Similarly, the endorsement must be filled in, while indicating the bank account number at the relevant institution.

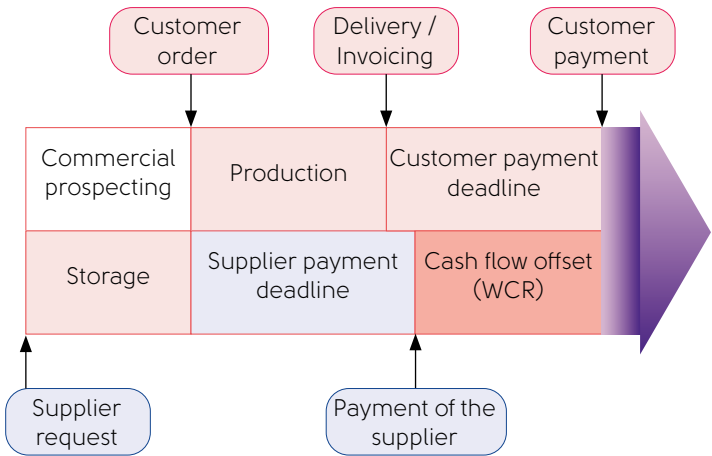
BANK RECONCILIATION

A bank reconciliation, at least monthly, must be performed between the bank journal and the bank statements.

As part of your company's management and based on your needs, appropriate and complementary tools can help you to very effectively monitor your cash flow.

CASH FLOW NEEDS OF A PRODUCTION ACTIVITY

Chronological flow of the relationships between cash, purchases and sales



This diagram summarizes the cash flow offset for a production activity.

The company must finance the period (in red above) between the moment when it pays its suppliers and the time that customers pay for their own purchases.

SHEET 20

Accounting Taxation



WHAT YOU MUST REMEMBER :

It is important to promptly provide your accounting firm with all forms received from the administration, and to include the tax expenditure forecasts in a schedule.

ORGANISATION AND PROCESSING

In terms of taxation, the organisation and processing of the main tax declarations are managed by the accounting firm according to your chosen division of tasks, as indicated in the engagement letter that you have signed.

The forms received from the administration must be promptly sent to the accounting firm in order to take into account the time required to process and draw up the tax documents.

TAX SCHEDULE

The forecasts of tax expenses will have to be included in a schedule.

Certain declarations are spontaneous. The taxpayer is responsible for preparing the declaration and making a payment, whether or not the tax declaration form (VAT, CFE, corporation tax, etc.) has been received.

Other taxes are collected by means of a roll (property tax, etc.).

The taxpayer is not responsible for any delayed receipt of the collection notice.

WARNING

Serious consequences (penalties, loss of certain tax allowances or benefits, etc.) can result from the delayed filing of tax declarations or payments.

SHEET 21

Accounting

Personnel management



WHAT YOU MUST REMEMBER :

Given the constantly changing social texts, it is essential for your company to monitor and apply the social legislation. Even greater care

is required if you decide to look after the payroll of your employees yourself.

For more information, see « The Employer's Social Guide - 2021 Edition ».

INDIVIDUAL FILE

An individual file should ideally be prepared when hiring, that will include :

Hiring

- CV, diplomas, driving licence, references...,
- Copies : Identity card, social security certificate, residence permit, DPAE (pre-hiring declaration), insurance and health insurance enrolment, RIB (bank account information),
- Signed employment contract,
- Medical fitness form (hiring),
- Receipt of the notice relating to protection and mutual insurance contracts,
- Copy of the public transit pass or vehicle registration document of the personal vehicle

Fulfilment of the employment contract

- Requests for paid leave or absences,
- Workplace accident declaration,
- Notification of illness, maternity, workplace accident,
- Medical aptitude forms (resumption and periodic),
- Prevention sheet for certain occupational risk factors,
- Requests for advance payments,
- Correspondence.

Termination of the employment contract

- Resignation letter,
- All letters prepared as part of the procedure for interrupting the employment contract with notifications sent by registered mail (dismissal, contractual interruption, retirement...),
- Employee's option for the portability of the protection plan,
- Full and final settlement signed by the employee, work certificate, Pôle Emploi certificate.

WARNING

Some of the data contained in employee files are confidential, so be sure to keep these files in a place that can be accessed only by authorised personnel members. An employee's file can be archived (but not destroyed) once this employee has left the company.

SHEET 22

Accounting

Taxation of business results



WHAT YOU MUST REMEMBER :

Profits made by companies constitute income subject either to income tax in the BA, BIC, or BNC categories depending on the nature of the operations, or to corporation tax (the company is liable for the tax). In the BIC category, these rules are similar for corporation tax or income tax, but there are specific features for the calculation of the corporation tax basis. The rules defining the taxpayer, the taxable matter, the calculation and the applicable rates depend mainly on the company's legal status.

INCOME TAX OR CORPORATION TAX ?

Persons subject to corporation tax :

As of right	On option
<ul style="list-style-type: none"> SA / SAS / SCA / SARL / EURL (if the sole shareholder is a legal person) / SCS for the limited partners' share 	<ul style="list-style-type: none"> SNC / EURL (if the sole shareholder is a natural person) / EURL / SCS for the general partners' share / Associations...
<p><i>The following may opt for the partnership regime: family SARL / SAS and SARL created within the last 5 years can opt for the partnership regime (under conditions)</i></p>	
Persons liable for income tax in the BIC category ⁽¹⁾	
<ul style="list-style-type: none"> Sole merchant / Partner in partnerships / Partner in EURL / General partner in limited partnerships 	

TAX TERRITORIALITY

BIC taxation depends on the tax domicile of the person in question and the origin of the income.

A person is considered to be a tax resident of France if her/his home is located in France or if her/his main place of residence is France, or if s/he performs a professional

activity in France, unless s/he can prove that this activity is performed on an ancillary basis, or if s/he has the centre of her/his economic interests in France.

Corporation tax

Tax residence	Company active in France	Company active abroad
Supplier with its registered office in France	Subject to corporation tax	Not subject to corporation tax for operations performed abroad ⁽²⁾
Company established abroad	Subject to corporation tax for operations performed in France ⁽²⁾	Not subject to corporation tax

Income tax

Tax residence	Company active in France	Company active abroad
Income from French sources	Subject to income tax in France	Subject to income tax in France
Revenues from foreign sources	Subject to income tax in France	Not subject to income tax in France

⁽¹⁾ Profits from the performance of a commercial, industrial or craft profession.

⁽²⁾ In stand-alone establishments or through representatives or that form a complete business cycle.

TAXATION REGIMES FOR BICS



➔ It is possible to change from the... regime to the... regime (before 31 January N).

Micro regime	
Tax liability according to the pre-tax turnover	<ul style="list-style-type: none"> • Sales ≤ €176,200 • Service providing ≤ €72,500
Accounting obligations	Register of purchases and journal of proceeds
Establishing of the taxable income	By the administration that applies an abatement on the proceeds
Tax declarations	At the end of the calendar year, the income is reported in the tax declaration

Simplified real regime (RSI)	
Tax liability according to the pre-tax turnover	<ul style="list-style-type: none"> • €176,200 < Sales ≤ €818,000 • €72,500 < Service providing ≤ €247,000
Accounting obligations	<ul style="list-style-type: none"> • Possibility of opting for the super-simplified accounting (cash accounting, flat-rate valuation of stocks, etc.) • Simplified presentation of annual financial statements (abbreviated system) • Exemption from having to prepare the appendix
Establishing of the taxable income	By the company, on a table included in the tax forms
Tax declarations	At the end of the year, income tax declaration and simplified tax forms (2033A to 2033G)

Normal real regime (RN)	
Tax liability according to the pre-tax turnover	<ul style="list-style-type: none"> • Sales > €818,000 • Service providing > €247,000
Accounting obligations	<ul style="list-style-type: none"> • Complete bookkeeping (Commercial Code) • Preparation of annual financial statements (basic system) • Production of the appendix
Establishing of the taxable income	By the company, on a table included in the tax forms
Tax declarations	At the end of the year, income tax declaration and simplified tax forms (2050 to 2059G)

APPROVED MANAGEMENT CENTRES & ASSOCIATIONS

Being enrolled in a CGA or AGA offers tax advantages to people who are subject to income tax based on the normal or simplified real regime :

- No 25 % surcharge on taxable income for the calculation of the taxable result,

- Members who normally fall under the micro-enterprise regime and who have opted for a real tax regime are entitled to a tax reduction. This reduction applies to their accounting and management body membership fees. The amount of these fees must be reported on the personal income tax declaration of the members.

The reduction is equal to two thirds of the expenses incurred for the fiscal years starting after 1 January 2016. **The reduction is limited to €915 and can never exceed the amount of income tax due.**

Bear in mind that the 2021 finance law anticipates the end of the surcharge for non-membership in a CGA for the 2023 fiscal year.

SHEET 23

Taxation

Corporation tax



WHAT YOU MUST REMEMBER :

In companies and other legal persons subject to corporation tax, profits are first subject to corporation tax (CT) in the year in which they are earned.

The company is liable for this tax on all of its profits, whether or not they are distributed to the partners.

■ TAX RATES

Normal rate

The standard CT rate is 26.5 % but follows a gradual reduction from 33.1/3 to 25 % for all companies by 2022.

It concerns all taxable profits and capital gains that are not eligible for the application of one of the reduced taxation mechanisms mentioned below.

Gradual reduction of the standard rate of corporation tax

For fiscal years starting on or after 1 January 2021, all profits will be taxed at 26.5 % for companies with a turnover below €250 million (excluding the 15 % reduced rate for eligible SMEs on the fraction of their profits not exceeding €38,120).

Above this turnover threshold, the standard CT rate 2021 is 27.5 %.

For large companies, it applies to the fraction of taxable profits exceeding €500,000.

Finally, the standard rate is expected to be 25% as of 1 January 2022.

Reduced rate

Small and medium-sized companies are automatically entitled to a reduced 15 % rate on a fraction of their profits up to a limit of €38,120 per 12-month period if 3 conditions are met simultaneously :

- SMEs that achieve, during the fiscal year or tax period, a pre-tax turnover, considered over 12 months, if necessary, of under €10,000,000,
- For companies, the capital must also be fully paid up at the end of the fiscal year,
- At least 75 % of the capital must be held by individuals or by companies with a turnover of under €10,000,000, in which at least 75 % of the fully paid-up capital is directly held by individuals.

Additional contributions

Social contribution: 3.3 % of the CT amount exceeding €763,000 for companies with a turnover of more than €7,630,000.

PAYMENT OF CORPORATION TAX

Corporation tax is calculated by the company itself and paid spontaneously to the public accountant of the place where the income tax declaration is filed.

This spontaneous payment system includes :

- First, the payment of quarterly instalments based on the N-1 profit,
- Then, at the end of the fiscal year, settlement of the tax actually due and payment of any corresponding balance.

Instalments : number of payments

For each fiscal year, the corporation tax is normally paid in 4 instalments on fixed dates.

These instalments must be paid on or before 15 March, 15 June, 15 September and 15 December, in an order that depends on the previous fiscal year's closing date.

Teleprocedures

Remote declaration and remote payment are mandatory for the CT.

SHEET 24

Taxation

Taxation of dividends



WHAT YOU MUST REMEMBER :

Since 1 January 2018, dividends received by a taxpayer are automatically taxed at a single flat rate of 30 % (« flat tax »).

However, the taxpayer may formally opt to have her/his dividends taxed using the income tax progressive scale.

30 % FLAT TAX ON DIVIDENDS

The 30 % flat rate tax consists of 2 components :

- 12.80 % income tax,
- 17.20 % social security levies.

The flat tax is not a full discharge, taxpayers will have to continue declaring the savings income whether or not they have already been subject to the flat tax.

They can opt for taxation using the income tax progressive scale.

POSSIBLE OPTION FOR TAXATION OF DIVIDENDS USING THE CT PROGRESSIVE SCALE

Under the tax regime, it is possible for interested taxpayers to opt for taxation using the income tax progressive scale.

The tax option using the scale provides certain benefits :

- 40 % abatement on dividends,
- Deductible CSG (6.8 %),
- Abatements based on the length of the holding period, for securities acquired before 1 January 2018.

The option for the « flat tax » application is global for the relevant income.

As such, it is not possible to mix and match the tax system by opting for the « flat tax » for certain capital income and taxation using the CT scale for other income in the same category in the same year.

HOW TO CHOOSE BETWEEN THE FLAT-RATE TAX AND THE PROGRESSIVE SCALE ?

The option to use the income tax scale is now only worthwhile in 2 cases :

- If the taxpayer is not subject to income tax (only social security levies at 17.2 % apply),
- If the taxpayer is subject to the 11 % tax bracket.

SOCIAL SECURITY LEVIES FOR UN-SALARIED DIRECTORS

The portion of dividends received by all non-salaried managers (majority manager of a SARL, sole partner of a EURL, partner of a SNC, their spouse, their civil union partner or their minor children, who perform their activity in a company subject to corporation tax), is subject to social security levies for the fraction exceeding 10 % of the share capital, issue premiums and sums paid into current accounts belonging to the non-salaried person.

These dividends must be declared to the social security system for the self-employed, according to the estimated income declaration system, within 30 days of their receipt.

Similarly, EIRLs that have opted for corporation tax must, in their business income, include the portion of dividends that exceeds 10 % of the value of the allocated assets, or 10 % of the net profit if it exceeds the aforesaid threshold.

SHEET 25

Taxation

Value Added Tax regimes



WHAT YOU MUST REMEMBER :

VAT, or Value Added Tax, is an indirect tax paid by consumers and collected by businesses.

It represents the difference between a price excluding tax (HT) and a price including tax (TTC).

Natural or legal persons who are subject to taxation are concerned by the VAT.

A taxable person is a natural or legal person who performs an independent economic activity, while acting as such, on a regular basis.

This activity must have a direct consideration : the desired profitability of the operation. Professional activities fall under this definition.

The qualification of professional activity applies for tax purposes when 2 elements come together :

- Profitability of the activity,
- Recurrence of the events.

If the operations are repeated during the year, this condition is met.

The following actions are subject to VAT :

- Sales,
- Services,
- Intra-Community acquisitions (ICA),
- Imports.

Persons performing such operations are taxable persons subject to VAT.

■ VAT FREE

This regime avoids the need to pay VAT, and therefore to fill out a **VAT declaration**. In return, you cannot charge VAT to your customers.

Companies eligible for the VAT exemption must have a turnover below :

- **€85,800** for other commercial activities and accommodations,
- **€34,400** for service-providing activities.

VAT : SIMPLIFIED REAL REGIME

The companies concerned by the taxation simplified real regime are :

- For service-providing : companies with a turnover between **€34,400** and **€247,000**,
- For commercial activities and accommodations : companies with a turnover between **€85,800** and **€818,000**,
- Companies must also have an annual VAT amount below €15,000.

For this regime, companies must make a single declaration per year, no later than the 2 working day after 1 May, in order to summarise all of the previous calendar year's taxable operations.

How and when to pay VAT under the simplified real regime ?

Companies pay in 3 instalments :

- **The first in July** (55 % of the VAT due for the previous year),
- **The second in December** (40 % of the VAT due for the previous year),
- Any possible **balance** must be paid at the time of the electronic transmission of the annual adjustment declaration.

If the annual VAT amount owing is below €1,000, the above instalments are not required.

The advances must be paid electronically from your professional area on www.impots.gouv.fr.

VAT : NORMAL REAL REGIME

The companies concerned by the taxation normal real regime are :

- For service-providing : companies with a turnover above **€247,000**,
- For commercial activities and accommodations : companies with a turnover above **€818,000**,
- Companies with an annual VAT amount that exceeds €15,000.

How and when to pay VAT under the normal real regime ?

Under this regime, collected VAT must be declared and paid each month online from your professional area on www.impots.gouv.fr.

If the annual VAT amount owing is less than €4,000, you can opt for a quarterly declaration and payment.

SHEET 26



Taxation

Intra-Community exchanges

WHAT YOU MUST REMEMBER :

In the European Union, most commercial exchanges are conducted freely.

However, not all of them are free of formalities.

DECLARATION OF EXCHANGES OF GOODS

If you are liable for VAT and you introduce or ship goods

from or to the European Union, you must file a Trade of Goods Declaration (DEB) once a month, depending

on the amount of pre-tax sales and/or purchases made within the EU.

	Obligation level	
	Upon introduction	Upon shipment
Pre-tax amount / year		
< €460,000	-	Simplified declaration
> €460,000	Detailed declaration	Detailed declaration

EUROPEAN SERVICES DECLARATION

Since 1 January 2010, companies providing services to companies established in other Member states of the European Community must prepare a European Services

Declaration (ESD) in order to summarize the completed operations.

Services in question : any that result in a VAT reverse charge by the customer identified in the other EU Member state.

On the website www.pro.douane.gouv.fr you will find :

- The tools needed to monitor the « product » nomenclatures,
- Dematerialization tools for the DEB and ESD.

SHEET 27

Taxation

Keeping track of your cash register

WHAT YOU MUST REMEMBER :

The legislation is very specific in terms of how merchants must maintain their cash registers.

Keeping a good record of your cash register is essential in order to avoid certain tax risks.

PRINCIPLES FOR MAINTAINING THE CASH REGISTER

Anomalies in the maintenance of the cash register may cause the accounting to lose its probative value. The following principles must therefore be applied.

Every merchant must keep a cash book in order to record day-to-day cash operations (inflows and outflows). In principle, the cash book should only record cash operations.

However, for convenience, in retail trade, in cafés-hotels-restaurants and with service providers (hairdressers for example), the cash book can record all of the day's receipts, whatever the collection method (cash, cheques, bank cards, etc.).

However, the cash book may only record cash expenses and withdrawals, or even, if necessary, bank deposits (cash, cards, cheques, etc.).

When the daily sales movements are few and when their breakdown by sale type and by VAT rate is simple, the details of the receipts can be entered directly in a cash book.

When there are many daily sales movements or when their breakdown by VAT type and rate is complex, a specific support is used to justify the details of the receipts (cash register tape, cash flow sheet, ledger). In this case, the cash book simply summarizes the day-to-day proceeds.

The administration accepts that proceeds with a unit amount below €76 are recorded in their entirety at the end of the day, provided that they have been paid for in cash and that the supporting documents detailing these operations (cash register, fee slips, etc.) are retained.

The main function of the cash book is to allow monitoring of the cash in the cash register at the end of the day. The balance will be determined each day from the cash book data in order to be reconciled with the actual balance, which is also counted each day. The reconciliation is crucial : In principle, the actual balance and the balance determined from the cash book are identical.

USE OF A COMPUTER OR CASH REGISTER SYSTEM

Cash register tapes

The use of a cash register and the keeping of the tapes tracing all completed sales provide a simple way for a merchant to justify the details of receipts. However, the tape must mention the sale date, the description and selling price of the articles or services.

■ PETTY CASH BOOK

This document is used by the merchant for a handwritten record of the details of her/his daily sales as they are made.

It can be treated as a cash register tape and must contain the same information.

The petty cash book and cash register tapes are important elements that must support the details of the receipts. Their maintenance must be completed by that of the cash book.

Use of a computer system

A computer system can replace a paper cash book if it performs the following functions :

- Recording and justifying the details of receipts (like a cash register),
- Recording details of all other cash movements (receipts other than cash receipts and outflows),
- Determining the cash balance,
- Printout of the log of these operations.

Warning : As of 1 January 2018, merchants and other professionals, subject to VAT, that record payments by their customers using a software program or computerized

cash register system are obliged to record customer payments by means of a secure and certified software or cash register system.

Those that do not use accounting or management software or a cash register system (paper-based cash register or a stand-alone cash register without a recording function) are not affected by this obligation.

Case of self-employed professionals

Persons in the liberal professions, except those having the status of trader or that are subject to commitment accounting, must keep a journal, compiled on a daily basis and showing details of their professional income (regardless of the collection method) and of their professional expenses.

Regardless of the profession, this journal must indicate the client's identity and the amount, date and form of payment of any fees.

However, for professions subject to professional secrecy, the administration allows the client's identity to appear in a document other than the journal, which will be attached to it.

With regard to payments by cheque, only the totals of bank remittance slips may be recorded, provided that these slips contain the information required by tax rules, the identity of the various drawers and are kept in support of the accounting.

■ LIMITATION OF CASH PAYMENT

The use of a cheque, postal or bank transfer is mandatory for the following transactions :

- Payments exceeding the sum of €1,000, made by individuals domiciled in France or by professionals, for the purposes of their activity,
- Payments in excess of €15,000 made by individuals not domiciled in France,
- Salary and wage payments exceeding €1,500, for at least one full month. Splitting an amount into several payments does not provide a means to escape the above limits.

In case of violation, the penalty is a tax fine equal to 5 % of the amounts wrongly paid in cash.

SHEET 28



Taxation

Obligations regarding cash register software or cash registers

WHAT YOU MUST REMEMBER :

The 2016 finance law introduced a requirement for merchants and other professionals to record customer payments.

■ SINCE 1 JANUARY 2018

Since 1 January 2018, merchants and other professionals subject to VAT, using a computerized cash register software or system, are obliged to record customer payments by means of a secure and certified cash register software or cash register system.

This measure is intended to combat VAT fraud linked to the use of software that enables receipts to be concealed.

This obligation will make it impossible to commit fraud, which involves using fraudulent software to reproduce cash receipts while removing cash payments from the accounting.

■ NEW OBLIGATION

The chosen system must meet the following requirements :

- Unalterability,
- Securitization,
- Retention,
- Data archiving,
- Certification by an accredited body or individual attestation issued by the vendor.

■ EXISTING SYSTEMS

There are currently various computerized cash collection systems, more commonly known as « cash registers » :

- Stand-alone cash registers that cannot communicate with other systems or a centralised system,
- Cash register systems that communicate with each other (several payment terminals linked to a software program), without including accounting and financial management,
- The more elaborate cash register systems that communicate with each other and are fully integrated, while also providing the accounting and stock management.

■ ENSURING COMPLIANCE

There are different solutions for complying with the regulations :

- By purchasing new certified or individually accredited cash register software from the software vendor, if the cash register system cannot be updated,
- By updating the cash register software, which should be possible for inter-connected cash register software and that may or may not provide accounting and financial management.

■ PENALTIES

In case of an inspection, companies must be able to present a certificate from the software vendor or an accreditation issued by an accredited body.

In France, it is the AFNOR, that has referenced the certification under the NF 525 standard.

In case of violation of the compliance obligation, a fine of €7,500 per software or cash register system will be imposed.

This fine may be added to any back-taxes and penalties that would apply following an audit of the company's accounting, relative to the receipts potentially concealed by the fraudulent software.

■ COMPLIANCE DEADLINE

In case of non-compliance, a deadline for compliance is set by the tax authorities.

The defaulting company will have a period of 60 days from the drafting of the official report by the agents, following the inspection performed on the company's premises.

■ SELECTING CASH REGISTER SOFTWARE

It is important to choose the right cash register software. There are many of them. Here are a few points to consider :

- Accreditation,
- Interface,
- Licences (single-user, SaaS...),
- Ease of use,
- Maintenance contract,
- Updates,
- User hotline,
- Service continuity guarantee,
- Total cost of ownership,
- Is the program suitable for the industry ?

The acquisition of cash register software can be costly, which is one of the reasons why lawmakers have set a deadline of 2 years for companies to comply.

It is best to anticipate compliance so as to make the best choice.

SHEET 29

Taxation

Accounting Entries file



WHAT YOU MUST REMEMBER :

Since 1 January 2014, tax audits of computerized accounting systems have become mandatory and more frequent.

As such, any taxpayer maintaining computerized accounting must comply with an obligation known as « presentation of accounts ». It is essential to ensure that your accounting software is able to create the FEC (Accounting Entries File) !

■ NATURE OF THE OBLIGATION

For audit notices sent after 1 January 2014, the taxpayer must provide the administration with its Accounting Entries File (FEC), at the start of the audit operations.

It must be provided on an electronic medium (CD-Rom, USB key, external hard disk).

The FEC is a file extracted from the accounting and that must adhere to a format provided by the administration, which allows it to analyse the accounting more quickly and to prepare its audits.

■ RELEVANT TAXPAYERS

The following taxpayers are concerned by this new obligation :

- Industrial and commercial companies subject to a normal or simplified real tax regime,
- Taxpayers under the BIC micro regime,
- Companies subject to non-commercial profits (controlled declaration regime),
- Agricultural enterprises subject to the normal or simplified real regime.

In fact, only taxpayers with manual bookkeeping and agricultural enterprises under the flat-rate regime continue to be excluded from this mechanism.

■ FEC FORMAT

The Accounting Entries File must adhere to the following format :

- A single file per fiscal year,
- A flat file or XML file, respecting the structure of the XSD, made available on the site www.impots.gouv.fr,
- The entries therein are classified in chronological order of validation, after inventory transactions, excluding centralisation entries and before determination of the accounting result.

The FEC contains a minimum of 18 fields, depending on the taxpayer's taxation category.

Minimum FEC information	
1 - Entry journal code	10 - Date of supporting document
2 - Entry Journal label	11 - Entry name
3 - Nature, on continuous entry sequence	12 - Debit amount
4 - Entry recognition date	13 - Credit amount
5 - Account number	14 - Entry matching
6 - Account name	15 - Matching date
7 - Subledger account number	16 - Entry validation date
8 - Subledger account name	17 - Foreign currency amount
9 - Supporting document reference	18 - Currency identifier

Additional columns are required for :

- BNC cash accounting 22 columns,
- BA cash accounting 21 columns.

They concern the identification of customers and suppliers.

Special note : unused fields should be left blank.

It must contain all of the accounting data and entries recorded in all accounting journals for a fiscal year.

For each entry, the FEC must indicate the 18 accounting information elements referenced above and, in any case, the taxpayer must provide all accounting information recorded in its information system.

SEVERAL POINTS SHOULD BE NOTED

- There is a suspension of the 3-month period applicable to accounting verification operations in SMEs until the FECs are submitted to the administration,
- The tax authorities must destroy the files before they are sent for collection, but there is no way of verifying that the files have actually been destroyed,
- In case of external bookkeeping, the obligations remain the same.

PENALTY

SHEET 30

Information technology

Hardware and software



WHAT YOU MUST REMEMBER :

The day-to-day importance of computers requires that a careful choice be made of any equipment, both in terms of hardware and software, and relative to their level of protection.

■ COMPUTER HARDWARE

A certain degree of uniformity is desirable when purchasing hardware, while giving preference to a supplier that can provide true after-sales service.

Depending on the size of your IT hardware, it is best to choose an extended warranty, with on-site servicing.

In addition to extended warranties, you may also want to sign a maintenance contract in order to resolve any hardware problems as quickly as possible.

■ SOFTWARE

Each workstation using software must have its own licence.

Some software providers perform unannounced verifications.

A regular audit of the stock of IT equipment must be performed in order to meet this obligation.

More and more applications offer « remote hosting » technology.

This process does away with the need for backups, it ensures regular updates and enables you to access your data from any computer connected to the Internet.

■ VIRUSES

The installation of an antivirus on all workstations is strongly recommended. Laptops and computers connected to the Internet are the most vulnerable to viruses.

This antivirus should be updated at least once a month.

SHEET 31

Information technology

Backups



WHAT YOU MUST REMEMBER :

A backup is the operation that involves duplicating and securing the data contained in a computer system.

The implementation of a backup procedure for company data is essential : backup of data, files, users...

FREQUENCY

It is recommended to run the backup procedure on different media :

- Every working day, after the end of the day,
- Each weekend,
- Every end of the month,
- Every end of the calendar year.

When properly set up, the backup program launches and selects all files available to users over the network.

MANAGER

It is also necessary to designate a trusted person to rotate (change) the backup media in the morning upon arrival.

STORAGE

Particular attention should be paid to the storage location of the media on which the backups are kept: either within the company, in a secure safe (beware of risks of theft, fire, etc.), or outside of the company (at the director's home, for example).

TESTS

Finally, it is recommended to test the backups from time to time so as to check their quality. Indeed, a hardware failure would prevent the data restoration.

ACCOUNTING AUDITS

Accounting audits are governed by specific texts, which give rise to obligations, notably with regard to archiving: Cf. The Accounting Entries File (Sheet 29).

NOTE : Increasing amounts of sensitive information can be transmitted via your mobile phone.

So don't forget to back up this device as well !



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