

SEVERAL OPTIONS TO DEVELOP YOUR ACTIVITY ABROAD
Non Stable Establishments – Only for representation purposes

1) The RFE – Representative Foreign Company: Acts on behalf of the foreign company and reverts all development issues for validation to the Parent Company. Can not be in charge of the whole commercial cycle or the Parent Company may risk a Tax requalification into a stable establishment.

2) The Liaison Office / Representative Office : Official Local Office only allowed to represent the Parent Company in terms of Marketing and B to B / C development. More than one individual can be employed by the Liaison Office. Can not be in charge of the whole commercial cycle or the Parent Company may risk a Tax requalification into a stable establishment.

5) The Fiscal Representative/Agent: Its role is to represent the Foreign Parent company for Tax & VAT issues when a stable establishment is not registered locally & when business transactions are requiring Tax & VAT to be declared locally.

Stable Establishments – French GAAP compliance

3) The Subsidiary: A French fully registered company whose registered /paid up capital is partially or fully owned by the parent company (ref: How to form SARL). Submitted to French accounting regulations & to French corporation taxes.

4) The Branch: Foreign Establishment - No paid up capital in France. Submitted to French accounting regulations & to French corporation taxes.

THE REPRESENTATIVE OFFICE

The representative office constitutes the first step on a new market allowing the parent company to analyse the competitors, the potential clients, the cultural impact, the potential partners and usefull business networks. The liaison office can also distribute brochures, advertise, promote the corporate image of the parent company and can prospect on this new market to test commercial inputs & outputs.

However, the representative office is **NOT allowed to negotiate and decide about contracting and can not be involved in full commercial cycle in France, meaning generating added value on its own.** The representative office has to remain involved PARTIALLY when considering the full commercial cycle. General conditions of sales, contracts and invoices have to be generated by the parent company.

If these conditions are not very strictly respected, it may cause major tax penalties in case of a tax control, as the Tax Office in France has the power to requalify a non stable establishment into a stable establishment and may require the 5 past years to be rebuilt in terms of accounts and potential profits.

However, at a social level, all employees of this liaison office are considered like any other french employees (except for training rights) and French regulations will have to be respected.

LEGAL status

The representative Office being registered with same legal datas than the parent company won't be required to have a separate paid up capital. The representative office is not a separate entity than the parent company. By consequence the registered name of the liaison office will be automatically the same than the parent company. If any court case concerns the liaison office, the parent company will be also automatically involved . By consequence, any expenses occurred to develop the liaison office will be reintegrated into the parent company accounts.

How to register a Liaison Office ?

Regulation has not yet sorted out the question of who is the single body in charge of the Liaison Office registration - like for the RFE. By consequence, your agent will have to know beforehand how the parent company wants to start its liaison office activity :

- If the liaison office intends to recruit straight away (during the first 3 months), the agent or the parent company will have to apply for registration with **URSSAF d'Alsace**, also in charge for RFEs registration & social contributions.

- If the parent company does not intend to recruit employees straight away for its liaison office (but only transfer existing employees for punctual missions for example) the application for registration will have to be filed :

- Either with the CFE of the Tax Office linked with the French address of the future Representative Office : domiciliation in a business center or an own rented office obtained by signing a short-term or commercial lease (called « 3/6/9 »).

- Or with the CFE of the French Companies House, by highlighting the fact that this representative Office will have no taxable activity at all. If by error the bad « tax code » is allocated to your new representative office, you may be requalified automatically as a Branch, being a taxable office....Be very carefull on this issue. It can be corrected in the early stage of registration by contacting the Tax Office & CFE again.

However, even if a bit tricky, this very last way to register the representative office makes it possible to obtain a KBIS. The other ways of registration are generating an « AVIS SIRENE » which is an official document slightly different but still proving your registration in France as a « Liaison Office / Representative Office » The SIREN number, SIRET number and APE Code will allow your representative Office to recruit employees in France at a later stage and initiate contractual agreements for utilities & telephone companies, as well as for registering a French Website address.

TAXABLE Status

Generating no commercial sales on its own, and not being in charge of the full process of sales, the Liaison Office / Representative Office » is not taxable in France - meaning corporation Tax .

Meanwhile, the « Taxe d'Habitation » (Council Tax) is due if the liaison Office has leasing premises in France & Social contributions are to be paid in France if employees are working in France for the liaison office - excluding detachment regulations.

French VAT REFUNDS

The liaison office /representative Office being not taxable can NOT register for VAT in France. To be able to get a refund of the French VAT paid in France -for example on rent, telephone, utilities, gasoil, tradefairs – the application for VAT refunds will have to be filed in by the parent company .

Please refer to our leaflet called « VAT REFUND ».

IF YOU NEED ADVICE OR ASSOCIATED SERVICES: PLEASE CONTACT US!
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