

France lowers Tax rate on SMEs

On 30 December 2016, The Finance Act for 2017 was announced, which included a progressive decrease in the Corporate Income Tax to 28%.

The corporate tax rate decreases from **33,33% to 28%** for SMEs (Small and Medium size Enterprises), on the first €75,000 of taxable income for Fiscal Year period opening **after 1 January 2017**.

Who benefits? This measure is to be **extended to all companies by 2020**, irrespective of their size and profits:

- In 2018, the tax rate of 28% applies to the first €500,000 of taxable income of all companies;
- In 2019, the tax rate of 28% applies to the benefits of all companies whose turnover does not exceed €1 billion;
- In 2020, the tax rate of 28% applies on the benefits of all companies, even those having a turnover above €1 billion.

What is the criteria?

Small and Medium-sized Enterprises (SMEs) are defined in the EU by:

- ▶ staff headcount; and
- ▶ either turnover or balance sheet total.

The **EU category** for Micro, Small and Medium-sized Enterprises consists of enterprises which:

- ▶ employ fewer than 250 persons; and
- ▶ have either an annual turnover not exceeding EUR 50 million or an annual balance sheet total not exceeding EUR 43 million.

Finding the SME category for each company:

To work out the data to be considered and assessed against the thresholds, a company must first establish whether it is:

- ▶ Autonomous: if the company is either completely independent or has one or more minority partnerships (each less than 25 %) with other companies;
- ▶ Partnership: if holdings with other enterprises rise to at least 25 % but no more than 50 %, the relationship is deemed to be between partner companies; or
- ▶ Linked: if holdings with other companies exceed the 50 % threshold, they are considered linked

The calculations for each of the three types of companies are different and will ultimately determine whether the company meets the various ceilings established in the SME definition. Depending on the situation, a company may have to take into account:

- ▶ only its own data for autonomous companies;
- ▶ a proportion of the data for partnerships;
- ▶ all the data for linked companies.



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