

Since 2013 the innovation expenditure incurred by SMEs also benefits from an extension of the CIR, the Innovation Tax Credit (CII). This covers expenditure on the design of prototypes of new products that have not yet been launched on the market or that have superior characteristics, or pilot installations for new products.

Validity: Persistent feature of the French tax code (continuously implemented).

How it applies: Eligible companies can claim the CIR annually to reduce tax liabilities or receive refunds, making France especially attractive for intensive R&D investors.

Eligibility criteria for the French Research Tax Credit (CIR):

Be subject to French corporate tax

(Any French entity, including foreign-owned subsidiaries)

Conduct qualifying R&D activities

(Fundamental, applied research or experimental development solving a scientific or technical uncertainty)

Incur eligible R&D expenses

(Researchers' salaries, equipment depreciation, subcontracted R&D, patents, overheads)

Maintain technical and financial documentation

(To justify the R&D nature and costs of the projects)

No profitability requirement

(The credit can be refunded if the company has no corporate tax due)

Sources:

- Business France - Key Indicators of French Economic Attractiveness
- French Ministry of the Economy - Crédit d'Impôt Recherche (CIR)
- OECD - R&D tax incentives comparison



FRANCE: A TAILORED TAX SYSTEM

Promoting Competitiveness and
investment

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① COMPETITIVE AND STABLE CORPORATE TAX ENVIRONMENT

France offers a competitive corporate tax framework for business, with the standard corporate tax rate at 25% for financial years starting on or after 1 January 2022, a major structural reduction compared with pre-2022 rates. France is consistently the top European destination for foreign investment since 2019, benefiting from strong infrastructure, talent, and support systems for investors.

Business France

Tableau de bord de l'attractivité de la France

Validity: Corporate tax rate is currently 25% (from 2022); foreign investment rankings based on Business France 2025 indicators.

How it applies: All companies setting up operations in France will pay 25% CIT on profits, with strong attractiveness signals from FDI rankings that support confidence for investors.

② IMPROVED COMPETITIVENESS THROUGH REDUCED PRODUCTION AND LABOR TAXES

France has implemented major reductions in local business and production taxes since 2021. Measures include the phasing-out of the CVAE (Business Value-Added Contribution) through 2027, significant reductions in property taxes for industrial establishments, and a capped territorial economic contribution rate. These reforms reduce fixed operating costs, particularly for industrial firms.

- Reduction in corporate income tax:

- The rate of corporate income tax (IS) has been reduced to 25% for all companies since 1 January 2022 (compared with 33.3% in 2016).
- The scope of the reduced rate of corporate income tax (15% up to €38,120 of profit) has been extended to companies with a turnover of €10 million or less.

- Massive and permanent reduction in local taxation and production taxes since 2021:

- **phasing-out of the business value added contribution (CVAE):** the CVAE rate, set at 0.375% in 2023, will be gradually lowered until the CVAE disappears altogether in 2027. The maximum rate, applicable to companies with more than 50 million turnover excluding tax, will thus fall to:
 - 0.28 % for 2024;
 - 0.19 % for 2025;
 - 0.09 % for the year 2026.
- **50 % reduction in property taxes for industrial establishments:** property tax on built-up properties paid by businesses (TFPB) and the business property tax (cotisation foncière des entreprises - CFE), **totalling €3.25 billion per year from 2021.** This reduction will affect 32,000 businesses operating more than 86,000 establishments.
- **Optional exemption** (subject to being voted by the local authority concerned) **from the CFE for 3 years** if establishments are created or extended.
- **Capping of the territorial economic contribution** (CET, which comprises the CVAE and CFE) based on value added reduced to 1.531% in 2024 (compared with 1.625% in 2023 and 3% before 2021). The lowering of this cap **will ensure that all or part of the gains for businesses from the reduction in CVAE and property taxes are not neutralised by the cap.**

impots.gouv.fr/international-professionnel/tax-incentives

Validity: CVAE phase-out ongoing through 2027 (subject to legislative updates).

How it applies: Businesses benefit from lower local tax burdens, improved cost visibility, and enhanced competitiveness in production-intensive sectors.



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3 ONE OF THE MOST GENEROUS RESEARCH TAX CREDIT SCHEMES WORLDWIDE

France's Research Tax Credit (Crédit d'Impôt Recherche - CIR) grants a 30% incentive on eligible R&D expenditure up to €100 million (with a reduced rate beyond). This significant tax incentive - one of the most generous R&D support mechanisms globally - substantially lowers the after-tax cost of R&D.

Companies that incur research expenditure can obtain a tax credit that can be offset against their corporate income tax liability.

The Research Tax Credit (CIR) is available to all industrial, commercial and agricultural companies taxed on the basis of their actual profits (normal or simplified), whatever their legal form.

Eligible expenses

For the purposes of the scheme, fundamental research, applied research and experimental development are considered to be scientific or technical research activities.

The research expenses eligible for the tax credit are as follows:

- tax-deductible depreciation of fixed assets used in research;
- staff costs relating to researchers, research technicians and remuneration paid to executives, whether salaried or not, who participate personally in research work;
- remuneration and fair prices paid to employees who are the authors of inventions resulting from research operations;
- staff costs relating to young PhD graduates;
- other operating expenditure up to a certain limit;
- costs of registering and maintaining patents and Plant Variety Certificates (PVCs);
- costs of defending patents and PVCs;
- depreciation allowances for patents acquired for research purposes and PVCs;
- standardisation-related expenditure;
- premiums and contributions or part of the premiums and contributions relating to legal protection insurance contracts providing for the coverage of expenses incurred in the context of litigation relating to a patent or plant variety certificate of which the company is the holder, up to a limit of €60,000;
- technology monitoring expenses up to a limit of €60,000;
- collection expenditure incurred by companies in the textile-clothing and leather sector (until 31 December 2022)

Validity:

Permanent framework

Depreciation rules are structural elements of the French tax system and remain in force in 2026. Specific accelerated incentives may vary, but the core mechanisms are stable.

Eligibility criteria

Company subject to French corporate tax

Acquisition of **depreciable fixed assets** (machinery, equipment, software, patents with finite life)

Assets used for business activity in France

Depreciation recorded in accounting and compliant with tax rules

How it applies :

- Companies may apply accelerated depreciation to eligible equipment, reducing taxable income earlier.
- Tangible and qualifying intangible assets are depreciable over their useful life.
- Investment-heavy firms can optimize tax timing, improving cash flow without relying on temporary incentives.

Long-term relevance

→ High - depreciation rules are **OECD-standard, predictable, and legally secure.**

→ While not the most aggressive system in the OECD, France offers a **balanced and reliable investment depreciation framework**, especially when combined with R&D tax credits.



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4 A FAVORABLE TAX FRAMEWORK FOR INNOVATIVE COMPANIES

France combines R&D tax incentives with a supportive business environment, including public funding for innovation, strong higher education and research ecosystems, and talent-friendly policies. According to Business France :

- **France ranks first** among European countries in terms of public support for corporate R&D.
- **Second** country in Europe for patent filings in 2024
- **Seventh** country with the highest number of researchers (2025): 12 researchers per 1,000 employees, compared to 10.8 in Germany and 10 in the United States.
- R&D and engineering account for more than a quarter of foreign investment projects in France in 2024 (with priority given to AI and decarbonization).

businessfrance.fr/en/our-expertise/invest-in-france/why-choose-france

Validity: Framework remains active and relevant.

How it applies: Companies in high-growth, deep tech, and AI sectors benefit from a combination of tax incentives and public support programs that de-risk innovation investments.

Eligibility criteria:

- Be established or operate in France
- Carry out innovative or R&D-driven activities
- Employ researchers, engineers, or technical staff
- Be eligible for at least one innovation support scheme (CIR, grants, public funding)

5 REDUCED TAX RATE ON INCOME DERIVED FROM INTELLECTUAL PROPERTY

France offers an optional "IP box" regime allowing net income from eligible intellectual property (patents, utility certificates, and certain software) to be taxed at a reduced rate of 10%, provided the conditions linking income to qualifying R&D are met.

The Patent Box regime provides for a CIT rate reduced to 10% (instead of the current standard rate of 25%) on the net income derived from the disposal (to unrelated parties) / licensing of patents and related intellectual property (IP) rights. Exceptional contribution would also apply.

This legislation implements the Organisation for Economic Co-operation and Development (OECD) 'nexus' approach, according to which a company may only be granted the reduced tax rate when it has carried out the research and development (R&D) activities from which the patent/related IP right derives.

Eligible assets must qualify as fixed assets for French Generally Accepted Accounting Principles (GAAP) purposes, as follows:

- Patents.
- Industrial manufacturing processes.
- Proprietary Variety Protection Certificates.
- Copyrighted software.

A formal election must be made in the yearly tax return, and the Patent Box computation must be supported by ad hoc documentation. This documentation must be provided to the French tax authorities upon request.

Note that restructuring operations (i.e. IP acquisition, election for tax consolidation regime) may have a significant impact on the nexus approach and should be anticipated.



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Validity: In force since 2019 and applied for companies electing into the regime.

How it applies: Companies focusing on IP creation and licensing can lower tax on qualifying IP revenues, enhancing returns on intangible assets.

Eligibility criteria

- Be subject to French corporate tax
- Own or co-own eligible IP assets (patents, utility models, qualifying software)
- Have conducted qualifying R&D linked to the IP (OECD nexus rule)
- Opt into the IP box regime and track IP-related income separately

6 FAVORABLE INVESTMENT AND DEPRECIATION RULES

French tax law allows companies to depreciate **tangible and intangible fixed assets** using either straight-line or **accelerated (declining-balance) depreciation** for eligible equipment. This flexibility enables firms to align tax deductions with investment cycles and improve early-stage cash flow, supporting industrial and technological investment.

- **French General Tax Code (CGI), Article 39 A**
 - Legal basis for **declining-balance (accelerated) depreciation** on eligible equipment
- **BOFiP – BOI-BIC-AMT-10 (French tax doctrine)**
 - Defines **depreciable tangible and intangible assets** and applicable methods
- **impots.gouv.fr**
 - Official guidance on depreciation and deductibility rules
- **Business France – Key Indicators of French Economic Attractiveness (2024–2025)**
 - Highlights investment-friendly tax framework and capital formation trends
- **Eurostat**
 - Confirms France's high level of **gross fixed capital formation**

10 A LONG-TERM DECLINE IN CORPORATE TAXATION

France has implemented long-term reductions in corporate taxation, lowering the standard corporate income tax rate to **25%** for periods starting 1 January 2022, with a reduced 15% rate for eligible small companies. Recent reforms also introduced **temporary exceptional contributions** on very large revenues, which are time-limited.

Standard corporate tax rate 25% (PwC)

Broader tax incentives overview (impots.gouv.fr)

Temporary exceptional contributions explained (Chambers)

Validity

Effectively applied since 2022; temporary surcharges apply in later years (e.g., 2025 onward), but base reforms are stable.

Eligibility criteria

- Company subject to standard French corporate income tax
- No exclusion by specific sector provisions
- Compliance with general tax obligations
- For large multinationals: assessment of temporary exceptional contributions

How it applies:

- 25% is the standard corporate rate for most companies.
- A 15% reduced rate applies for small companies on a portion of profits (e.g., first €42,500).
- Temporary exceptional surtaxes may impact effective rates for groups with very high turnover, but core rate remains competitive in the EU.



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7 ATTRACTIVE TAX REGIME FOR EXPATRIATES AND INTERNATIONAL TALENT

France offers a **special expatriate (“impatriate”) tax regime** under **Article 155 B of the French Tax Code**, providing **income tax exemptions** on expatriation bonuses and a portion of foreign-source income for eligible individuals who relocate to France after being non-tax residents. These incentives can apply for up to **eight years**, supporting international mobility and helping companies attract skilled executives and professionals.

French tax authority (impots.gouv.fr), official expatriate regime page and technical note on the regime.

France public guide PDF on expatriate tax benefits (Article 155 B CGI).

Practical summary of benefits and caps (Welcome to France).

Validity:

Ongoing and structured regime, available to eligible individuals relocating to France, with benefits generally available **up to 8 calendar years** after taking up employment in France.

Eligibility:

→ **Non-resident of France** for tax purposes for at least 5 calendar years before relocation, according to Article 4 B CGI conditions.

→ **Transferred tax residence to France** (main residence and primary work).

→ **Employment or director status** with a French employer (includes intra-group transfers or direct hires).

How it applies:

→ Income tax **exemptions** (under conditions):

- **Expatriation bonus** (additional remuneration linked to the move to France).
- **Portion of pay related to foreign work assignments** for the French employer.
- **50% of certain foreign-source passive income** (investment income, royalties, capital gains) if covered by a tax treaty.

→ **Up to 8 years' benefit** from the regime after taking up French tax residence.

→ Employers can also benefit from **payroll tax exemptions** on qualifying items tied to the expatriate regime.

Clarifications (useful for investors / HR planning):

- The regime **is not automatic**, the employee must satisfy the **5-year non-resident requirement** and meet residence and work conditions.
- Exemptions are subject to **reference salary rules** and may be capped (e.g., the combination of bonus and foreign work pay not exceeding certain thresholds).
- Benefits are clearly detailed in the **official impots.gouv.fr documentation** and in technical summary notes (Article 155 B CGI).

8 CLEAR AND SECURE TAX FRAMEWORK FOR FOREIGN INVESTORS

France provides a **transparent tax code, advance ruling mechanisms** and an **extensive tax treaty network** that enhance predictability and reduce legal uncertainty for foreign investors. Specialized services such as **Tax4Business** and advance rulings on topics like permanent establishments and transfer pricing clarifies tax positions before investment.

- **Advance rulings:** written confirmation by French tax authorities on interpretation or application of tax law.
- **Mutual Agreement Procedure (MAP):** bilateral mechanism to resolve double taxation issues under tax treaties with over 120 countries.
- **Tax treaties:** France's wide network reduces withholding taxes and prevents double taxation.

Advance ruling procedures for investors (impots.gouv.fr)

Tax4Business guidance and investor support (Business France / DGFIP)

Mutual Agreement Procedure under tax treaties

Validity:

Ongoing structural feature: advance rulings and treaty mechanisms are permanent parts of France's tax system.

Eligibility criteria

- Foreign investor establishing or expanding in France
- Investment subject to French tax law
- Application for advance ruling submitted prior to major transactions
- Compliance with French and EU legal frameworks



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How it applies:

- Investors can request **advance rulings** from the DGFIP to secure tax treatment before transactions.
- **Mutual agreement procedures** through tax treaties.
- Tax4Business and authoritatively supported services.

9 BENEFICIAL TAX RULES FOR HOLDING COMPANIES AND GROUP STRUCTURES

France has a competitive **participation exemption regime and group taxation mechanisms** that reduce corporate tax on dividends and capital gains for holdings and qualifying subsidiaries. These provisions make the country efficient for structuring European operations and group finance.

- **Participation exemption:** 95% exemption on qualifying dividends; only 5% considered a non-deductible expense.
- **Capital gains ("niche Copé" / participation exemption):** large exemption on gains from qualifying share disposals.
- **Group taxation (fiscal integration):** allows offset of profits and losses within consolidated groups.

Participation exemption and group taxation overview (PwC / BleuLexLaw)

Validity

Continuous application under current tax law; relevant provisions updated through 2025/2026.

Eligibility criteria

- Holding company subject to French corporate tax
- Minimum participation threshold (typically $\geq 5\%$)
- Holding period conditions (family/management commitments)
- Election into group taxation regime (if applicable)

How it applies:

- Holding companies can reduce tax on **dividends and capital gains** through established regimes.
- Tax consolidation enables **offsetting gains and losses** within group for French tax purposes.
- Network of tax treaties often enhances cross-border holding structures (reduced withholding, double taxation relief).