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## Establishing a business in France (Practical Law, 2014-2015 Edition)

**Practical Law**  
MULTI-JURISDICTIONAL GUIDE 2014/15  
ESTABLISHING A BUSINESS IN...



Country Q&A

## Establishing a business in France

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**LEGAL SYSTEM**

**1. What is the legal system in your jurisdiction based on (for example, civil law, common law or a mixture of both)?**

The French legal system is based on civil law.

**BUSINESS VEHICLES**

**2. What are the main forms of business vehicle used in your jurisdiction? What are the advantages and disadvantages of each vehicle?**

The main forms of business vehicle used in France are:

- Classic joint-stock company (*société anonyme à conseil d'administration*) (SA).
- Simplified joint-stock company (*société par actions simplifiée*) (SAS).
- Limited liability company (*société à responsabilité limitée*) (SARL).

These vehicles are created for a commercial purpose and governed by the French Commercial Code and the French Civil Code.

The *Societas Europaea* (SE) is not commonly used in France.

**SA**

**Advantages.** An SA can make a public offering and be admitted to a regulated market. The SA is suitable for large corporations.

**Disadvantages.** The disadvantages are that it has significant organisational requirements.

**Formalities.** It is necessary to register the SA with the Trade Registry (*Registre du Commerce et des Sociétés*) (see Question 8). Separate accounts must be kept and annual reports filed each year with the Trade Registry (see Question 8).

There are certain formalities that only apply to a listed SA:

- An admission of securities to trading on a regulated market must be submitted to the Financial Markets Authority (*Autorité des Marchés Financiers*) (AMF) (see box, *The regulatory authorities*).
- When admission is obtained:
  - regulated information (mainly financial and accounting information) concerning the company must be periodically filed with the AMF; and
  - specific operations concerning the company (for example, crossing of shareholding thresholds and conclusion of shareholders' agreements) must be disclosed to the AMF.

**Rights attaching to the shares.** Shareholders have rights to receive dividends, vote in general meetings and access corporate information.

**Restrictions.** SAs have a minimum of seven members, and a minimum share capital of EUR37,000. Public offerings are allowed. Shares can be issued for non-cash contributions, except for contributions of services or technical knowledge (*apports en industrie*). The management consists of a board of three to 18 members. It is mandatory to have statutory auditors. Transfers of shares are freely determined by the bye-laws.

**Liabilities.** The liability of shareholders for the company's debts is limited to the size of their contribution.

**SAS**

**Advantages.** The SAS has a flexible organisational structure, and is suitable for holding and foreign companies.

**Disadvantages.** A SAS cannot be admitted to a regulated market.

**Formalities.** It is necessary to register the SAS with the Trade Registry (see Question 8). Separate accounts must be kept and annual reports filed each year with the Trade Registry (see Question 8).

**Rights attaching to the shares.** Shareholders have rights to receive dividends, vote in general meetings and access corporate information.

**Restrictions.** The number of members and share capital can be freely determined by the bye-laws. Public offerings are not allowed. Shares can be issued for non-cash contributions, including contributions of services or technical knowledge. The management consists of a president, who can be a natural person or legal entity, and, in some cases, a specific board or committee.

It is mandatory to have statutory auditors when either:

- The SAS controls or is controlled by one or several companies.
- Two of the three following thresholds are reached:
  - turnover (not including VAT): EUR2 million;
  - total balance sheet: EUR1 million;
  - 20 employees.

Transfers of shares are freely determined by the bye-laws.

**Liabilities.** See above, *SA: Liabilities*.

**SARL**

**Advantages.** A SARL is easy to incorporate and operate.

**Disadvantages.** A SARL has a maximum of 100 members and is suitable only for small businesses.

**Formalities.** It is necessary to register the SARL with the Trade Registry (see Question 8). Separate accounts must be kept and annual reports filed each year with the Trade Registry (see Question 8).

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Soulier Avocats has authored, for the second year in a row, the *Establishing a business in France* Guide edited by the leading British legal publisher Practical Law.

This Guide, edited in the form of a Q&A guide, addresses all key issues facing foreign investors wishing to set up a business in France and constitutes a working reference material to the business environment in France.

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