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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

The French population is aging, the average age being 42.23 years in 2022 versus 38.85 in 2002 (INSEE). More than half of the population (55.3%) is aged between 20 and 64 years old, while 23.7% is under 20 years old, 21% is 65 years old or over, and 9.8% is 75 years old or over (INSEE, 2022). French households are increasingly numerous and small, made up of 2.2 persons on average (INSEE, 2018). More than one-third of households are made up of one person, one-third of 2 people and less than one-third of 3 people or more. The French population has 48.4% men and 51.6% women (INSEE, 2022). More than two thirds of the population is concentrated in urban areas, particularly in the Ile de France region (Paris and its suburbs) (INSEE, 2021). The level of education and number of university graduates is high and continues to increase. Qualified office workers represent 14.8% of the workforce, and low-skilled office workers 11.3%. Middle management occupations (intermediate positions between executives and workers) account for 24.6% of the active population, while qualified workers account for 12.7% and lower-level workers 6.3%. Executives account for 21.5% of the active population while the rest of the labour force consists of tradesmen and entrepreneurs (6.4%) and farmers (1.5%) (INSEE, 2021).

Purchasing Power

In France, GDP per capita had been rising since 2009, but it dropped to 46,991.2 USD in 2020 (World Bank). The yearly net average salary of a French person is EUR 29,070 in 2020 (INSEE). After stagnating in 2020, the purchasing power of the French households increased by 1.9% in 2021 (INSEE). Household consumption fell by an unprecedented -7.1% in volume in 2020 due to the pandemic. It rebounded in 2021, but during the first semester of 2022 it decreased by -1.3% (INSEE) due to rising inflation and the war in Ukraine. Income inequalities persist, with a Gini index of 0.29 (1 representing the highest level of inequality ; OECD, 2019). Men's revenue from salary is on average 22% higher than that of women, according to INSEE. Seniors have the highest median standard of living, while young people have the lowest median standard of living. The self-employed have the highest standard of living, followed by employees and pensioners. Below average are children under 18, and other inactive populations, i.e. students and unemployed.

Consumer Behaviour

France's population has a high and diversified level of mass consumption (defined as the very high average level of consumption whereby most of the people consume a large amount of goods and services other than satisfaction of basic needs). Most French believe that consumption is synonymous with pleasure; therefore travel, restaurants, sports, culture and entertainment products and services are quite important to most French consumers. Most consumers purchase from mass retailers and large companies. The average purchase in urban areas is falling but is offset by a higher number of visits to several shops. However, consumer confidence in mass retailers and large companies is two times lower than the trust given to small shops and craftsmen (40% versus 80%). French people are increasingly attracted by online sales, e-commerce and m-commerce (smartphone use). This practice also applies to the purchase of consumer products (primarily food), through the development of drive and home delivery services in major cities. Foreign products are widespread in

supermarkets and other distribution channels. In cities, foreign restaurant chains and other foreign services are also omnipresent. However, "Made in France" products are gaining importance to 79% of French consumers, who believe they are participating in support of the local economy and perceive domestic products as a guarantee of quality.

According to the market research firm IFOP, brand loyalty depends on the type of products. For cosmetics, clothing, TV / hi-tech, half of consumers will be faithful, while for home appliances and home furnishings, the majority will be unfaithful. Most French consumers are worried about big data and personal data protection. Social media can influence consumer decision-making particularly with regards to cooking, beauty products and fashion, thanks to advertisements, opinions and comments of users and influencers. One in three internet users follow an influencer, and 75% of those followers have already made a purchase following advice from an influencer.

However, consumer behaviour in France has undergone several changes in recent years. The consumer seeks to adopt more responsible consumption habits (quality, traceability, composition, authenticity, transparency, environmental respect etc.). In 2021, 79% of the French would choose, for the same price, a "more responsible" product; 22% have recently changed their diet, the majority for environmental or animal welfare reasons; and a third systematically or regularly buys second hand or refurbished devices. There is a growing interest in "sustainable" products: organic, local, natural, without parabens or preservatives (Greenflex & Ademe Barometer 2021). In the food sector despite a fall in prices in the recent years, the quantity of products purchased has decreased whereas quality of purchases has improved (increase in sales of organic products, labelled, vegan, local, fresh, seasonal, highlights of short circuits etc.). Regarding transport, even if the car remains the most used means of transport, there is development of alternative modes of transport in urban areas (cycling, scooters etc.), as well as bus travel. Use of collaborative platforms such as Airbnb, Uber, Blablacar is increasing, especially among young people.

Consumer Recourse to Credit

The low interest rate environment has largely helped to expand lending to individuals. Consumer credit growth is however slightly weaker than that of the rest of the Eurozone. According to Banque de France, in the first quarter of 2020, growth in consumer loans to individuals amounted to +3.7% (after +5.6% rise in December 2019). French household debt is divided into real estate loans and consumer loans. 30.8% of households have at least one loan. The number of people using consumer loans is increasing faster than those using real estate loans. Consumer loans have increased since 2016 after a few years of decline. They are largely intended for the purchases of a vehicle, as well as for house equipment, maintenance and repair. Almost all purchases are made by debit cards rather than credit cards.

Growing Sectors

Accommodation and restaurant, automobile, bicycles, telecommunications, computers, smartphones, health (medicine), education, recreational, culture and entertainment, sporting goods & services, home appliances, fashion accessories are growing markets. (Source: [INSEE](#))

Consumers Associations

[The French Consumer Institute](#)

[The Federal Union of Consumers \(UFC Que Choisir\)](#)

[The European Consumer Centre in France \(ECC\)](#)

IMPORTING & DISTRIBUTING

Import Procedures

For goods valued at under 1,000 kg or EUR 1,000, a verbal declaration at customs and presentation of the receipt of purchase is sufficient.

Higher-valued must be declared at the Customs Office:

- 1) a brief declaration (air or maritime manifest) to conclude the collection of the goods.
- 2) a common law declaration (SAD, single administrative document), as well as the accompanying documents to allow their clearance.

The SAD form can be obtained from Chambers of Commerce or an approved printer.

An online clearance platform by automated transmission (DELTA) is accessible from the [The portal of the General Directorate of Customs and Indirect Taxes](#) (in French).

In the case of deliveries and purchases within the European Community, the declaration of exchange of goods (DEB) or Intrastat declaration must be sent to the Customs Service.

As part of the 'SAFE' standards advocated by the World Customs Organisation (WCO), the European Union has set up a new system of import controls, the 'Import Control System' (ICS), which aims to secure the flow of goods at the time of their entry into the customs territory of the EU. This control system, part of the Community Programme eCustoms, has been in effect since 1 January 2011. Since then, operators are required to pass an Entry Summary Declaration (ENS) to the customs of the country of entry, prior to the introduction of goods into the customs territory of the European Union.

The Modernised Customs Code entered into force in 2008 simplifies procedures, for example computerising and centralising transactions.

Since 1 July 2009, all companies established outside of the EU are required to have an Economic Operator Registration and Identification (EORI) number if they wish to submit a customs declaration or an Entry/Exit Summary declaration. For more information, please visit the website of the [EU Customs Union](#). For France-specific customs clearance requirements, please visit the website of the [French Customs](#) (in French).

Specific Import Procedures

There are various suspensive systems, both Customs and Fiscal, for storing, using or transforming your goods, consult the pages of the French Customs website devoted to these questions for further information. It is also possible to resort to bonded transit covered by an external transit certificate (T1). In the framework of intra-European trade, some goods are still prohibited or subject to particular formalities (medicines for human use, waste, plants or live animals). For further information, please visit the website of [the French Customs](#) (in French).

Distribution channels

According to USDA's Report Retail Foods 2021, in 2020, the largest French retailers continued investing in smaller stores in city centers. The overall retail food sales in France were estimated to \$394 billion, and specialized food stores at (frozen food stores, organics and open-air markets) \$35 billion. France is a competitive retail market, considered to be the 2nd largest packaged food market in Europe, and the 5th largest in the world, according to Euromonitor. In 2020, retail sales in this sector have reached US\$90.9 billion and according to Euromonitor, retail sales in the packaged food market should reach US\$96.5 billion by the year 2025 (Food Export).

In many sectors, independent wholesale and retail outlets are disappearing rapidly and being replaced by retail distribution chains and networks. Small and medium-sized family-owned firms, are rapidly losing ground to hypermarkets. At the same time, direct marketing, Internet sales, and specialised chain stores have shown strong growth. "Drive systems" (quick pickup of products purchased online) are being developed by all retailers, as the internet sales shows fast growth.

Although the hard discount model had strong growth in the years 2011-2015, the French retail market moved on to a premium and best quality products from 2015-2016. This was illustrated by the ongoing cannibalisation of private labels by A-brands (Euromonitor).

The most dynamic retailers are undoubtedly the chains of organic shops and superstores, namely biocoop, Naturalia, La Vie Claire and Bio C'Bon, which profited from rising demand for organic products generally in France.

Merger and acquisition activity impacted the competitive landscape: in response to the ongoing price wars. The main trend of the sector has been towards joint purchasing agreements, mainly the creation of mega central purchasing blocs, specifically the alliances between Auchan France and Système U Centrale Nationale on the one hand and ITM Entreprises and Casino Guichard-Perrachon on the other. In 2018, Casino and ITM Entreprises terminated their purchase agreement and Casino merged part of its purchases with Auchan - Système U.

France's retail distribution network is diverse and sophisticated. Setting up of hypermarkets is regulated by the Royer Law of 1973 and the Raffarin Law of 1996. They aim to protect local shops, which are rapidly losing ground to hypermarkets. The Egalim Law of 2018 introduced a mechanism to give back more margin to the producers that has been extended in 2020.

Distribution market players

According to FCD, in 2019 the retail trade sector in France totalled approximately €200 billion sales revenue, 700,000 jobs, and more than 44,000 points of sales. In 2020, there were 2,257 hypermarkets, 5,716 supermarkets, 3,430 supermarkets with private label ranges of products and 7,140 convenience stores (LSA Focus). Drives represented 7.8% of retail food sales (USDA).

According to the Kantar WorldPanel, the market was divided as following as of Q1 2022: E.Leclerc (22.5% market share), Carrefour (20.2%), Groupement Les Mousquetaires (15.7%), Groupement U (11.3%), Auchan (9.4%), Casino (7.4%), Lidl (7.1%), Aldi (2.8%) and L.Delhaize (2.7%).

The trend is clearly oriented to smaller outlets, location in the city centre, shorter range of products and easy access. The bigger stores (hypermarkets and supermarkets) are mostly located in the suburbs and outside of the cities, offering larger ranges of products and lower prices.

Retail Sector Organisations

The Federation of Trade and Distribution Companies (FCD)

The Associated Trade Stores

The French Trade Council

OPERATING A BUSINESS

Type of companies

Sole proprietorship ("entreprise individuelle")

Number of partners: 1 person only.

Capital (max/min): No minimum capital required.

Shareholders and liability: Unlimited liability.

Limited liability company (SARL)

Number of partners: Between 1 and 100 partners/shareholders maximum.

Capital (max/min): Minimum: EUR 1

Shareholders and liability: Limited to the amount of capital contributed.

Private limited company under sole ownership (EURL)

Number of partners: 1 person only (legal or natural).

Capital (max/min): Minimum: EUR 1

Shareholders and liability: Limited to the amount of capital contributed.

Public limited company (SA)

Number of partners: Minimum 2 shareholders (7 for listed companies)

Capital (max/min): EUR 37,000, of which half as to be paid-up at the moment of incorporation.

Shareholders and liability: Limited to the amount of capital contributed.

Simplified joint-stock company (SAS).

Number of partners: Minimum 1 natural person or legal entity with no maximum.

Capital (max/min): No minimum capital required.

Shareholders and liability: Limited to the amount of capital contributed.

General partnership (SNC).

Number of partners: Minimum 2 partners

Capital (max/min): No minimum capital required.

Shareholders and liability: Liability is joint and indefinite.

Limited joint-stock partnership (SCS)

Number of partners: 2 partners: the active partners and the silent partners

Capital (max/min): No minimum required.

Shareholders and liability: The active partner: joint and indefinite;

The silent partner: limited to the amount of capital contributed.

Setting Up a Company	France	OECD
Procedures (number)	5.0	5.2
Time (days)	4.0	9.5

Source: Doing Business - Latest available data.

Cost of Labour

Minimum Wage

In 2022, the minimum gross monthly wage is € 1,603.12 according to Service Public (latest available data).

Average Wage

In 2020, the average net annual wage reached € 29,070 according to INSEE (latest available data).

Social Contributions

Social Security Contributions Paid By Employers: Employer contribution varies depending on the size, type and location of businesses to about 50% of gross pay.

Social Security Contributions Paid By Employees: About 20% of the gross wage

Intellectual Property

National Organisations

The National Institute of Industrial Property (INPI) (in French) for patents, trademarks, models and industrial designs.

The Society of Authors, Composers and Publishers of Music (SACEM), The National Union of Authors and Composers of music (SNAC), The Society of Stage Authors and Composers (SACD), The Society of Men of Letters (SGDL), The Civil Society of Multimedia Authors (SCAM), High Authority for the Distribution of Works and Protection of Rights on the Internet (HADOPI).

Regional Organisations

For the protection of patents: [the European patent office](#)

To control trademarks, designs and models: European Union Intellectual Property Office

International Membership

[Member of the WIPO](#) (World Intellectual Property Organization)

[Signatory to the Paris Convention](#) For the Protection of Intellectual Property

[Membership to the TRIPS agreement](#) - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

TAX RATES

Consumption Taxes

Nature of the Tax

Value-added Tax (VAT) ([Taxe sur la Valeur Ajoutée](#) or TVA)

Tax Rate

20%

Reduced Tax Rate

The reduced rate of 10% ([art. 278 bis](#), [278 quater](#), [278 sexies A](#), [278 septies](#) and [art. 279](#) of the CGI) is applicable in particular to unprocessed agricultural products, firewood, housing improvement works which do not benefit from the 5.5% rate, certain accommodation and camping services, fairs and exhibitions, fairground games and rides, entrance fees to museums, zoos, monuments, passenger transport, processing of waste, restoration.

The reduced rate of 5.5% ([art. 278-0 bis](#), [278-0 bis A](#), [art. 278 sexies](#) of the CGI) concerns most food products, feminine hygiene protection products, equipment and services for the disabled, books on any medium, gas and electricity subscriptions, supply of heat from renewable energies, supply of meals in school canteens, ticketing for live shows and cinemas, certain imports and deliveries of works of art, improvement works the energy quality of housing, social or emergency housing, home ownership.

The special rate of 2.1% ([art. 281 quater et seq.](#) of the CGI) is reserved for medicines reimbursable by social security, sales of live animals for slaughter and charcuterie to non-taxable persons, the television license fee, certain shows and press publications registered with the Joint Commission for Publications and Press Agencies.

The special rates applicable in Corsica are fixed in [art. 297](#) of the CGI.

The special rates applicable to the overseas departments are fixed in [art. 294](#) of the CGI.

Other Consumption Taxes

Excise duties are applied to alcohol and alcoholic drinks, processed tobacco and oil and gas products.

Companies that own, use, or lease vehicles for their business activity are subject to a tax on company vehicles (TVS).

Corporate Taxes

Company Tax

25% flat rate

Tax Rate For Foreign Companies

Generally, a resident company is a company that is incorporated under French commercial laws or that has a permanent establishment in the country. According to French jurisprudence, a company is deemed to have a permanent establishment if: the business activity is conducted through an establishment (branch, office, etc.); the company has a dependent agent in the country; or a complete commercial cycle is carried out in France.

Capital Gains Taxation

Capital gains derived by companies are taxed at the normal corporate rate.

Capital gains derived from the disposal of patents, patentable inventions or software, as well as on income from the licensing of patents or patentable inventions, are subject to a reduced rate of 10%.

As with dividends, a participation exemption applies to capital gains arising from the sales of shares that form part of a substantial investment if the shares have been held for 24 months. The taxable basis is 12% of the gross amount of the capital gain realized (i.e. the gain is 88% exempt), resulting in an effective rate of 3.1%.

In general, non-resident entities are not taxable in France on capital gains derived from the disposal of French assets, unless these are part of a permanent establishment in the country (exceptions apply).

Main Allowable Deductions and Tax Credits

Expenses are deductible for depreciation or amortisation, reserves, rents for premises and equipment, wages, interests and royalties, repairs and maintenance costs etc. Ceilings may apply to some expenses such as contributions to an employee's savings plan or write-offs of machinery and inventory. Company registration expenses can be either deduced or depreciated over five years. Goodwill cannot be amortised.

Ordinary losses may generally be carried forward indefinitely or offset against the taxable profit of a given year up to EUR 1 million plus 50% of the amount in excess of EUR 1 million. Losses in excess (that are not offset against taxable profits) can be carried forward under the same conditions to subsequent tax years. The carryback is also allowed to the fiscal year immediately preceding that in which the losses arise and up to a maximum of EUR 1 million.

For R&D and software expenses, a business may elect to immediately deduct costs incurred in R&D or software or to amortise their cost on a straight-line basis over a maximum period of five years. The cost of acquiring software may be written off on a straight-line basis over 12 months, that of patents acquired can be amortised over a five-year period. An R&D credit is also available, at 30% of the R&D eligible expenses incurred during the year (up to EUR 100 million R&D expenses), and 5% on the part in excess of this amount.

Several taxes, including unrecoverable turnover taxes, registration duties, and the Territorial Economic Contribution, are deductible (corporate income tax is not).

For wages paid on or after 1 January 2019, the Competitiveness and Employment Tax Credit (CICE) is repealed and replaced by a permanent decrease in payroll charges paid by employers to finance the French social security system.

Other Corporate Taxes

Various local taxes are imposed by the government, like the Land tax or the Territorial Economic Contribution (CET), which comprises the Corporate Real Estate Contribution (CFE, based on the rental value of real estate) and the Contribution on Corporate Added Value (CVAE, based on turnover). Nevertheless, the Finance Bill for 2023 provides for the repeal of CVAE over a two-year period, so that its rate was halved in 2023 before the tax disappears in 2024.

Social security contributions payable by the employer vary depending on the size and type of business and the location, and in some cases can exceed 50% of gross pay (around 45% on average). The annual social security ceiling (PASS) is set at EUR 43,992 in 2023, and the monthly ceiling at EUR 3,666.

Companies that do not meet the 90% VAT liability threshold for their annual turnover are required to pay payroll tax (taxe sur les salaires) on the salaries paid in the subsequent calendar year. For companies falling below the 90% threshold, the payroll tax applies to the portion of their VAT recovery ratio that is not covered by their turnover. The standard payroll tax rate is 4.25%, but for gross individual wages exceeding specific thresholds, higher rates apply (8.5% for wages ranging from EUR 8,020 to EUR 16,013 and 13.6% for wages exceeding EUR 16,013).

The sale of real property is subject to a transfer tax up to a maximum rate of 5.8%.

The transfer of shares of an SA, SAS, or SCA is subject to registration duty at a rate of 0.1% with no cap (increased to 5% if the company whose shares are transferred is a real estate company). For the sale of shares of a SARL or SNC, the transfer tax is equal to 3% of the sales price, minus a sum equal to the number of units sold x EUR 23,000/total number of the company units.

A financial transaction tax of 0.3% applies to transactions involving shares of publicly traded companies established in France whose capital exceeds EUR 1 billion.

A 3% digital services tax (DST) is levied on companies whose revenues derived from the provision of online placement of advertising, sale of collected user data and intermediation services exceeds EUR 750 million globally and EUR 25 million in France during the calendar year. For related companies, these thresholds are assessed at the group level.

Other taxes include: apprenticeship tax, company car tax, stamp duties, etc.

Other Domestic Resources

[French Fiscal Administration web portal](#)

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[Tax Treaties of France](#)

Withholding Taxes

Dividends paid by a French corporation to a non-resident shareholder are subject to a 25% withholding tax calculated on the gross dividends. Dividends paid by a French company to a European parent company are exempt from tax under the EU Directive on the common system of taxation applicable in the case of parent

companies and subsidiaries of different Member States.

In general, interest payments are not subject to withholding tax.

Royalties paid to a non-resident company or individual are subject to the standard corporate income tax rate (25%). Royalties paid to a European company may be exempt from tax under the European common system of taxation applicable to cross-border interest and royalty payments. Royalties paid to residents are generally exempt.

