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**Object: Legal Opinion about the Financial Law (« Loi de Finance ») for 2012
“Loi de Finance” N°2011-1978 of the 28th of December 2011
Published in the Official Journal on the 29th of December 2011**

I – V.A.T (“T.V.A”):

The Reduced-rate (« taux réduit ») of 5,5% is raised to 7% except for the products and services of first necessity (alimentary products, equipments for disabled person...) which continue to benefit from the rate of 5,5%¹.

This new Reduced-rate applies since the 1st of January 2012 for most products and services to which the previous rate of 5,5% was applied. There is a limitative list of products of services which continue to benefit from the rate of 5,5%.

Since the 1st of January 2012, there are 4 rates of VAT applicable in France:

- The normal rate = 19,6%: this rate applies to all the products and services which do not require the application of a particular rate;
- A Reduced-Rate (“taux réduit”) = 7%: for the products and services previously liable for the 5,5% rate;
- A Reduced-Rate (“taux réduit”) = 5,5%: for a list of products listed exhaustively by the law (article 278-0 bis of the French Tax Code (“Code Général des Impôts”)); and
- A specific rate = 2,1%: for press publication, some drugs,...

II – CORPORATE TAX (“L’IMPOT SUR LES SOCIETES” or “IS”):

For the fiscal/financial years (“exercices comptables”) closed between the 31st of December 2011 and the 30th of December 2013, the companies who achieve a turnover (“chiffre d’affaires”) higher than 250 million of Euros are liable for an exceptional contribution (“contribution exceptionnelle”) equal to 5% of the sum of the Company Tax calculated at a normal rate (33,1/3%) and at Reduced Rate (19% and 15%)².

The companies liable for this exceptional contribution are those liable for the Company Tax automatically or on option.

¹ Article 13 of the Law : modification of the article 278 bis of the French Tax Code (“Code Général des Impôts”)

² Article 30 of the Law : modification of the article 213 of the French Tax Code

Example:

A company, who pays the corporate tax at a normal rate, has a turnover higher than 250 million of Euros for the financial year closed on the 31st of December 2012.

This company has for this financial year's taxable result of 6.000.000 EUR. and a long term capital gains ("plus-value") of 500.000 EUR. taxable at a reduced rate of 15%.

The company will have to pay an exceptional contribution equal to:
 $5\% \times [(6.000.000 \times 33,1/3\%) + (500.000\text{€} \times 15\%)] = 103.750 \text{ EUR.}$

This contribution must be calculated by the taxpayer himself and paid to the "Service des Impôts".

III – PROFESSIONAL CAPITAL GAIN (“PLUS-VALUES PROFESIONNELLES »)

The thresholds to hold in order to apply the system of exemption of Capital Gain (« plus-value ») regarding the turnover are determined:

- thanks to the average of the revenues ("recettes")
- made during the closed financial years during the 2 civil years before the closing date of the financial year where the Capital Gain is made³.

("la moyenne des recettes réalisées au titre des exercices clos au cours des 2 années civiles qui précèdent la date de clôture de l'exercice de réalisation de la plus-value").

According to the article 151 septies of the French Tax Code, the Capital Gains realized during or at the end of the business by a taxpayer who does not have revenues which exceed some thresholds are exempted if the activity was professional and exercised during 5 years:

The thresholds:

- Total exemption if the revenues do not exceed:
 - o 250.000 EUR. for the industrial and commercial companies who sell or supply a accommodation (except for the furnished renting out) and for farmers;
 - o 90.000 EUR. for contractors/service providers.
- Partial exemption if the revenues exceed those previous thresholds but without exceeding respectively 350.000 EUR. and 126.000 EUR.

Example:

An operator, who closes his financial years on the 30th of April, sells his commercial activity on the 30th of September 2012.

The revenues realized during the previous financial years are:

- 220.000 EUR. for the financial year closed on the 30th of April 2012;
- 250.000 EUR. for the financial year closed on the 30th of April 2011;
- 300.000 EUR. for the financial year closed on the 30th of April 2010.

The sum of the annual revenues we have to take into account for the evaluation of the thresholds depends on the revenues of the financial years closed on the 30th of April 2012 and the 30th of April 2011, which means the financial years closed during the 2 civil years which precede the closing date of the financial year of the realization of the net Capital Gain, i.e the 30th of April 2013.

The average of those financial years is equal to:
 $(220.000 + 250.000) / 2 = 235.000 \text{ EUR.}$

In this case, the Capital Gain is completely exempted.

³ Article 21 of the Law: modification of the article 151 septies of the French Tax Code

IV – WEALTH TAX (« IMPOT DE SOLIDARITE SUR LA FORTUNE » or « ISF »):

There are new methods of calculation of the Wealth TAX. The progressive scale with bands was replaced by a proportional taxation of 0.25% or 0.50% regarding the size of the patrimony, calculated on the entire patrimony when this one reaches the threshold⁴.

There is also a system of tax relief (“décote”).

The threshold level and the limits of application of those rates will be updated every year.

The threshold level is 1.300.000 EUR.

When the patrimony is at least equal to this threshold, the rate applicable will be:

- 0,25% if the net value is lower than 3.000.000 EUR.
- 0,50% if the net value is higher than 3.000.000 EUR.

V – SALE OF BUILDING TO RENOVATE (“VENTE D’IMMEUBLE ACQUIS EN L’ETAT FUTUR DE RENOVATION”)

In case of a resale of a building acquired regarding the legal system of the sale of building to renovate (“vente d’immeuble à rénover”), the purchase price to take for the calculation of the taxable Capital Gain (“Plus-Value imposable”) involves the price of the existing and the price of the works⁵.

This clause applies to the Capital Gains for the transfers made after the 1st of January 2012.

VI – TRUST

A new article 1649 AB of the French Tax Code (“Code Général des Impôts”) institutes an obligation of declaration for the administrator of the trust once the assets placed in this trust are likely to be taxed in France⁶. This declaration has to be made before the 15th of June.

Some trusts are excluded from this mandatory declaration such as those which are subject to the law of a State or territory which have a convention with France to fight against the fraud and tax avoidance.

Trust and income tax: once the law will come into force, only the products distributed by the trust will be taxable by the Income Tax, except for the products which will be reinvested in the trust.

Trust and Wealth Tax: for the Wealth Tax of 2012, the persons who constitute a trust are liable to the Wealth Tax in France on the monetary value on the 1st of January for the goods or rights placed in the trust and also for the products which are capitalized in this trust.

The law also institute a deduction of tax of 0,5% applicable to the goods, rights and products composing the assets of the trust. It is possible to be exempted from this deduction when the person who constitute the trust is liable for the Wealth Tax or, if he is not, if he fulfills his declaratory obligations.

⁴ Article 1 of the Financial Bill n°2011-900 of the 29th of July 2011

⁵ Article 6 of the Financial Bill n°2011-1978 of the 28th of December 2011

⁶ Article 14 of the Financial Bill n°2011-2011-900 of the 29th of July 2011