

France welcomes talent and investment

There are many reasons why France is a good place to do business and express talent. Investment support has been placed at the heart of France's initiatives to respond to new economic challenges and to develop business innovation.

France is recognized by foreign investors as an attractive destination in Europe, with over 20,000 foreign businesses operating in France and over 42% of the equity of the companies listed on the CAC 40 (the index of the 40 largest companies listed on Euronext Paris) being owned by foreign investors. France is the European leader for foreign direct investment and ranks fourth worldwide after the USA, China and Hong Kong. In 2010, foreign direct investment inflows amounted to over 57 billion US\$.

Unique infrastructure

Holding a strategic position at the heart of Europe, one of the largest consolidated markets in the world with about 500 million consumers, France offers major opportunities. With a population of over 65 million, the country is the second-largest consumer market in Europe after Germany and the fifth-largest economy in the world. France enjoys a world class education system and infrastructure network (transport and logistics networks, telecommunications, internet broadband access, energy, and the "Grand Paris" project). The expertise, skills and productivity of its work force also play a major role.

France has now recovered from the economic recession. In 2010, economic expansion was stronger than expected, with a rate of growth of 1.6%. Investment and spending by companies and households, as well as domestic and export demand, have increased. Forecast economic growth for 2011 is 2%.

France is also starting to realise the benefits of the recent economic reforms engaged to modernize its economy, resulting in the French legal environment being more attractive to investors and expatriates.

Prime examples are:

- a simplified and modernised corporate law framework;

- a first ranking financial market place in Paris with Euronext Paris. Significant efforts have been made to remove obstacles to attract foreign capital, through, inter alia, the suppression of the stock exchange tax and the creation of a new "professional investor market" open to qualified investors;
- a modernised trade law (which has resulted in the deregulation of price negotiations between distributors and suppliers and the, reduction of payment periods between companies to 60 days);
- a more flexible labour law environment (tax-free overtime, option to terminate a contract by mutual consent, more latitude to negotiate working hours);

It is also worth noting that the costs of setting up businesses are low and administrative formalities have been significantly reduced. The time frame for setting up a business in France is now among the shortest in the world and investors can complete most of the formalities online.

From a tax standpoint, tax cuts have been introduced both for individuals – and expatriates in particular whose tax position has been further improved – and for companies, whose investments are now exempt from local business tax. In order to encourage research and redevelopment (R&D) activities, France completed a major reform with respect to the *crédit d'impôt recherche* (research tax credit), offering significant tax relief to companies engaged in R&D programs.

Foreign investment is welcome in France; investors are entitled to acquire existing companies or set up greenfield operations, without being subject to minimum investment or job creation requirements.

Investments are particularly welcome in relation to innovation projects. For example the modernization of French universities means that they are now more open to set up partnerships with the business sector. Active support from the government is given to research projects. Special focus has also been given to the creation of innovation clusters, regrouping educational establishments, public-sector partners and private companies, thus offering investors substantial investments opportunities. In 2009, more than 70 clusters primarily dedicated to R&D were created, involving investment worth around 4 billion Euros and a substantial number of foreign companies as partners.

In addition, the French environmental policy objectives enhance the development of eco-technologies and the renewable energy sectors.

No prior approval safe in restricted sections

There are no restrictions on foreign investments in France, subject to a very few exceptions for investments made in "sensitive" areas which must be authorized.

A simple declaration has to be filed with the Treasury Department of the French Ministry of Economy by a foreign investor creating a new company and investing more than 1.5 million Euros and for foreign investment, resulting in the acquisition, whether directly or indirectly (for example through the acquisition of a foreign company holding more than one third of the capital or voting rights of a French entity) of one or more businesses or of an equity stake of more than 33,33% of the capital or voting rights of a French company. This requirement is subject to various exemptions (for example when the investor is already holding a majority interest in the target).

It is worth noting that this formality does not condition the implementation of the proposed investment as the declaration is for information purposes only.

As in many other countries, foreign investments in "sensitive" business areas are subject to the prior approval of the Treasury Department, which has two months from receipt of the application to notify the investor of any objection it may have. For investors outside the EU and EEA, governmental approval is required for the acquisition of more than one third of voting rights of a company or the direct or indirect acquisition of business concerns. The business sectors requiring such an approval include gambling activities, private security services, production of goods or provision of services relating to the security of information systems, activities involving public safety or health and businesses under contract with national defence authorities.

There are no exchange control restrictions, although certain returns have to be filed with credit institutions for statistical purposes.

Incentives available to investors

The French government has made available a wide range of support schemes designed to stimulate investment. The eligibility and form of incentives depends upon the nature of the investment (such as research and development, innovation, creation of jobs), its location (such as in priority development zones or regional aid zones) and the size of the companies concerned (such as small and medium size business).

Incentives are granted either at a national level or by local authorities. They take the form of subsidies, tax relief or tax credit or a combination of both.

Support can be received for investment and job creation within regional aid zones through grants for industry and services. In the field of innovation and research and development on which a strong emphasis is placed by French economic policy, support is mainly provided via the research tax credit calculated on a percentage of total R&D costs incurred, which is one of the most favourable within Europe. Specific grants or interest-free loans can also be obtained from public financial institutions.

Other incentives in the form of exemptions from taxes and/or social contributions are also available in certain regions.

Incentives for environmental investments are also being developed.

State support and incentives are the same for all investors, regardless of their nationality. Various governmental bodies such the "Invest in France Agency" promote foreign investment and advise investors in order to identify the most appropriate support available.

Not to mention cheese and wine, the above should give you good reasons to invest in France.

A bientôt!

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