



# THE SMALL ENTREPRENEUR - A GUIDE

*(MARCH 2009)*





France is a country with significant levels of energy and dynamism. The French have both ideas and a fierce desire to run their own business: today, one in two French people say they want to start up a business. This energy is a breeding ground for growth and jobs. For the past five years, the Government has been committed to a strong initiative to encourage business start-up and development; this has led to 300,000 new French businesses a year.

But there is no denying that many French people are still discouraged or held back by complex administrative procedures they find restrictive.

The small entrepreneur regime (auto-entrepreneur), implemented by Law to Modernise the Economy dated 4 August 2008, is the answer to all those who have an idea or a project but who hesitate to take the first step.

This scheme is ground-breaking in its simplicity. Students, salaried employees, retired people, government employees or young people can now start on their own entrepreneurial adventure by just completing a simple start-up declaration.

Formal procedures and costs relating to business start-up have been drastically reduced. Dealing with government has been made significantly easier. Social charges and taxation will be based only on actual turnover: 13% on purchase/resale of goods, 20.5% on professional services coming under the Caisse interprofessionnelle de prévoyance et d'assurance vieillesse (CIPAV) and 23% for other services. Tax and charges are paid at source and in full discharge, either monthly or quarterly, and can also be paid on-line. So no turnover = no tax or social charges.

The pre-requisite to qualify for the small entrepreneur scheme is not to exceed a set annual turnover figure.

This guide will help the small entrepreneur find out more about the tax, social security and self-assessment advantages offered by this new regime and, I hope, answer the majority of their questions.

The small entrepreneur scheme, in which I place a lot of hope, should help release the energy needed to create jobs and to re-launch growth in France.

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# CONTENTS

Who can become a small entrepreneur?

PAGE 2

What does the small entrepreneur regime mean?

PAGE 4

What are the other advantages for the small entrepreneur?

PAGE 14

How to leave the small entrepreneur regime?

PAGE 16

## FACT SHEETS

PAGE 18

### ACCRE and the small entrepreneur

Statutory unemployment insurance and business start-up or take-over

Multiple business activities carried on either by an individual or within the same household

Public employees and the small entrepreneur scheme

Accreditation of quarterly contributions for basic pension purposes

Post-retirement employment and basic retirement pension schemes

## APPENDICES

PAGE 32

# Who can become a small entrepreneur?

The Law to Modernise the Economy (Loi de Modernisation de l'Économie) no. 2008-776 dated 4 August 2008 has the core objective of supporting the start-up of businesses in France, introducing a wind of change by liberalising the French economy. Among the more significant measures adopted to encourage entrepreneurs to start new businesses is the new 'small entrepreneur' (auto-entrepreneur) regime aimed at those who want to set up on their own account. The scheme offers them various advantages in terms of start-up, management and cessation of their own business, i.e. a simple legal framework for those who want to become entrepreneurs.

**The small entrepreneur scheme came into force on 1 January 2009.**

**Anybody over 18** may, in principle, become a small entrepreneur\*. Whether as a main occupation, for example, starting up a first business while studying or for somebody out of work setting up, or as a supplementary occupation for a salaried employee in a private company, a government employee or somebody retired wishing to have an additional income stream to supplement their salary or pension.

**Please note:** Employment categories attached to the general regime (regime general) of the social security system (for example, artist-authors coming under the Maison des artistes) are not eligible for the small entrepreneur regime which is open only to entrepreneurs coming under the social security regime for independent workers (RSI). Also excluded are businesses coming under the Mutuelle sociale agricole (MSA)

*\*Only those trading on their own account are eligible for this regime; those trading as legally constituted companies are not eligible.*

## Eligibility rules for this scheme

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### The following three conditions need to be fulfilled:

- Make a declaration online at [www.lautoentrepreneur.fr](http://www.lautoentrepreneur.fr) or at a business start-up registration centre (Centre de Formalités des Entreprises - CFE), at the Chamber of Commerce (commercial businesses), the Trades Chamber (Chambre des métiers) (skilled trades) or the URSSAF (professional services) as appropriate;
- Fulfil the eligibility criteria for the micro-enterprise tax regime\* which means that annual turnover must be below certain limits
  - **80,000€** for commercial businesses selling goods, articles, supplies and foodstuffs to take away or to be consumed on the premises and provision of accommodation.
  - **32,000€** for businesses providing services other than those coming under the 80,000€ threshold
  - **32,000€** for other provision of services taxable in the category "bénéfices non commerciaux" (BNC), mainly professional services.

(See list of these types of business in Appendix 2)

These ceilings will be reviewed annually in the same proportion as the income tax scales.

- Be eligible for VAT exemption. Any business may be exempt from TVA (VAT) as long as its annual turnover does not exceed the micro-enterprise tax regime ceilings (80,000 € for commercial ventures (purchase/resale, sales of goods and services to be consumed on the premises and provision of accommodation) and 32,000 € for services) and subject to the

trader not opting to operate a VAT scheme. Under this exemption, the business does not add (output) VAT on clients' invoices and cannot recover (input) VAT on invoices from its suppliers. However, certain business activities are excluded from the VAT exemption (see Appendix 1).

Moreover, income tax arising from the small entrepreneur's business activities may also be paid at a flat rate, based on the turnover figure of all small entrepreneurs whose household assessable income for 2007 is below:

- **25,195€** per family part, i.e:
  - **25,195€** for a single person,
  - **50,390€** for a couple,
  - **75,585€** for a couple with two children...

Thus, a single employed person whose 2007 taxable income ("revenu fiscal de référence") is below:

- **25,195€** and who elects to start up a business, in addition to his employment, as an small entrepreneur will pay each month or quarter a single amount calculated on actual turnover which will be full settlement of both his social charges and income tax for this business activity.

For somebody whose assessable taxable income ("revenu fiscal de référence") is above:

- **25,195€**, he will pay the social charges at the flat rate and include the additional net income in his annual income as declared on his tax return.

### Please note!

If you opt to operate a VAT scheme you will no longer be eligible for the micro-enterprise tax regime nor as a consequence for the small entrepreneur regime.

# What does the small entrepreneur regime mean?

Becoming a small entrepreneur brings with it a wide range of social security, self-assessment and tax benefits.

In essence, the small entrepreneur is affiliated to the social security system which also counts for quarterly contributions for pension purposes. He pays his social charges and income tax at flat rates only on revenue that he receives.

**If he receives nothing, he declares and pays nothing. By using the 'pay as you go' payment system, he can easily work out his costs.**

Furthermore, the small entrepreneur does not operate a VAT scheme, nor does he pay corporation tax nor business tax (taxe professionnelle) for the three years following business start-up. Finally, the small entrepreneur starting a business is not required to register formally with the 'Registre du commerce et des sociétés' (RCS) (Companies' Register) or with the 'Répertoire des métiers' (RM) (Trades Register); neither is he required to publish his business in the Official Bulletin of the Civil and Commercial Notices (BODACC) once he has opted for the 'pay as you go' payment scheme for his social charges.

He only needs to make a declaration on-line at [www.lautoentrepreneur.fr](http://www.lautoentrepreneur.fr) or at his local 'Centre de formalités des entreprises' (CFE) (business start-up registration centre). Similarly, if he ceases trading he only has to complete a simplified process at the CFE office. As social charges and tax are paid on actual turnover when received, you do not owe anything if you cease trading.

## Simplicity itself – you know exactly what you get in your pocket after tax and charges

### What the new regime means for you when starting up a business, whether as a main or supplementary occupation

If you are a student, unemployed or retired person or salaried employee who wants to be a small entrepreneur only, this scheme enables you to start up your own business.

From the moment that you make your declaration as a small entrepreneur, either on-line or at a business start-up registration centre (CFE), comply with the annual turnover thresholds and do not operate a VAT scheme, you will become eligible for all the scheme advantages, i.e.:

- a single monthly or quarterly payment of social charges and tax:
  - **12%** social charges for commercial businesses selling goods, articles and supplies and foodstuffs to take away or eat on the premises or provision of accommodation; plus 1% tax (income tax), **together a single payment of 13% of your turnover.**

*Example: On a turnover of 1,000 € a month, you would pay 130 € which would cover your social charges and tax due on this income.*

- **21.3%** social charges for businesses providing services other than those coming under the 80,000 euros threshold plus 1.7% tax (income tax), **together a single payment of 23% of your turnover.**

*Example: On a turnover of 1,000 € a month, you would pay 230 € which would cover your social charges and tax due on this income*

- **18.3%** social charges on the services provided by professionals (professionnels libéraux) coming under the Caisse interprofessionnelle de prévoyance et d'assurance vieillesse (CIPAV) plus 2.2% tax (income tax), **together a single payment of 20.5% of your turnover.**

(See list of these types of business in Appendix 2)

*Example: On a turnover of 1,000 € a month, you would pay 205 € which would cover your social charges and tax due on this income.*

**Please note:** certain business activities come under the **21.3%** rate for social charges and **2.2%** for income tax, i.e. a single payment at **23.5 %**. This applies in particular to commercial agents (See list in Appendix III).

Apart from the facility to pay at source, in one payment and in full discharge on the basis of turnover, this scheme is designed to simplify administrative burdens generally linked to business start-up:

N.B.: You declare your turnover figure each month or each quarter.

Paying at a flat-rate at source and in full discharge allows you to know exactly what you will have left at the end of each month or quarter.

If you have received no takings during the period in question, you declare and pay nothing. All your personal social charges are combined into a single monthly or quarterly payment which can be declared and paid online, you so wish, at [www.lautoentrepreneur.fr](http://www.lautoentrepreneur.fr)

This is a simple scheme; contributions are calculated only in proportion to any earnings received. Easy to understand as well as predictable as each payment made is final with no later adjustment; an advantage for cash flow as no advance [tax or social security] payment is required from the small entrepreneur.

As the small entrepreneur knows exactly what the charges will be, he can adjust his selling price to his cost price, an important factor in his business continuing to flourish.

Finally, making a single payment, at source and in full discharge, of any social charges and tax due means there are no unpleasant surprises later. This is a one-off payment: there is no VAT, no additional income tax relating to this business activity and no business tax (taxe professionnelle) for the first 3 years.

The flat-rate social contribution will include:

- Sickness/maternity insurance contributions and supplementary sickness benefit contributions;
- family allowances contributions;
- basic state pension contributions;
- general social contribution (CSG);
- repayment of the social debt contribution (CRDS);
- compulsory supplementary pension contributions;
- disability and death benefit contributions.

## What does the small entrepreneur regime mean?

- **Exemption from formal registration and simplified declaration.**

Business and skilled trades people are usually required to register formally with the 'Registre du commerce et des sociétés' (RCS) (Companies' Register) or with the 'Répertoire des métiers' (RM) (Trades Register). As a small entrepreneur, and if you have opted for 'pay as you go' payment of social contributions, you are exempt from this requirement. All you need do is complete a single simplified declaration form designed for the small entrepreneur online at [www.lautoentrepreneur.fr](http://www.lautoentrepreneur.fr), or at your business start-up registration centre, which then serves as:

- an application for the issue by INSEE (National Statistics Office) of a SIREN number, the unique identity number for your business;
- a declaration of business start-up to the social security contributions agency dealing with self-employed workers (RSI) incorporating your option for the simplified micro-social regime;
- declaration of business start-up to the tax authorities incorporating, if appropriate, your option for 'pay as you go' payment of income tax. The completed and signed form should be submitted with a photocopy of your identity document to the business start-up registration centre (CFE) appropriate for your type of business<sup>1</sup>:

- CFE run by the 'Chambre de commerce et d'industrie' (Chamber of Commerce & Industry) for those running commercial/retail businesses,
- CFE run by the 'Chambre de métiers et de l'artisanat' (Chamber for Skilled Trades) for those carrying on business as skilled trades people, whether full or part-time,
- CFE run by the URSSAF for the majority of other services.

The declaration may also be made online at the one website. The relevant agencies will be automatically advised about your declaration.

Irrespective of your business sector, you can declare your start-up online at [www.lautoentrepreneur.fr](http://www.lautoentrepreneur.fr).

**Please note:** Commercial agents are still required to register formally with the Special Register for Commercial Agents - RCAS (Registre spécial des agents commerciaux) attached to the commercial court in whose jurisdiction they are domiciled.

- **Exemption from pre-start up preparatory course (for those carrying on business as skilled tradespeople)**

Skilled tradespeople (artisans) usually have to follow and pay for a pre-start up preparatory course usually organised by the 'Chambre de métiers et de l'artisanat' (Chamber for Skilled Trades) before they can register with the 'Répertoire des métiers' (RM).

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<sup>1</sup> To find your CFE, see <http://annuaire-cfe.insee.fr/AnnuaireCFE/jsp/Control eur.jsp>

Small entrepreneurs carrying on business as skilled tradespeople under this new scheme are not required to follow such a course (but you may, if you wish, ask to follow it on a voluntary basis).

If, subsequently, you go on to register formally with the 'Répertoire des métiers' (RM), (either because you wish to or because your turnover figure has exceeded the thresholds shown above), you will be exempt from the requirement to follow the course.

- **Option for 'pay as you go' payment of income tax at source and in full discharge.**

This additional option is granted subject to your household's overall assessable income (revenue global de référence) for 2007 not exceeding 25,195 € per family part (quotient familial).

If your overall assessable income exceeds this threshold, you can still be eligible for other advantages offered by this new regime (flat-rate payment of social charges and exemption from formal registration).

This option gives you a number of advantages<sup>2</sup>:

- Pay as you go payment of income tax levied at source on your actual turnover or received earnings. You pay your income tax at the same time as your flat-rate social charges. You pay tax on your earnings received during the period (quarter or month) by applying the following rates:

- **1%** for commercial businesses selling goods, articles, supplies and foodstuffs to take away or to be consumed on the premises and provision of accommodation;

- **1.7%** for businesses providing services other than those coming under the 80,000 € threshold
- **2.2%** for other provision of services taxable under the category of 'bénéfices non commerciaux' (BNC), i.e. mainly professional services. (See list of these types of business in Appendix 2).

When added together, these tax rates and the social charges rates make up the sole rate of contributions payable by the small entrepreneur, i.e. 13% for commercial businesses buying/selling and comparable businesses (12% social charges + 1% tax), 23% for the provision of services other than those coming under the 80,000€ threshold (21.3% social charges + 1.7% tax), 20.5% for professional services (18.3% social charges + 2.2% tax).

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<sup>2</sup> How to opt for 'pay as you go' payment of income tax? You should opt specifically for this regime when you first make your declaration of business start-up.

## What does the small entrepreneur regime mean?

**As with contributions and social security payments, if you received no takings, then you make no declaration and you pay no tax for the period concerned in respect of that business.**

Payment of this tax is at source and in full discharge: you only need to enter the total of your turnover or receipts for the year in the box provided for this purpose on your annual income tax return. Your tax liability, when calculated, will not include the tax already paid in respect of your business during the previous tax year (See example at the bottom of this page).

- Temporary exemption from business tax (taxe professionnelle). By opting for the 'pay as you go' payment of income tax, your business is fully exempt from contributions to business tax for three years. Thus, if you start up on 1 March 2009, you are exempt from business tax for 2009, 2010 and 2011.

## What you should also know

- What will not change: the conditions under which you operate your business.

### **Professional qualifications and standards**

Certain occupations are regulated and legally require formal qualifications.

For skilled trades (artisans) in the construction and food industries, home-based hairdressing and beauty services, etc., the business must be run or supervised by a person holding a vocational qualification at a level at least equal to CAP (certificat d'aptitude professionnelle - vocational training certificate) or with prior professional experience of at least three years in that field. Please see Appendix III for the list of relevant trades. You should seek information from the appropriate chamber, institute, professional or statutory regulatory body about the regulations governing the sector in which you wish to operate your business.

*For example: A household consisting of a couple without children. One partner receives a net salary after deducting expenses of 16,005€, the other declares a small commercial business (micro-BIC) with receipts of 65,500€ yielding an income of 18,995€ after the 71% allowances. Overall net income is therefore 35,000€.*

- Tax due before the LME: For 2007 income, final tax would be 2,346€, charged at a rate of 6.7% (2,346/35,000).
- Tax due after the LME: Tax deducted at source is 655€ (65,500 x 1%). Net overall income is therefore only based on that of the first partner, i.e. 16,005€. Tax on his salary is 1,072€ (16,005€ x 6.7%). The total tax on the household is therefore 1,727 € (655 + 1,072).

**The new scheme has given rise to a tax saving of 619 € (2,346 - 1,727).**

## **Business insurance**

You must comply with the requirements for business insurance appropriate to the type of business you operate.

➤ **What insurance is compulsory?**

It depends on the type of business you operate. There is a legal requirement in some sectors (such as construction) to take out a specific type of insurance. Before starting your business you should also seek information about insurance requirements from the appropriate chamber, institute, professional or statutory regulatory body.

➤ **What is the extent of the entrepreneur's liability?**

Like any entrepreneur, the small entrepreneur can be exposed to professional indemnity liability risks in connection with his business activities. Taking out a professional indemnity liability insurance policy is not compulsory, except for certain businesses.

## **Duty of loyalty**

In a similar way to any other contracting party, an employee is bound to observe a duty of loyalty towards his employer. Subject to limits set by case law, this duty of loyalty extends after the end of the employee's contractual relationship with his employer.

If you are a salaried employee and you wish to operate an independent business in addition to your main employment, you are not permitted to carry on the same type of business set out in your employment contract with your employer's clients without the latter's express agreement. Moreover, your employment contract may contain clauses prohibiting or restricting your right to start up a business, in order to protect the employer's interests. You should therefore check the clauses in your employment contract carefully if you are a salaried employee and you wish to carry on an independent supplementary business.

## **Compliance with general regulations and professional technical standards**

Legal and regulatory provisions as well as professional technical standards, especially relating to health and safety, employment law as applied to salaried employees, consumer protection provisions all apply to the small entrepreneur.

**Please note!**

Personal liability is generally covered within the framework of a domestic comprehensive 'multi-risk' insurance policy, but this type of insurance does not cover the policyholder's liability in connection with his business activities, however minimal they are.

## What does the small entrepreneur regime mean?

- What will change: the consequences of opting not to register formally with the RCS or the RM

If you have decided not to register formally, you will not then be eligible for certain rights reserved for entrepreneurs formally registered with a public legal register (e.g. RCS, RM).

### **Commercial leases**

Reminder of the principal specific provisions of the statute relating to commercial leases (Articles L.145-1 to L.145-60 of the Code de commerce (French Commercial Code)).

- minimum term of lease fixed at 9 years with tenant having the right to terminate at the end of each 3 year period unless there is a clause to the contrary;
- rent capped at the three-yearly review or at renewal of the lease;
- right of renewal for the lessee who requests it prior to the expiration of the lease; if the property owner refuses renewal, he pays the lessee compensation for eviction.

### **Entitlement to vote and stand for election at respective chambers**

If you are not registered at the Companies' register (RCS) or the Trades Register (RM), you will not be a voting member of either a chamber for skilled trades or a chamber of commerce & industry nor will you be required to pay the relevant annual subscription.

Please note!

If, as a small entrepreneur, you have opted for exemption from formal registration with the Companies' register (RCS) or Trades Register (RM), you will not be eligible for the right of renewal of a commercial lease unless the lessor and lessee have decided by mutual agreement to be voluntarily bound by the statute relating to commercial leases. If you wish to be eligible for the right of renewal you should register voluntarily.

## For those already running a business (sole trader, providing professional services ('profession libérale')...)

Those already in business who fulfil all the eligibility criteria to become a small entrepreneur may, from 1 January 2009, access the same advantages as salaried employees, retired people, unemployed people or students if they wish to become a small entrepreneur, except in respect of the exemption from formal registration which is only granted to those who were not already formally registered with the Companies' register (RCS) or the Trades Register (RM).

**The entrepreneur already running a business may therefore not 'de-register' his business.**

### **What does the new regime mean for you?**

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- Option to take up the simplified micro-social regime.

You may apply for the simplified 'pay as you go' social security regime reserved for small entrepreneurs. You need to make an application in writing to the office handling the social security regime for independent workers to which you are currently affiliated at the latest by 31 December of the year preceding the one in which the scheme is to apply. Businesses already existing on 1 January 2009 may exceptionally exercise their option to take up the simplified micro-social regime up to 31 March 2009 for an application relating to 2009. The choice of payment option applies for a whole year. You can thus pay your personal social charges at source and in full discharge calculated on earnings received at a flat rate of:

## What does the small entrepreneur regime mean?

- **12%** social charges on commercial businesses selling goods, articles, supplies and foodstuffs to take away or eat on the premises or provision of accommodation

**21.3%** for businesses providing services other than those coming under the threshold of 80,000 euros;

### **Please note:**

In the case of those offering professional services (professionnels libéraux) coming under the CIPAV, only those starting up a business after 1 January 2009 may opt for the new small entrepreneur scheme. This option is not open to those already running a business.

- Option for 'pay as you go' payment of income tax at source and in full discharge

You may apply for the additional option of 'pay as you go' payment of income tax levied at source on turnover from a sole trader business (entreprise individuelle), provided you have opted for the simplified micro-social regime (see paragraph above) and provided that your overall household income does not exceed 25,195€ per family part (quotient familial).

### **How to take up this option?**

You should advise the RSI (regime for independent workers) office currently dealing with your affairs about your wish to take up this option at the latest by 31 December of the year preceding the one in which the option is to apply.

However, exceptionally, you may qualify for this regime in 2009 if you exercise your option before 31 March 2009.

Your contributions will be recalculated and any overpayment will be reimbursed. This option gives you the benefit of 'pay as you go' payment of income tax levied at source on your turnover or takings.

You pay your income tax at the same time as your flat-rate social charges. You pay tax on your takings during the period (quarter or month) by applying the following rates:

- **1%** for businesses whose main activity is to sell goods, articles, supplies or foodstuffs to take away or to eat on the premises, or to provide accommodation;
- **1,7%** for businesses whose main activity is to provide services other than those coming under the threshold of 80,000 euros;

Payment of this tax is at source and in full discharge: you will not be due to pay any further tax on this income at the end of the year.

- **What will not change**

Choosing to opt for the simplified micro-social regime and for 'pay as you go' income tax at source will not have any impact on the conditions under which you operate your business. As set out above, you must comply with regulations relating to professional standards and qualification, business insurance, restraint of trade (in respect of any employer), general legal regulations and professional technical standards.

# What are the other advantages for the small entrepreneur?

As a small entrepreneur, you qualify for the same advantages offered to all micro-businesses (très petites entreprises – TPE) aimed at improving management conditions and protection for people running businesses.

## Less onerous accounting

Business owners under the micro-enterprise tax regime, whether formally registered or not, benefit from less onerous accounting requirements.

They are required only to keep a simple ledger showing the amount and origin of their business takings, in chronological order, showing payments in cash separate from other payments. References to supporting documentation (invoices, bills, etc.) should be shown in this ledger which should be written up every day.

Furthermore, where the main activity of the business is selling goods, articles, supplies or foodstuffs to eat on the premises or to take away, or the provision of accommodation, business owners are also required to keep a ledger showing, in year order, details of their purchases, showing the method of payment and references to supporting documentation (invoices, bills, etc.).

Business owners must keep all invoices or other supporting documentation relating to their purchases, sales of goods or provision of services.

## **You may protect all or part of your personal property assets by making them exempt from seizure.**

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- What assets can be made exempt from seizure?

All land whether developed or undeveloped (plots of land, houses) not designated for business purposes.

- How to make your personal property assets exemption from seizure?

By making a declaration of exemption from seizure before a notary, which is subsequently published in Register of Mortgages (Bureau de la Conservation des Hypothèques) in the place where the property is located as well as in the appropriate public legal register (if you are formally registered) or the journal of legal notices in the department where the business is located (if you are not formally registered).

- What are the consequences of this declaration of exemption from seizure?

The property designated in the declaration may no longer be seized by your business creditors where the debts arose after the publication of

the declaration unless you decide to waive the exemption from seizure in favour of one or more creditors or in respect of all or part of your property assets (by a waiver before a notary and published in the same way and with the same bodies as the original declaration).

The property so protected can include not only your principal private residence but also all your land whether developed or undeveloped not designated for business purposes. You also have right to waive the exemption from seizure in favour of one or more creditors which may allow you to access credit more easily.

## **Access to collective insolvency proceedings for businesses experiencing difficulties**

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The small entrepreneur has access to the collective insolvency procedures for businesses experiencing difficulties whatever the type of business activity.

# How to leave the small entrepreneur regime?

## Ceasing trading and delisting

If you opted for the new micro-social regime and the 'pay as you go' payment of income tax at source for the small entrepreneur and you cease trading, even during the course of the tax year, you are not liable for any remaining social charges or income tax relating to your business (above that due on your last declared turnover figure) once you have made a declaration at the business start-up registration centre (CFE) that you have ceased trading.

## Leaving the regime voluntarily

- If you opted for the simplified micro-social regime and the 'pay as you go' payment of income tax at source but you no longer wish to stay on the scheme even though you are still eligible, you should make a specific request at the latest by the 31 December of the year preceding the one in which you wish to revert to the regime under ordinary law. In fact, any change in the method of paying social contributions may not be made for a period of less than a year.

- If you opt for the simplified 'régime réel' tax regime, you leave the micro-enterprise tax regime in the year in which the option is to apply. Consequently, you leave the simplified micro-social regime and the 'pay as you go' payment of income tax at source that same year.

## Leaving the regime as a consequence of no turnover for 12 months

If you do not produce any turnover for 12 consecutive months, you will cease to qualify for the small entrepreneur regime. If you cease trading, you should send a declaration to the CFE dealing with your affairs. If you were to continue trading, you can stay in the micro-enterprise tax regime (see Appendix I) but you must formally register with the Companies' register (RCS) and/or the Trades Register (RM), as appropriate to your business.

## Leaving the micro- enterprise regime due to exceeding the maximum turnover limit over two years

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If you exceed the eligibility thresholds for the micro-enterprise tax regime (80,000€ for commercial ventures - purchase/resale, sales of goods and services to be consumed on the premises and provision of accommodation - and 32,000€ for services) you continue to be eligible for the simplified tax and social security regime and exemption from formal registration during the first two years this limit was exceeded provided that your turnover figure was not in excess of 88,000€ (commercial ventures) or 34,000€ (services).

See example in Appendix I.

If your turnover exceeds 88,000€ (commercial ventures) or 34,000€ (services), the 'pay as you go' payment of income tax at source regime will cease retroactively at 1 January of the year during which this limit was exceeded, whereas the simplified micro-social regime will cease on 31 December of that same year.

Please note!

The limits shown above will be reviewed annually.

## Leaving the 'pay as you go' payment of income tax regime due to exceeding the household income ceiling

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If your assessable household income (revenue de référence de votre foyer) exceeds the 25,195€ per family part (quotient familial) limit (2007 assessable income), you will only lose eligibility for the new tax regime in the second tax year following the one in which the limit was passed. You may, nevertheless, remain eligible for the other advantages offered to the small entrepreneur (social security regime and exemption from formal registration).

Please note!

The limit of 25,195€ will be reviewed annually.

# ACCRES and the small entrepreneur

## 1. Current arrangements applicable up to 1 May 2009

This support scheme for business start-up by unemployed people in receipt of benefits or those receiving income support (i.e. an ACCRE scheme) includes partial exemption from social contributions for those eligible:

- only contributions towards the complementary old age pension and the CSG and CRDS will remain payable;
- for the first 12 months, contributions are exempt provided income remains within 120% level of the annual minimum wage (SMIC). That part of income exceeding that ceiling will not be eligible for such exemption.

The scheme can be extended over the following 24 months if the business is subject to the micro-enterprise tax regime:

- income thus determined will be fully exempt from such contributions up to the basic level of RSA (Revenu de solidarité active);
- for that part of income between this first level and the annual SMIC figure the exemption is only 50%;
- from that point on, if the small entrepreneur's income exceeds the annual SMIC threshold, then it no longer qualifies for exemption. This has a threshold effect, a cut-off reminding the business owner to pay the whole amount of contributions

due, such reminder can sometimes endanger the survival of the business.

**In this context, the combination over time of ACCRE support and the small entrepreneur regime will be as follows:**

- Option for the small entrepreneur scheme is made at the time of declaration of business start-up and also the claim for ACCRE (even up to the following 45 days for the ACCRE);
- the business creator may be eligible for exemption from formal registration if he carries on a commercial or skilled trades (artisan) business, as intended for such small entrepreneurs;
- during the exemption period granted by the ACCRE, he will pay his remaining CSG-CRDS and complementary pension contributions in accordance with ordinary rules (quarterly contributions). At the end of the period, standard declarations and payments, whether quarterly or monthly, as for all small entrepreneurs will then apply.

## 2. Reforms applicable with effect from 1 May 2009

The introduction of the small entrepreneur scheme (payment at source and in full discharge of all contributions and taxes due based on percentage of turnover) has consequently led to a revision of the method of calculating any

remaining contributions due within the ACCRE scheme within the same spirit of simplification.

**So for a small entrepreneur benefitting from this business start-up support, any remaining contributions for which he is liable will be paid in the form of a specially calculated payment based on flat rate on his turnover.**

**This reduced rate, which increases incrementally, will be the equivalent of 25% of the standard rate in the first year of the business, 50% in the second year and 75% in the third year. This rate will therefore vary, depending on which year since start-up and on social and occupational category.**

This scheme operates within the earnings limits applicable to the small entrepreneur regime (80,000€ for purchase/sales activities and 32,000€ for services). If these limits are exceeded, then that part of turnover above the

limit will be subject to normal deductions made under the small entrepreneur regime, and the entrepreneur in question will cease to be eligible for the scheme.

This new scheme brings together several advantages: its extreme simplicity, the abolition of cut-off thresholds, the raising of limits in which the scheme applies, and finally the gradual easing of the new entrepreneur into a standard business regime under ordinary law by progressive increases in deduction rates.

**The reformed system will apply as of right to small entrepreneurs qualifying for ACCRE who start their business after 1 May 2009.**

From that date and for all professional categories concerned, the rates will be the following for those receiving ACCRE (The scheme will run for 36 months, then the standard small entrepreneur rates will apply in the fourth year onwards):

Rate applying to turnover	1st year	2nd year	3rd year	Standard small entrepreneur scheme
Service providers	5.3%	10.7%	16%	21.3%
Traders, shopkeepers, distributors & sales	3%	6%	9%	12%
Professional services coming under CIPAV	5.3%	9.2%	18.3%	18.3%

# Statutory unemployment insurance and business start-up or take-over

The successive UNEDIC\* agreements, the latest of which was dated 18 January 2006, and their implementing regulations have significantly improved the position of salaried employees starting up or taking over businesses in respect of rules of unemployment benefit entitlement.

A genuine business start-up by a job seeker is now counted as an active step towards seeking work; this means that the job seeker may continue to claim statutory unemployment benefit during the preparatory period leading up to the start-up.

Moreover, there are now three possible options available to job seekers starting or taking over a business.

**1.** On the basis of resuming work at a reduced level, a job seeker starting up a business may continue to receive part of his statutory

unemployment benefit for a period up to 15 months, within the limit of any other entitlements, subject to his newly started business not yielding income exceeding 70% of his former daily basic rate of pay. This amount increases each calendar month. For the first year of operation, this is calculated at a flat rate in proportion to the estimated income declared by the new entrepreneur; but is adjusted later once actual taxable income is known.

**2.** Article 48 of the regulations attached to the recent UNEDIC agreement dated 18 January 2006 allows a job seeker starting up or taking over a business to ask for half of the balance of his statutory unemployment benefit to be paid as usable capital for his projected business. The job seeker deregisters as a job seeker at the point his business is registered. He receives half this capital when his business starts and the other half six months later.

*\* ANPE and UNEDIC have merged and have now become 'Pôle emploi'.*

If the business fails, the proprietor can apply again for payment of statutory unemployment benefit up to a maximum of the remaining half of the balance of the benefit.

**3.** The job seeker also deregisters as a job seeker receiving benefits at the point the business is registered or taken over and does not apply for payment of half his benefit as capital.

If the business fails within a period of three years, as increased by a residual period in respect of rights to statutory unemployment benefit, he may be able to reregister with the statutory unemployment insurance scheme and receive the balance of his statutory unemployment benefits based on his previous salaried employment.

# Multiple business activities carried on either by an individual or within the same household

## 1. Boundary between purchase/sales activities and provision of services

It is important to distinguish between these two types of activity in order to identify the different turnover ceilings applying to the small entrepreneur scheme (80,000€ or 32,000€).

### The 80,000€ ceiling applies to:

- the purchase of tangible goods for resale without further finishing;
- manufacture of products from raw materials (flour, metals, wood, ceramics. etc.) for resale (baked goods, manufacture of costume jewellery, etc);
- sale of foodstuffs to be consumed on site (café, restaurant, etc.);
- provision of accommodation (hotels, B & B).

### The 32,000€ ceiling applies to:

- services provided on a product supplied by the client (e.g. repairing of computers). In these circumstances, the service provider may supply accessories or components (e.g. a tailor who supplies buttons and thread, the shoe-repairer who supplies a heel to be fitted);

- resale of intangible goods (e.g. sale by download of computer programmes);
- work carried out on property;
- provision of furnished premises.

## 2. Multiple business activities and increase in turnover ceilings

- If, in the same business, you carry on a mixture of sales and commercial activities (sales plus provision of accommodation or provision of services of a commercial nature plus skilled trades activities (artisan) on the other hand), total turnover must not exceed 80,000€, and within this ceiling turnover relating to the provision of services must not exceed 32,000€.

For example: a building tradesman who also invoices building materials or raw materials required for the work to be carried out.

- If, in the same business, you operate a sales/commercial activity on one hand (coming under the BIC category) and, as a secondary activity, a non-commercial activity (coming under the BNC category), then all commercial receipts will be grouped together with the non-commercial ones and your aggregated turnover must not exceed 80,000€; within this ceiling, actual turnover arising from services must not exceed 32,000€.

For example: a seller of computers and software who also designs software (BNC activity additional to BIC activity).

This same multiple turnover rule also applies if you individually operate separate businesses respectively coming under the BIC and BNC categories.

- In contrast, if, in the same business, you carry on a non-commercial activity (coming under

the BNC category) on one hand and, as a secondary activity, a commercial/sales activity (coming under the BIC category), then commercial and non-commercial receipts will be grouped together and your turnover must not exceed 32,000€.

- If on your own account you operate several activities of the same type (BIC or BNC), receipts for each activity will be grouped together of the same type will be grouped together to work out the ceiling not to be exceeded (32,000 € or 80,000€)

For example: an IT consultant who also provides training or in the case of a seller of fashion items who also sells computers.

- Please note: If two members of the same household each carry on a separate business as individually owned assets, turnover in respect of each business will be assessed separately for each member.

# Public employees and the small entrepreneur scheme

Public employees, even if they are subject to a rule prohibiting them from operating a private business for gain in order to protect the normal functioning of government, may nevertheless ignore that rule and be eligible to be a small entrepreneur under three different regimes.

## **1. Full-time or part-time public employees ('temps plein' or 'temps partiel')**

This type of employee has free choice about the proportion ('quotité') of time worked; his request for multiple work activities is therefore subject to permission being granted from his department.

### **Secondary activity as a small entrepreneur - specific circumstances**

A full-time or part-time public employee may be allowed to operate a secondary activity under the small entrepreneur scheme, without any pre-defined time limitations, within one of the following sectors: expert or consultancy work, teaching, training, work carried out at private individuals' homes.

### **Small entrepreneur business start-up in all other situations**

A public employee may also set up in industrial, commercial, skilled trades, agricultural or professional service business under the small entrepreneur scheme, without any limitation on the purpose of

such business, for a period of a year, renewable once, after advice from the professional ethics committee. If a business is started-up alongside continuing public employment, then part-time working, if requested, is granted as of right.

## **2. Part-time flexible or casual part-time public employees ('temps incomplet' or 'non complet')**

This type of employee does not choose the proportion ('quotité') of time worked; his request to start-up a business alongside continuing public employment only requires a prior declaration to his department.

A part-time flexible or casual part-time public employee ('temps incomplet' or 'non complet') may operate a private business for gain, whatever the purpose of the latter, without any pre-defined time limitations, after having advised his employing department.

In all cases, the government may oppose the operation of any small entrepreneur business if it is shown as disrupting the normal functioning of government or damaging the dignity of the office occupied by the public employee.

### **References:**

Law no. 83-634 dated 13 July 1983  
Decree no. 2007-658 dated 2 May 2007  
Circular no. 2157 dated 11 March 2008

# Accreditation of quarterly contributions for basic pension purposes

In ordinary law, in order to accredit a quarter, contributions based on a salary equal to 200 times the hourly statutory minimum wage (SMIC) must have been made, values as at 1 January:

- a contribution base equivalent to 200 times the hourly statutory minimum wage will allow a quarter to be accredited;
- a contribution base equivalent to 400 times the hourly statutory minimum wage will allow two quarters to be accredited;
- a contribution base equivalent to 600 times the hourly statutory minimum wage will allow three quarters to be accredited;

- finally, a contribution base equivalent to at least 800 times the hourly statutory minimum wage will allow four quarters.

For the small entrepreneur, accreditation of pension quarters will be given in the first year of the business irrespective of actual turnover, subject to the business having operated for the whole of the tax year. Accreditation of additional quarters which would give access to rights to a retirement pension for a small entrepreneur will depend upon the level of income after deduction of flat rate allowances on turnover.

Category of independent workers	Allowances deductible from turnover figure	Turnover required to accredit 1 quarter*	Turnover required to accredit 2 quarters (400 times the gross hourly SMIC i.e 3,484 €)	Turnover required to accredit 3 quarters (600 times the gross hourly SMIC i.e 5,226 €)	Turnover required to accredit 4 quarters (800 times the gross hourly SMIC i.e 6,968 €)
Traders, shopkeepers, distributors & sales	71%	< 12,014	12,014 €	18,021 €	24,028 €
Skilled tradespeople (artisans), services providers	50%	<6,968€	6,968€	10,452 €	13,936 €
Professional services	34%	<5,279€	5,279€	7,919 €	10,558 €

\* Payment of flat rate contributions allows the accreditation of a minimum of one pension quarter for a turnover above zero and below the turnover required for 2 quarters.



# Post-retirement employment and basic retirement pension schemes

The following rules relating to post-retirement employment apply in full in respect of retired people who start up or take over a business under the small entrepreneur scheme.

## Conditions of combining retirement with working

### 1. General conditions

From now on, under the new provisions introduced in the Social Security Funding Law for 2009, retired people coming under the general regime, the agricultural regime and aligned regimes may from 2009 combine pension and income from employment without any restriction, as long as they have started claiming all their pensions.

- from the age of 60 if they have made sufficient contributions to qualify for a full pension;
- from the age of 65 in all other cases.

### 2. Other conditions

Other conditions are set out in detail in the tables below.

Regime	Current position: for those retiring without a full pension, or before 65, the previous rules for combining retirement and working will continue to apply.
<p>Retired people coming under:</p> <ul style="list-style-type: none"> <li>• the general regime 'régime général' (ex-salaried employees and non-salaried employees attached to this regime),</li> <li>• agricultural regime ('régime agricole' (salaried employees),</li> <li>• Special regimes (ex-salaried employees, except for special regimes for the three public employee categories (civil servants, local government and public health employees), workers in state-owned industrial organisations and sailors)</li> </ul>	<p>Combining a retirement pension claimed under one of these basic retirement pension schemes with income from employment which gives rise to affiliation to one of these regimes was only possible if the total amount of that pension plus any supplementary pension from other sources plus income from employment was below the last income from employment which gave rise to affiliation to these regimes before claiming pension from these regimes or below 160% of the SMIC (statutory minimum wage).</p> <p><i>References: L. 161-22, D. 161-2-6 to D. 161-2-11 of the CSS (Social Security Code).</i></p> <p>NB: the retirement pension from these basic retirement pension schemes may therefore be combined with income from employment which gives rise to affiliation to other basic retirement pension schemes (non-salaried workers' regime and special regimes for public employees, workers in state-owned industrial organisations and sailors).</p> <p>The same applies to certain other employment categories (artists - performers; other artistic, literary or scientific activity; transfer of a business; judicial or similar activity ; selection board; sponsorship as set out in L.811-2 of the Employment Code (code du travail); accommodation in rural areas; activities such as locum or short-period appointments of nursing and or medical staff in medical establishments; tutoring/mentoring/coaching of one or more salaried employees by an ex-salaried employee for his previous employer, within the framework of a short-term contract (CDD - contrat à durée déterminée) :L.161-22 du CSS).</p> <p>Going back to work for the previous employer: if a retired person goes back within six months after the effective date of start of the pension, then he is not allowed to combine activities in this way. After this period, the general limits for defined global income will apply.</p> <p><i>References: L. 161-22 and D.161-2-12 of the CSS</i></p>



<b>Social security/ employment status of retired people</b>	<b>Current position: for those retiring without a full pension, or before 65, the previous rules for combining retirement and working will continue to apply.</b>
<p>Non-salaried (self-employed) retirees - skilled trades, commercial and industrial (RSI)</p>	<p>The basic retirement pension for non-salaried (self-employed) workers may be paid at the same time as the worker carries on a non-salaried employment (skilled trades, commercial or industrial) if income from that employment is less than half the social security ceiling (16,638 euros in 2008), pro-rata to the period of activity. If the employment is within a ZRR (rural revitalisation zone - 'zone de revitalisation rurale') or a ZUS (sensitive urban zone - 'zone urbaine sensible') the maximum income threshold is increased to the social security ceiling (33,276 euros in 2008).</p> <p>If income from this non-salaried employment exceeds these ceilings, payment of retirement pension will be suspended for a period equal to the relationship between the amount of excess recorded and the amount of monthly pension.</p> <p><i>References: L.634-6, D.634-11-1 and 12 of the CSS.</i></p> <p>NB: the retirement pension for these non-salaried (self-employed) workers may therefore be combined with income from employment which gives rise to affiliation to other basic retirement pension schemes (salaried workers' regime and the regime for professional service providers).</p> <p><b>Special circumstances: carrying on working after transfer/sale of a business</b></p> <p>The contributor paying into the basic retirement pension scheme who transfers/sells his business and is aged between 60 and 65, may carry on paid employment there (of any kind) for six months without any ceiling on his remuneration.</p> <p><i>References: L.634-6-1 D.634-13-1 of the CSS.</i></p> <p>In connection with paid tutoring, mentoring or coaching of the new business owner by the retired seller. Decree no. 2007-480 dated 29 March 2007 fixes the period of combining a retirement pension with remuneration for such activity to a maximum of one year, with no ceiling on the amount.</p> <p><i>References: L.634-6-1 D.634-13-2 of the CSS.</i></p>

<b>Social security/ employment status of retired people</b>	<b>Current position: for those retiring without a full pension, or before 65, the previous rules for combining retirement and working will continue to apply.</b>
<p>Retired former professional service providers</p>	<p>Combining professional services basic retirement pension with income from professional services provision is now authorised only if the net annual amount of that income is below the annual social security ceiling (33,276 euros 2008).</p> <p>If this amount is exceeded, the individual concerned should advise the retirement body for his profession ('section professionnelle') and payment of his retirement pension will be suspended.</p> <p><b>Special circumstances:</b> for healthcare professionals, income arising from continuing care is not taken into account. The same applies to certain other employment categories (artistic, literary and scientific activities carried on as supplementary activity before claiming for pension, judicial or similar activities; selection boards).</p> <p><i>References: L.643-6 D.643-10 of the CSS</i></p> <p>NB: the basic retirement pension for professional services providers may therefore be combined with income from employment which gives rise to affiliation to other basic retirement pension schemes (salaried workers' regime and the regime for non-salaried workers (self-employed) - skilled trades, commercial and industrial).</p>

# Post-retirement employment and basic retirement pension schemes

## Consequences of combining post-retirement work and pension

### 1. Contributions due

A retired person who resumes work as a professional services provider will be liable to pay social contributions on any income from this work, at standard rates and under the same conditions as any other worker.

In respect of old age pension, a retired person setting up as a self-employed independent worker is liable to pay basic and supplementary old age pension contributions from the start of his activity and in exactly the same way as anybody starting a new business: as income is not known at the start of his business, contributions will be calculated on a flat-rate basis. A retired person setting up an independent business may use resources available to him under ordinary rules of law to reduce his contributions.

NB: if going back to work under the small entrepreneur scheme, pension contributions are included in the simplified micro-social deductions.

### 2. Benefits

Under the post-retirement employment rules, an individual benefits from an increase in his income as the income arising from his employment is added to his retirement pension.

### • If the new activity comes under the regime which is paying the retirement pension

- Skilled tradespeople (artisans): no further rights in respect of the basic pension. However, contributions paid create entitlement in respect of supplementary pension.
  - Traders, shopkeepers, distributors & sales (commerçants): no further rights in respect of the basic pension. However, creation of entitlement in respect of supplementary pension, unless it relates to going back to work.
  - Professional service providers (libéraux): no further rights in respect of basic pension or supplementary pension.
- Salaried employees: no further rights in respect of the basic pension or supplementary pension.

### • If the new activity does not come under the regime which is paying the retirement pension (not including lawyers ('avocats'))

Contributions paid into basic and supplementary retirement pension schemes will give rise to additional entitlements

# Appendix I

## The micro-enterprise tax regime

### Who is eligible for the micro-enterprise tax regime?

To be eligible for the micro-enterprise tax regime you must:

➤ **Carry on business as a sole trader;**

Only those individuals running a business on their own account are eligible for the micro-enterprise tax regime; registered companies are excluded, even partnerships as defined under Article 8 of the CGI (Tax Code), as are not-for-profit associations.

➤ **Have a turnover which does not exceed the specific ceiling applying to business sector in which you operate;**

The new annual turnover ceilings are as follows:

- **80,000 €** where the main business activity is the sale of goods, articles, supplies and foodstuffs to take away or eat on the premises or the provision of accommodation;

- **32,000 €** for businesses where the main activity is the provision of services other than those coming under the 80,000 euros threshold;

- **32,000€** for the provision of services taxable under the category of 'bénéfices non commerciaux' (BNC), i.e. mainly professional services.

These thresholds will be reviewed annually within the same parameters as the first band in the income tax scale.

➤ **Not operate a VAT scheme;**

All businesses are exempt from operating a VAT scheme as long as their turnover does not exceed the micro-enterprise tax regime ceilings and the owner does not opt to operate a VAT scheme. Under this system the business does not add (output) VAT on clients' invoices and cannot recover (input) VAT on invoices from its suppliers.

Please note! If a business chooses to operate a VAT scheme, it will no longer be eligible for the micro-enterprise tax regime.

➤ **Not run a specifically 'excluded' business;**

Businesses 'excluded' from the micro-enterprise tax regime include those covered by the special agriculture VAT scheme, certain commercial or non-commercial businesses such as plant hire and hire/leasing of consumer durables, sale of new vehicles in other EU member states, businesses coming under the property VAT scheme (property dealing, property development, estate agency, operations dealing in property companies; in contrast, leasing businesses and letting of furnished premises or premises which will be furnished are eligible), letting of empty office space, court and state officials, literary, scientific or artistic output, professional sport, as long as those concerned have chosen to be assessed on the basis of average income over the past two or four preceding years, futures market dealing, trade options exchange and dealing in equity warrants.

➤ **Not opt for assessment under the simplified 'réel' tax regime.**

The micro-enterprise regime is granted as of right if the conditions shown above are met, but the business owner may if he wishes opt to be assessed under the 'régime réel'.

**In general terms, how does taxation under the micro-enterprise tax regime work?**

The following rules will apply, unless the entrepreneur has opted for the 'pay as you go' payment of income tax at source.

Business owners declare their turnover and receipts received in connection with their business activity during the tax year on their household tax return.

These are used to work out a profit; when calculating the income tax due, the tax authorities apply flat rate allowances equivalent to running costs; these vary according to the type of business activity, as follows:

# Appendix I (continued)

- 71% for businesses whose activity is the sale of goods, articles, supplies and foodstuffs to take away or eat on the premises or the provision of accommodation;
- 50% for businesses whose main activity is to provide services other than those coming under the 80,000 euros threshold;
- 34% for non-commercial businesses.

The turnover figure less allowances then serves as the basis for levying income tax in accordance with progressive scale rates. This tax is payable in three instalments, or by monthly payments, in the year following the year for which the business declared the income. The self-declaration requirements are simple and straightforward; flat rates for deducting running costs mean that accounting procedures can kept very simple.

## What are the consequences if business turnover increases?

So that businesses can transfer smoothly out of the very simple micro-enterprise and VAT exemption regimes if the ceilings are breached, the scheme allows businesses to stay in the scheme for two years providing that the following two conditions are met: firstly, the thresholds of 88,000€ (commercial sales) or 34,000€ (provision of services) are not exceeded, and secondly, the small

entrepreneur does not operate a VAT scheme at any time during the year in question.

The benefit of the exemption is granted in year N if:

- turnover in year N does not exceed 88,000€ and the turnover in year N-1 did not exceed 80,000€
- or the turnover in year N does not exceed 88,000€ and the turnover in year N-1 did not exceed 88,000€ and turnover in year N-2 did not exceed 80,000€.

## Two worked examples to illustrate how this works:

*These examples do not take into account any annual updating of the thresholds which will apply to turnover achieved from 1 January 2010.*

**First example:** New business selling regional produce - No option for a VAT scheme.

2009: receipts of 79,000€. Turnover is below the limit, VAT exemption and micro-fiscal regime applied.

2010: 82,000€. Please note! Now above threshold of 80,000€ but below 88,000 €, however, in the previous year, turnover was less than 80,000€ which => VAT scheme exemption applies as does the first year of tolerance under the micro-fiscal regime.

2011: 87,000€. Threshold of 80,000€ has now been exceeded, but is below 88,000€. Also, in the previous year, the turnover was between 80,000€ and 88,000€ and the year before that it was below 80,000€, so (VAT) exemption is still possible this year and the micro-fiscal is possible for a second year of tolerance under Art. 50-0 1 of the CGI (French Tax Code).

2012 :

a) Turnover = 70,000€. The 88,000€ threshold has not been exceeded. However, in the previous year turnover did not exceed 88,000€, but the year before that it exceeded 80,000€, so the (VAT) exemption falls which => the business must charge VAT on its sales from 1 January 2012 and may deduct VAT from suppliers' invoices in accordance with ordinary law. The business now leaves the micro-enterprise regime in 2012 and as of right joins the simplified taxation regime (régime simplifié d'imposition).

b) Turnover = 88,000€. The 88,000€ threshold was not exceeded in years N and N-1, but the year before that it exceeded 80,000€, so the (VAT) exemption falls which => the business must charge VAT on its sales from 1 January 2012 and may deduct VAT from suppliers' invoices in accordance with ordinary law. The business now leaves the micro-enterprise regime in 2012 and as of right joins the simplified taxation regime (régime simplifié d'imposition).

**Second example** : New business selling craft products - No option for a VAT scheme

2009: Receipts of 70,000 €. Turnover is below 88,000€, VAT exemption and micro-fiscal apply.

2010: 80,000€. Turnover below 88,000€ and turnover from year N-1 below 80,000€, therefore VAT exemption and micro-enterprise regime apply.

2011: 90,000 €. 88,000 € threshold exceeded, thus the business is liable for VAT from the first day of the month in which it exceeds 88,000 euros and it leaves the micro-fiscal regime in respect of its 2011 profits and as of right joins the simplified taxation regime (régime simplifié d'imposition).

NB: However, in applying the small entrepreneur simplified micro-social regime and to avoid any retroactive effect in the event that the thresholds of 88,000€ and 34,000€ are exceeded, leaving this scheme will take effect from the following tax year. In contrast, for the 'pay as you go' payment of income tax at source, leaving the scheme will take effect in the same way as for the micro-enterprise regime. Thus, there will be a tax offset against household revenue of the first payments made that year under the 'pay as you go' payment of income tax scheme.

# Appendix II

## List of professional services coming under the Caisse interprofessionnelle de prévoyance et d'assurance vieillesse (CIPAV)

As shown on the list published by CIPAV ([www.cipav-retraite.fr](http://www.cipav-retraite.fr))

[Translator's note: The only authentic 'title' of a regulated profession is that in the original French. Any translation of this title in this document is purely indicative. Alphabetical order follows the original French; where the title is almost identical, the English only is given, e.g. Pilot]

### A

Accompagnateur de groupes - Group guide/escort  
Accompagnateur en moyenne montagne - Low altitude guide/escort  
Administrateur provisoire étude huissier de justice - Receiver at the huissier de justice's (baliff's) office  
Agent privé de recherches - Private researcher  
Aide relationnelle - Personal interlocutor or advocate  
Analyste programmeur - Analyst programmer  
Animateur d'art - Art leader/organiser  
Animateur-speaker - Professional speaker  
Architect  
Architecte d'intérieur - Interior designer  
Architecte naval - Naval architect  
Assistant aéroportuaire (agent de sécurité, vigile) - Airport staff (security guard, etc.)  
Assistant social - Social assistant  
Attaché de presse - Media spokesperson  
Auteur de mots croisés - Crossword compiler

### C

Capitaine expert - Cargo superintendent  
Caricaturist/cartoonist  
Cartographe - Cartographer/map-maker  
Ceramicist  
Chargé d'enquête - Market research project manager  
Ciseleur - Engraver  
Coach  
Coach sportif - Sports coach  
Colourist  
Concepteur - Designer/stylist  
Conférencier - Public speaker/lecturer  
Conseil artistique - Artistic advisor  
Conseil commercial - Sales consultant  
Conseil de gestion - Management consultant  
Conseil de sociétés - Business consultant

Conseil d'entreprise - Corporate advisor  
Conseil en brevet d'invention - Patent advisor/agent  
Conseil en communication - Communications consultant  
Conseil en formation - Training advisor  
Conseil en informatique - IT consultant  
Conseil en management - Management consultant  
Conseil en marketing - Marketing consultant  
Conseil en organisation - Efficiency consultant  
Conseil en publicité - Advertising consultant  
Conseil en relations publiques - PR consultant  
Conseil ergonomique - Ergonomic consultant  
Conseil financier - Financial consultant  
Conseil littéraire - Literary consultant/agent  
Conseil logistique - Logistics consultant  
Conseil médical - Medical consultant  
Conseil qualité comptable - Accounting quality consultant  
Conseil scientifique - Scientific consultant  
Conseil social - Social consultant  
Conseil technique - Technical consultant  
Coordinator  
Coordinateur de travaux - Work coordinator  
Correspondants locaux de presse - Local media correspondants  
Créateur d'art - Creative artist

### D

Decorator  
Décorateur conseil - Decorating consultant  
Décorateur ensemblier - Interior decorator/designer  
Designer  
Dessin chirurgical - Medical illustrator  
Dessin de bijoux - Jewellery designer  
Dessin de publicité - Commercial artist

Dessinateur - Draughtsman  
Dessinateur industriel - Industrial designer  
Dessinateur projeteur - Industrial draughtsman  
Dessinateur technique - Technical designer  
Documentaliste - Information officer/librarian

## E

Éducateur - Educator (often specialised)  
Émailleur - Enameller  
Enquêteur social - Social researcher  
Entraîneur d'échecs - Chessmaster  
Entraîneur sportif - Sports trainer  
Ergothérapeute - Occupational therapist  
Esthéticienne à domicile - Home-based beauty therapist  
Esthétique industrielle - Industrial design  
Étalagiste - Window dresser/Display stylist  
Études de marchés - Market research  
Expert  
Expert agricole - Agricultural expert  
Expert automobiles - Vehicle expert  
Expert en écritures - Records and accounts entry specialist  
Expert en objets d'art - Expert in works of art  
Expert forestier - Forestry expert  
Expert judiciaire - Legal expert  
Expert maritime - Maritime expert  
Expert près les tribunaux - Expert attached to the court  
Expert tarificateur - Underwriter

## F

Ferronnier d'art - Craftsman in wrought iron  
Formateur - Instructor/trainer

## G

Geobiologist  
Géologue - Geologist  
Géomètre - Land surveyor  
Gérant de holding - Holding company manager  
Gérant de tutelle - Legal guardian for adults  
Graphiste - Graphic designer  
Graphologue - Graphologist  
Guide de montagne - Mountain guide  
Guide touristique - Tourist guide

## H

Historian  
Hôtesse d'exposition - Event reception staff

## I

Ingénierie informatique - IT engineer  
Ingénieur conseil - Consultant engineer  
Ingénieur du son - Sound engineer

Ingénieur expert - Expert engineer  
Ingénieur informatique - IT engineer  
Ingénieur œnologue - Expert oenologist  
Ingénieur thermicien - Heat physicist  
Interpreter  
Inventor  
Inventorite (pharmacie) - Inventorist/stock controller (pharmacy\* (*Possible typo in original French*))  
Investigateur

## J

Joueur professionnel - Professional player

## L

Lecteur - Reader  
Licier - Tapestry weaver

## M

Maître d'œuvre - Project manager  
Maître-nageur - Swimming instructor  
Manipulateur d'électrocardiologie - ECG technician  
Maquettiste - Layout artist/model maker  
Médecin conseil - Consultant physician  
Médiateur pénal - Criminal rehabilitation & reintegration specialist  
Mètreur - Quantity surveyor  
Model  
Modéliste - Fashion designer/pattern maker  
Moniteur - Instructor/councillor/coach/group leader  
Moniteur de ski - Ski instructor  
Moniteur de voile - Sailing instructor  
Mosaïste - Mosaic cutter and setter  
Musicothérapeute - Musical therapist

## N

Naturalist  
Naturopath  
Noteur copiste - Music copyist  
Nutritionist

## O

Osteopath

## P

Paysagiste - Landscaper  
Peintre sur soie - Silk painter  
Photographe d'art - Artistic photographer  
Pilot  
Potter  
Prédicateur - Preacher  
Professeur - Teacher/professor  
Professeur de danse - Dance teacher

Professeur de dessin - Art teacher  
Professeur de langues - Language teacher  
Professeur de musique - Music teacher  
Professeur de sport - Games teacher  
Professeur de tennis - Tennis  
teacher/instructor  
Professeur de yoga - Yoga teacher  
Psychoanalyst  
Psychologist counsellor  
Psychomotricien - Psychomotor therapist  
Psychosociologue - Social psychologist  
Psychothérapeute - Psychotherapist

## **R**

Rafting  
Réalisateur audiovisuel - AV producer  
Relieur d'art - Bookbinder  
Répétiteur - Repitition coach  
Restaurateur d'art - Art restorer

## **S**

Scénographe - Set designer

Secrétaire à domicile - Home-based  
secretary  
Skipper  
Sportsman  
Sténotypiste de conférence - Court  
reporter/stenotype reporter  
Stylist

## **T**

Topographe - Topographer  
Traducteur technique - Technical translator  
Transcripteur - Transcriber  
Travaux acrobatiques - Acrobatic performers

## **U**

Urbaniste - Town planner

## **V**

Vérificateur - Auditor/inspector  
Vigile - Night watchman

*NB: The headings in the above list are very general in nature; please contact CIPAV to obtain full and precise details relating to any specific profession.*

# Appendix III

## Guide list of business activities fully affiliated to the RSI for social security purposes and coming under the BNC tax category

The RSI portal publishes a list of individual entrepreneurs carrying on business as skilled tradespeople, industry or commerce who are fully affiliated to the RSI for their social security protection, i.e. for sickness insurance as well as for old age pension purposes. However, from a tax point of view, some of these business activities fall into the 'bénéfices non commerciaux' (BNC) category. Therefore, the relevant CFE is the URSSAF.

**For these business activities, the social contributions rate is 21.3% and the 'pay as you go' rate of income tax at source 2.2 % , being BNC, i.e. a total rate of 23.5%. These business activities consist of the following:**

- astrologers, seers and other occult sciences;
- cartomancers (fortune-tellers);
- healers, magnetic healers and bonesetters ;
- market operators, as their remuneration is calculated in proportion of the stall fees received by them and they make deductions from these fees at the time they pay the local authority receipts office;
- commercial agents<sup>1</sup>: in general, their income comes under the BNC category. However, as the function of commercial agent in respect of certain companies does not exclude that of salaried representative on behalf of other companies, or carrying out commercial transactions on their own behalf where they are taxed as making industrial and commercial profits (BIC), then the actual conditions under which the business is carried on must be carefully established;
- commercial and industrial intermediaries: contracts made between companies and their clients are generally concluded by the business through an intermediary whose tax position, often very variable, is directly related to their legal status or the nature of their links which tie them to people on whose behalf they act or deal. In this context, the commercial representative is an intermediary tied to one or several companies on whose behalf he prospects and concludes purchases, sales or provision of services without personally committing himself. 'Independent representatives' or 'mandated representatives' carry out very similar functions to those of commercial agents. In this respect, they are taxed in the BNC category;
- owners of driving schools: as they operate their business either as an individual or as a partnership, they are taxed as BNC since they are essentially concerned with running their company by directing, coordinating and controlling the lessons given by their staff,
- while still giving some instruction themselves, which is generally the case;
- advertising designers such as draughtsmen and illustrators not tied to advertising agents or to an advertiser by employment contracts (as long as they are not advertising graphic artists

- producing stands for fairs and exhibitions or an advertising publisher);
- casual/intermittent journalists: remuneration received due to casual or intermittent contributions to newspapers or magazines are classed as BNC;
  - negotiators and property salespeople: intermediaries buying or selling property or businesses frequently require the services of a negotiator to prospect clients, conduct viewings and to bring buyers and sellers to an agreement. However, in this group, differentiation should be established between:
    - those who have the status of salaried employees: i.e. those who, while remunerated by a variable percentage of commission paid to the estate agency, may not make similar transactions on their own behalf nor for other agencies, nor exercise any follow-on right in respect of the clients found; they are also obliged to accept instructions every day from the agency which reserves the right not to pursue or follow up any commitments made by these negotiators;
    - those who are tied to intermediaries (estate agencies in this particular case) by an agency contract (principal/agent) which allows them in particular to carry on another business or profession and who have the status of independent workers taxed under BNC category.

**Please note: this list is intended as a guide only. Eligibility to be classed as BNC tax category is based on type of business but also depends on the actual conditions under which the business operates. If unclear about tax categories, please contact the tax authorities.**

1. Law no. 91-593 dated 25 June 1991 defines them as agents ('mandataires') who as independent professionals not tied by a service or employment contract, are mandated on a permanent basis to negotiate and, where appropriate, conclude sales, purchase, rental or service provision contracts in the name of and on behalf of businesses or other commercial agents.

# Appendix IV

## List of trades coming under the heading of activities subject to professional qualifications and standards listed in section I of Article 16 of the Law dated 5 July 1996 and in Law no. 46-1173 dated 23 May 1946

I.- Maintenance and repair of vehicles and machinery: car repairer, coachbuilder (vehicle body shop), bicycle and motor bicycle repairers, repairers of agricultural, forestry and public works machinery & equipment.

II.- Construction, maintenance and repair of buildings: trades relating to the building of structures, internal fitting and finishing.

III.- Installation, maintenance and repair of networks and fittings for fluids as well as equipment and fittings for use in supplying gas, space heating in buildings and electrical installations: plumber, heating engineer, AC installer, and other trades installing networks and supply lines for water, gas and electricity.

IV.- Chimney sweeping: chimney sweep

V.- Personal beauty treatments, other than medical or paramedical treatments, and non-medical beauty remodelling treatments for personal well-being: beauty therapist

VI.- Production of dental prostheses: dental technician

VII.- Preparation and production of fresh food products such as bread, baked cakes and pastry, meat, cooked meats (mostly pork derivatives), fish, preparation and production of non-industrial ice-cream: baker, pastry/cake maker, butcher, pork butcher/delicatessen producer, fishmonger and ice-cream producer

VIII.- Working farrier: farrier

IX. - Hairdressing

## List of abbreviations

### **ACOSS**

Agence centrale des organismes de sécurité sociale

### **BIC**

Bénéfices industriels et commerciaux

### **CA**

Chiffre d'affaires

### **CAP**

Certificat d'aptitude professionnelle

### **CIPAV**

Caisse interprofessionnelle de prévoyance  
et d'assurance vieillesse

### **CFE**

Centre de formalités des entreprises

### **CGI**

Code général des impôts

### **INSEE**

Institut national de la statistique  
et des études économiques

### **LME**

Loi de modernisation de l'économie

### **RCS**

Registre du commerce et des sociétés

### **RM**

Répertoire des métiers

### **RSI**

Régime social des indépendants

### **TPE**

Très petites entreprises

### **TVA**

Taxe sur la valeur ajoutée

### **URSSAF**

Union de recouvrement des cotisations  
de sécurité sociale et d'allocations familiales

une nouvelle chance,  
un nouveau départ :  
l'autoentrepreneur !

Hervé Novelli

Hervé Novelli  
Minister of State responsible for Business,  
Trades, Small and Medium-Sized Enterprises,  
Tourism and Services



"Agir pour nos entreprises,  
c'est agir pour l'emploi"



LOI DE MODERNISATION  
DE L'ÉCONOMIE

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[www.lautoentrepreneur.fr](http://www.lautoentrepreneur.fr)

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