Hiring in France

Your situation

You run a French company	You run a foreign company with no permanent establishment in France
• The employee falls under the French social security system. • You will register your company and your employees to the Social Security body relevant to your location.	• Before starting all procedure, you should check whether a Social Security Agreement exists between your country and France. • If not, the employee falls under the French social security system. • You will register your company and your employees to the National Center of Foreign Firms.

Types of contract

Relations between employers and employees are governed by the **French Labor Code, Collective Bargaining Agreements (CBA), company regulations** and **individual employment contracts.**

Employment contracts must be drawn up for each specific job category, according to employment legislation and collective agreements in force.

French law distinguishes between two categories of employment contract:

- **Permanent contract**: concluded for an indefinite term,
- **Temporary contract**: concluded for a specified period of time.

Temporary contracts can be created in the following circumstances:

- for a permanent employee on leave or absent,
- for a temporary and occasional increase in business,
- for seasonal activities,
- as part of government job-creation schemes to fight against unemployment.

Required declarations

Within the 8 days prior to the recruitment
- ✓ Fulfilling the Preliminary Recruitment Declaration (DPAE) to be sent to the relevant Social Security body (URSSAF).

Every month
- ✓ Preparation of the pay-slips

Every month or quarter
Depending on headcount
- ✓ Preparation of social taxes returns for the different social bodies
- ✓ Payment of the due taxes

Every year
- ✓ Preparation of the Annual Payroll Declaration (*N4DS*) detailing payroll details for each employees during the calendar year: identification, salaries, bonuses, benefits in kind, stock-options and RSUs, etc.

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Social taxes

There are three main types of contributions, covering the following risks :

Contribution	Risks	Average rates	
		Employee	Employer
Social security	Health insurance Solidarity autonomy Old-age insurance Industrial insurance Family benefits Unemployment	15,8%	31,6%
Pension	Obligatory pension Optional pension	5,4%	8,5%
Complementary health insurance	*	0,7%	0,7%
		22%	**41%**

The employer is responsible of withholding the social taxes from the gross salary of its employees and pay these taxes with the employer's ones to each relevant social body.

Taxes based on salaries
Apart from social contributions, the employer is also subject to two taxes based on the salaries paid during one calendar year:

- **Apprenticeship tax**
  0,68% of annual salaries

- **Training tax**
  0 – 10 employees 0,55%
  10 – 19 employees 1,05%
  > 19 employees 1,6%

- **Payroll tax**
  Concern companies which are not subject to VAT on at least 90% of their activity.
  Rates: from 4.25% to 13.6%

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Income Tax
Employee's income tax in not withheld from his salary. It is declared by the employee once a year through the Individual Income Return before May 31st.

The employer has no responsibility regarding employees' income tax. However, French Tax Authority can request from the employer a garnishment in case of outstanding tax debts by an employee.

A new cost relief was introduced on 2013: **the "CICE" is a tax credit and equals to 6% of gross salaries** paid during the calendar year within the limit of 2.5 x minimum wage = €43,361 per year. This credit can be deducted from the Corporate Income Tax or can be reimbursed after 3 years of deficit.

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Working conditions

Minimum wage "*SMIC*"	€1,445.38 gross for 35 working hours per week (January 2014)	
Working hours	The legal working week is 35 hours for all businesses. The 35 hour working week can be arranged to take into account the organization needs of the employer, according to the following schemes: - variable working week (must reach an average of 35 hours), - working cycles, - supplementary days off (RTT) to compensate hours worked beyond 35 hours. The other possible scheme is the "*forfait jours*" which includes a fixed number of 218 working days per year without the limit of 35 working hours per week (see applicable CBA). This option is generally chosen for employees with an executive status.	
Holidays and time off	**Paid Time Off (PTO) : 30 days / year** The acquisition of the vacation rights (2.5 days / month) goes from June N-1 to May N+1. The acquired rights of vacation can be taken from May N+1 to April or May N+2. **Extra days off : On average 10 days / year** These days concern employees working under the scheme of fixed number of working days. The accrued days must be taken before the end of the calendar year. The employer can extend this period to the three months following year-end.	
Benefits	**Public transport subscription**	Reimbursement by the employer of 50% of the cost.
	Expenses	Business meals, accommodation, transportation … should be reimbursed by the employer if the employee provides the relevant invoices.
	Mileage allowance	Rates vary according to the vehicle's power and to the mileage.
	Benefits In Kind (BIK)	Scope: meals, housing, vehicle, NICT. Considered as a gross salary and consequently subject to social contributions.
	Stock options & Restricted Stock Units (RSUs)	Social contribution will be determined by the type of plan. The rate is generally of 30% at award date. The employee shall also pay income tax on the gain.
Individual right to training "*DIF*"	Employees accrue 20 hours of *DIF* per year which can be cumulated over 6 years with a maximum of 120 hours. Those hours can be used to access training after agreement of the employer?	

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Termination of employment

Permanent employment contracts can be terminated either by the employee (resignation) or by the employer.

Dismissing an employee is always possible, provided that the employer has a just and proper reason to justify it. In cases of individual dismissal, for whatever reason, employers must strictly adhere to established procedures.

Collective dismissal can be justified only when severe economic upheaval affects a company's structure or its day-to-day operations. A plan must be drawn up in collaboration with workers' representatives to minimize the impact of such a dismissal on employees.

The Conventional break is an agreement between the employee and the employer when the employee wants to terminate the employment contract. An agreement by the government is also requested.
This procedure suppose a smooth climate between the employee and the employer: this procedure must not replace another procedure to finish an employment as dismissal.

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How can we assist you?

The information presented above is general and synthetic. Each case is different and it is highly recommended to be assisted by a skilled professional.

We are fully available to assist you with your day-to-day requirements or with a specific request:

- Analysis of your situation
- Drawing up of the employment contract in accordance with the French Labor Code
- Preparation of pay-slips and all required declarations
- Preparation of the Annual Payroll Declaration (*N4DS*)
- Common guidance
- Preparation of requested certificates (sick leave, maternity leave, …)
- Assistance with a dismissal procedure or a conventional break

	Should you have any query, please contact us: **Bastien PARIS /** bparis@creatisgroupe.com
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