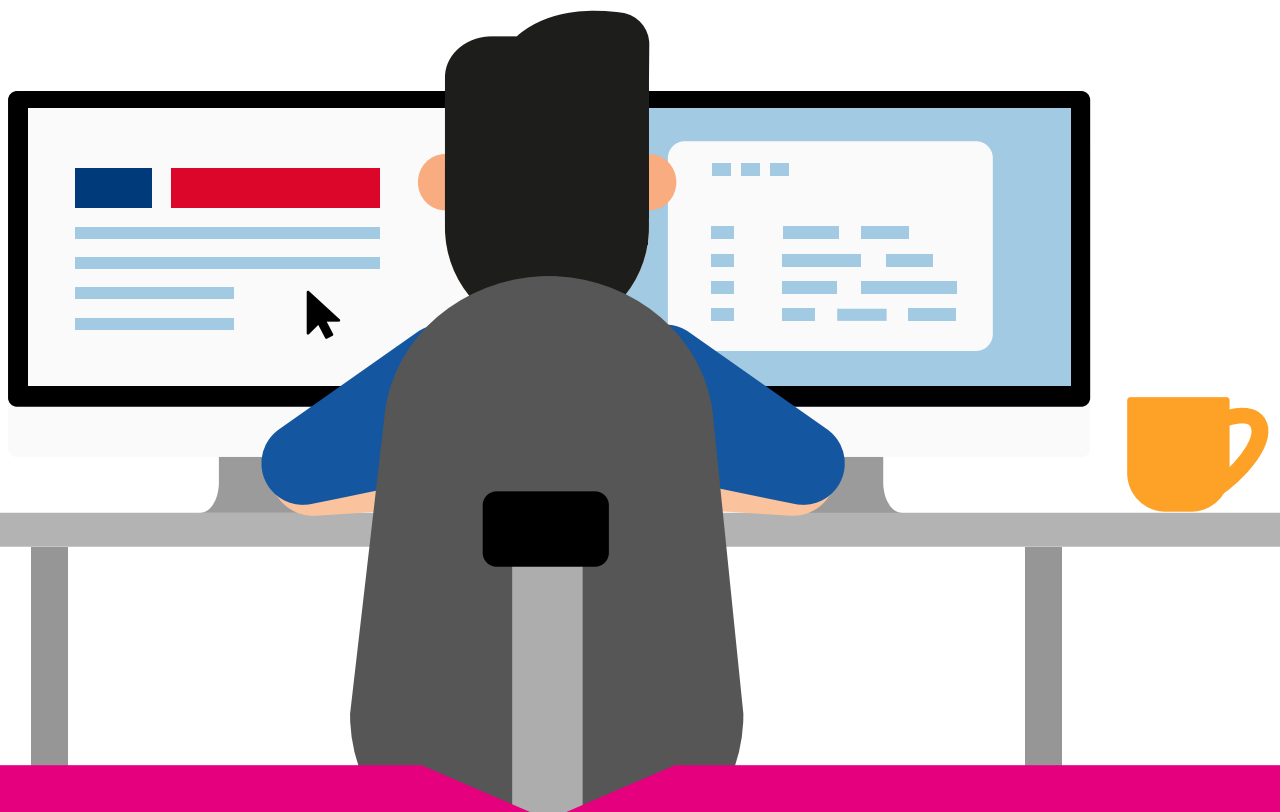
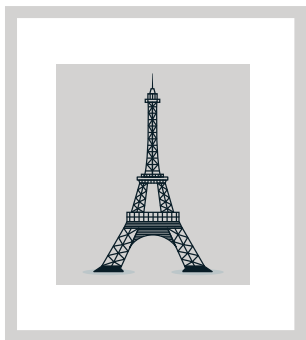




France:

tax rules
for freelancers



In this article, we discuss the legal and tax environment of France from the perspective of a remote employee. The latter is understood as a co-worker who is not bound by an employment contract and might have many principals at the same time. Some important questions that we answer are:

- are freelancers obliged by the law to register a business?
- are they obliged to pay social charges?
- how often should income be reported and what are the tax rates?
- finally, is it a competitive system comparing it to the rest of Europe?

How many Frenchmen work remotely?

Freelancing is not particularly popular among the French, given the large population of the country (67 million).

Read more at Useme:

In which countries is freelancing the most popular?

Freelancer is required to register a business

Any service for a professional activity must be invoiced. That means that a freelancer (French tax resident) who works for a company must give an invoice to his client.

Invoices must include SIRET number (Système d'Identification du Répertoire des Établissements).

To obtain it, the freelancer must register either a company or sole proprietorship. There is no other way to obtain the number. Therefore, an individual cannot issue an invoice and a freelancer must register a sole proprietorship to work for a company.

What if I have a foreign client?

The rules are exactly the same when a French freelancer works for a foreign company.

“Portage salarial”, or a freelancer on...an employment contract

The income tax for remote work

Since the regulations do not allow any other form of freelancing than opening a business, let's now have a look at all the charges and taxes.

The only legal way to avoid the obligation to register a company is to use the service of an intermediary, the so-called “portage salarial” (wage portage).

Wage portage is an agreement between three parties: freelancer, client and “portage company”. Freelancer finds a client and then signs a contract with the client and the “portage company”.

In this solution, it is the portage company that sends the invoice to the customer, who then makes the payment to the portage’s account.

Freelancer acts here as an employee of the portage company for the duration of the job. The portage company charges a commission of approximately 5 to 12% and, more importantly, pays the freelancer's social charges. Although the concluded contract is of a short-term nature, it is, however, a regular employment contract. Therefore, portage pays the social contributions in full amount, that is to say approx. 45% of the gross remuneration (i.e. after the commission is deducted).

As you can see, this solution is very expensive. One upside is that the freelancer can take advantage of unemployment insurance when not working.

Every sole trader must pay social security contributions to the fund called URSSAF - Union de Recouvrement des cotisations de Sécurité Sociale et d'Allocations Familiales. The contributions are proportional to the income received. The value of contributions is formally calculated as 22% from 66% of turnover.

Example:

turnover: 2000

€ 66% turnover: € 1320

Pension contributions: 22% from € 1,320 = € 290.40

A remote employee pays contributions monthly or quarterly (one can choose the frequency).

Social contributions in France are calculated on turnover

Tax schemes to choose from

Freelancers have different types of taxation to choose from. Let's take a look at them.

a) "Impôt sur les revenu", or taxation of family income

In this approach, all freelancer's revenues are added, including those from any full-time employment.

The tax rates are progressive and dependant on income (2020):

Up to € 10,064: 0%;

From EUR 10 064 to EUR 25 659: 11%;

From € 25,659 to €73,369: 30%;

From € 73 369 to € 157 806: 41%;

Over 157 806 €: 45%.

b) The "Versement libératoire" – low tax on turnover

It is an advantageous scheme for sole proprietors. In this option, the tax rate is only 2.2%, and it is calculated on 66% of turnover. However, certain conditions must be met.

First, the maximum income is € 70,000. Secondly, the income in the next year of operation cannot exceed a certain amount, depending on many factors, such as family income, number of children, etc.

Like in the case of pension contributions, here the entrepreneur can choose the frequency of settlements (monthly or quarterly).

This one is called **CFE - Cotisation foncière des entreprises (property tax)**.

It is a tax on the premises where a company has its seat. It's paid to the commune in which the freelancer operates. Applies also if the registered office is the apartment of a the freelancer.

It is generally between € 200 and € 2,000, and the exact amount depends strongly on revenue, municipality, area and, for example, whether the property is located in revitalized areas (in which case you can get a fee exemption for several years). The payment is made once a year.

Real estate tax – a fixed fee for the state

Key factors...	...in the Frenchtax law – sole proprietorship
<ul style="list-style-type: none"> - obligation to register a company when freelancing 	<ul style="list-style-type: none"> • Yes
<ul style="list-style-type: none"> • income tax(PIT) 	<ul style="list-style-type: none"> a) aprogressive scheme, from 11% to 45% or b) a flat tax on turnover – 2,2% (max. turnover = 70 000 €)
<ul style="list-style-type: none"> • tax-free allowance 	<ul style="list-style-type: none"> • Yes - 10 064 € (only in the progressive scheme)
<ul style="list-style-type: none"> • compulsory social security contributions 	<ul style="list-style-type: none"> • Charges are calculated proportionally to the turnover. Rate = 22% on 66% of turnover.
<ul style="list-style-type: none"> • social charges-free allowance 	<ul style="list-style-type: none"> • None
<ul style="list-style-type: none"> • how often do you need to report income and pay taxes? 	<ul style="list-style-type: none"> • One can choose between a monthly and quarterly scheme
<ul style="list-style-type: none"> • - flat fees 	<ul style="list-style-type: none"> • CFE (property tax), between 200 and 2000 € annually

Is the French tax system competitive?

French tax schemes for freelancers have their advantages. These certainly include the fact that, apart from property tax, there are no other flat fees unbound to the turnover.

The biggest plus is probably a high tax-free amount (€ 10,064) or a very low tax (2.2%) if you don't earn more than € 70,000 a year.

The disadvantages include the fact that pension contributions are compulsory. In our opinion, any system that forces an entrepreneur to pay pension contributions is contrary to the idea of entrepreneurship.

Fortunately, the social burden for the self-employed French is not very severe. First of all, contributions are calculated on turnover, so with zero revenues we won't pay anything. Secondly, it's not as expensive as it could have been - the effective rate is around 14.5% on income, and therefore much less than on the employment contract.

In summary, French tax law for self-employed workers is neither particularly favorable nor extremely dissuasive.

It is somewhere in the middle, ranking lower than Great Britain or Germany, but above e.g. Romania, where the system basically forces freelancers to open limited liability companies.

Do you need to hire a French freelancer?

Do you have a remote worker from France or are you pondering how to legally hire one? Consider Useme - with us the whole HR process is completely non-engaging and thus simple and trouble-free for both sides.

Propose your remote co-worker to issue an invoice as an individual or use our API to account a whole team of Freelancers. Useme will take care of the formalities, payment security, transaction history, file storage and more
