# BEPS Actions implementation by country
## France

Last reviewed by Deloitte: May 2017

On 5 October 2015, the G20/OECD published 13 final reports and an explanatory statement outlining consensus actions under the base erosion and profit shifting (BEPS) project. The output under each of the BEPS actions is intended to form a complete and cohesive approach covering domestic law recommendations and international principles under the OECD model tax treaty and transfer pricing guidelines. The G20/OECD output broadly falls into the following categories:

| OECD categorisation | Definition |
|---|---|
| Minimum standard | All G20/OECD members are committed to consistent implementation |
| Revision of existing standard | All G20/OECD members are committed to consistent implementation |
| Common approach | Common approaches to facilitate convergence of national practices |
| Best practice | Guidance drawing on best practices |

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It is now for governments to digest and introduce the necessary legislation. The table below sets out a summary of the expected local country implementation and timing in France.

France: BEPS Actions implementation
Last updated: France – April 2017

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| Action | OECD categorisation | Notes on local country implementation | Expected timing |
|---|---|---|---|
| VAT on business to customers digital services (Action 1) | Common approach | The EU VAT directive applies and is already implemented into domestic law. | 1 January 2015 |
| Hybrids (Action 2) | Common approach | Action 2 is implemented through domestic initiatives (an anti-hybrid rule for interest payments) and implementation of part of the amended EU parent-subsidiary directive. | 1 January 2015 |
| | | New anti-abuse measures are expected to be introduced (e.g. implementation of the de minimis clause in the amended EU parent-subsidiary directive). | Not yet known |
| | | As an EU member state, France is subject to the two EU anti-tax avoidance directives (ATAD and ATAD 2) and, therefore, is required to implement the directives into its domestic law. The ATAD and ATAD 2 include anti-hybrid rules that cover hybrid mismatches between EU member states, and between EU member states and non-member states, respectively. Member states are required to adopt the domestic legislation necessary to comply with the directives by 31 December 2019 (with an extension for the reverse hybrid provisions).<br><br>It is not yet known what changes will be made to the existing rules to ensure compliance with ATAD and ATAD 2. | 1 January 2020 (1 January 2022 for reverse hybrid provisions) |
| CFCs (Action 3) | Best practice | The existing CFC rules are not expected to be amended. | N/A |

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| Interest deductions (Action 4) | Common approach | As an EU member state, France is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes, although a transition period may apply for member states that already have national, targeted rules for preventing BEPS that are equally effective as Action 4. The transition period lasts until 31 December 2023.<br><br>The tax code already includes various interest deduction limitation rules. It is not yet known when or whether the legislation will be amended. It is expected that the existing rules will qualify for the transition period under ATAD, but this is yet to be confirmed. | 1 January 2019 (1 January 2024 if the transitional rules apply) |
| Harmful tax practices (Action 5) | Minimum standard | Informal discussions have taken place with respect to patent boxes. The existing regime eventually may evolve, but there are no details on further changes. | Not yet known |
| Prevent treaty abuse (Action 6) | Minimum standard | France already has anti-abuse clauses in some tax treaties. It is expected that more will be added either through bilateral treaties or the multilateral instrument (MLI). France is likely to follow the PPT. | Subject to implementation of the MLI and bilateral negotiations |
| Permanent establishment status (Action 7) | Revision of existing standard | This is likely to be implemented as part of the MLI. | Subject to implementation of the MLI |
| Transfer pricing (Actions 8-10) | Revision of existing standard | The transfer pricing rules refer to the OECD guidelines, so the new recommendations are applicable immediately. No new laws are anticipated. | 1 January 2016 |
| Disclosure of aggressive tax planning (Action 12) | Best practice | The Constitutional Court previously rejected an attempt to introduce a rule in line with the recommendations of Action 12, but members of parliament may re-propose a measure in 2017. | Not yet known |

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| Transfer pricing documentation (Action 13) | Common approach | Existing rules are in line with the Action 13 recommendations and are widely used in practice. The legislation may be updated in future to require further information from businesses.<br><br>The threshold for having to submit simplified transfer pricing documentation on an annual basis was lowered as from 2016, with all groups with at least one entity (not necessarily resident in France) with turnover/total assets exceeding EUR 50 million being required to file. | Not yet known – possibly 2017 |
| CbC reporting (Action 13) | Minimum standard | CbC reporting has been introduced for companies whose consolidated turnover exceeds EUR 750 million.<br><br>France is one of the countries that signed a multilateral competent authority agreement for the automatic exchange of CbC reports. | Financial years starting on or after 1 January 2016 |
| Dispute resolution (Action 14) | Minimum standard Complemented by best practice | France is one of the countries committed to binding arbitration. | Subject to implementation of the MLI |
| Multilateral Instrument (Action 15) | Applicable across all four categories | France is expected to be a part of all discussions regarding selected options. The global position of France is to give full effect to the MLI; therefore, all new provisions that can be articulated with the current legal and conventional framework are expected to be implemented. France is expected to sign and ratify the MLI at some point in 2017. | Not yet known |

**Unilateral BEPS Actions**

The French government has introduced anti-hybrid rules, and there are proposals relating to the digital economy.

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**Other Tax Developments**

The tax authorities have increased scrutiny of all intragroup transactions, with a clear focus on transfer pricing issues. They are challenging companies on business restructuring/permanent establishment issues, and companies engaging in significant transactions with certain countries (including Ireland and Switzerland) are subject to enhanced scrutinised.

The tax authorities issued a list of 24 structures / schemes that are deemed to be unacceptable. Although no penalty was specifically mentioned in conjunction with the list, the authorities are expected to take action on structures identified during a tax audit.