

'Guide to Employment Matters in France'

1. All employees in France are notionally attached to a "**Convention Collective**" or Collective Agreement for their industry. The agreements are very similar but there are variations between industry in terms of vacation, social charges, and termination indemnities. So a client will have to define what their business is. As an example, "Telecoms" wouldn't be detailed enough. "Provision and implementation of routers for wide area networks" would be ok.
2. Apart from very senior executives, **pension arrangements** are normally provided by the French State. Private pensions are rare. However "401k" type plans, common in USA are found. There are called "Plans d'Epargne Enterprise" and the Employer agrees to match or exceed a saving level agreed to by the employee. The schemes need to be registered to be tax effective.
3. Payment of **salaries** is normally **monthly**. Semi monthly payments, common in USA are almost unheard of and may pose problems in calculating paysheets.
4. Total MANDATORY "add on" for **Employer social charges** is around 40-46% of gross salary..This includes unemployment insurance, pension, medical insurance, and accident insurance.
5. **Additional Medical coverage** insurance with organisations called "Mutuelles" is normally provided in multinationals.. Some companies provide this at no charge; some require employees to pay a part of the premium. The private medical coverage complements the state run service, so if an employee pays a bill of €100 to a doctor or clinic, €30 or so might be reimbursed by the French state and the other €70 by a Mutuelle. The provision of medical coverage is good value and tax effective.
6. For "**Cadre**" or management employees the Employer has to take out an insurance called "Prevoyance". This is **disability insurance** and the applicable Convention Collective sets the minimum levels. It is supposed to be in place when the employee starts work but is frequently done retroactively. It is often combined with the "Mutuelle". The payroll administrators will normally organise this.
7. French **payroll administration companies**, called **Experts Comptables** are not permitted to touch client's money. So they normally do the calculations of social charges and net pay and produce a paysheet: they send the paysheet to the employer: the employer pays the employee direct or through a payroll consolidator. Every 3 months the payroll provider will send to the employer a summary of social charges payable, together with the account numbers and references and these too are paid directly or a **Comptable "Consolidator" can do this for you.**
8. There is an **alternative** whereby the client can open a **payroll account** and give the local payroll partners authority to authorise salary payment from the account.
9. **Tax** is **not normally withheld at source** through the payroll. It is seen as an employee responsibility to pay his taxes once per year, and is nothing to do with the Employer. The only **exception** to this concerns **employees seen as non-resident**. Then there is a requirement for a monthly tax withholding: and the administrative cost of this is steep because French

payroll companies – “experts comptables” – are not geared up for it so have to do it on more or less a **bespoke basis**.

10. The **employment contract must be in French**. **We can provide a bilingual draft** if you wish –for €200 plus customisation which usually comes to approx €400-600.

11. **Social charges payable by the employee** and deducted from salary are around 20% of gross pay. The taxable salary is then the Gross minus the Employee Social Charges deducted. When a French employee talks of “net salary” he or she often means net of social charges, but before tax.

12. As in most countries if a company is carrying on a **profit making business** there should be **at least a Branch of the company opened in France**. When **first starting up** in a country however many foreign employers prefer to **just register for Social Security as a foreign entity**, with the employee being responsible for the good conduct of the company in France. There is in fact a special official form developed for doing just this. As long as the employee does not have power to conclude business and sign deals, then his work may be represented as being merely market prospecting. Obviously if the company expands then it becomes more necessary to open a Branch to permit normal operations. A **Branch will be subject to corporate profits tax**- a **way to minimize this** is to reward the branch on a commission or **“cost plus” basis** so that the Branch revenue just covers the Branch costs. Again usually the **“Payroll Partners” will be happy to give advice** on this aspect...

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