

France VAT

A tax professional's essential guide to calculating, reporting and paying indirect taxes in France



Introducing VAT in France...

France was the first country in the world to introduce VAT (known locally as Taxe sur la Valeur Ajoutée or TVA) when it implemented the levy in 1954.

Overseas businesses that provide goods or services to companies or consumers in France must adhere to the country's VAT rules; such as, in most cases, registering for French VAT.

It was later extended to cover the entire nation in 1968 before other countries (including Germany and the UK) followed suit in the following decade.

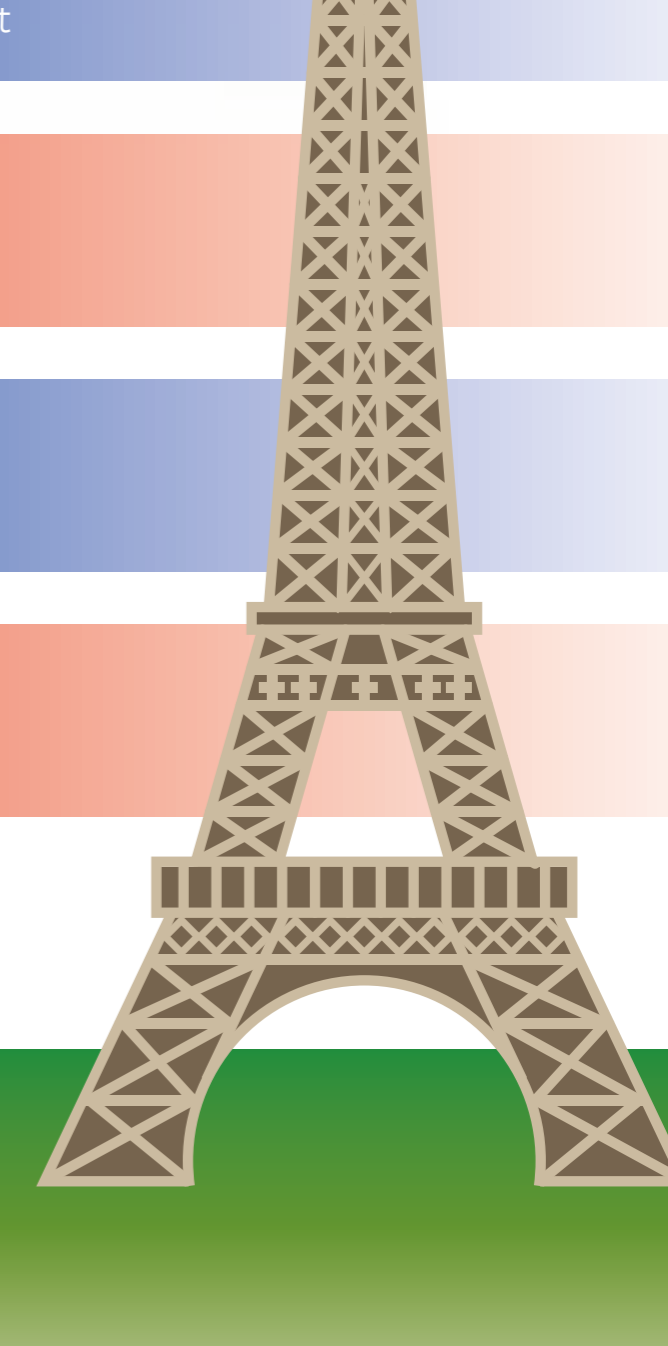
These organisations will also have to meet the compliance rules set out by the French tax authorities, most notably in areas such as invoicing and the correct determination of rates.

As with all European Union (EU) member states, France follows the EU's VAT Directives, with European regulations generally absorbed into the French General Tax Code.

Change in French VAT is coming in 2022, so it's the perfect time to take a closer look at the issue and help to ensure your business remains fully compliant.

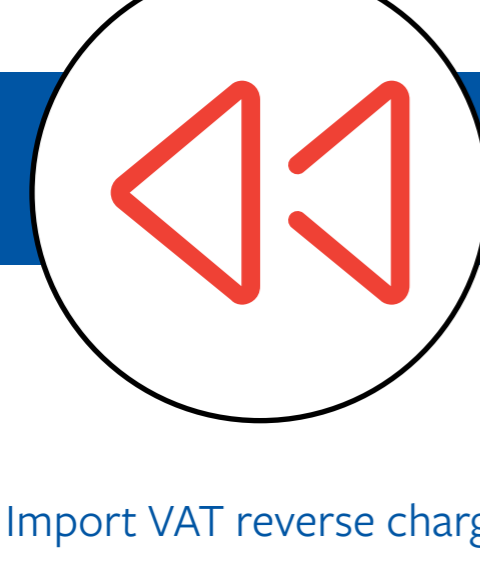
What VAT rates apply?

France has a standard rate of 20%, as well as a range of other rates that businesses can apply:



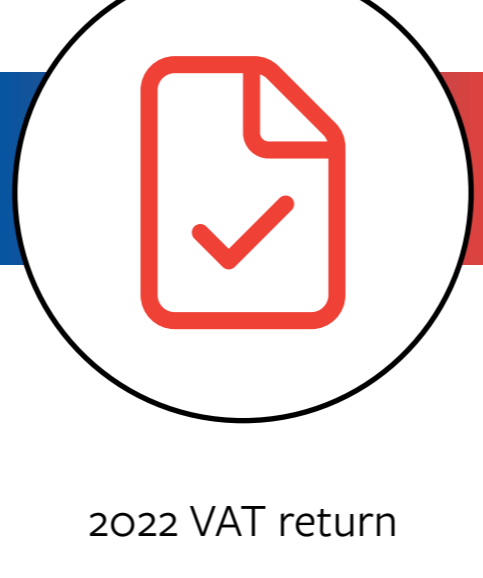
What's the latest?

Several new rules and regulations have been announced by France in the early part of 2022. Here are three key changes your business needs to be aware of:



Import VAT reverse charge

The declaration and payment of import VAT must now be made within the VAT return rather than as part of the customs declaration. This rule came into effect on 1st January 2022.



2022 VAT return

A new French VAT return has recently been released featuring the latest requirements, such as the import VAT reverse charge. Since February, businesses must use this when submitting their VAT returns.



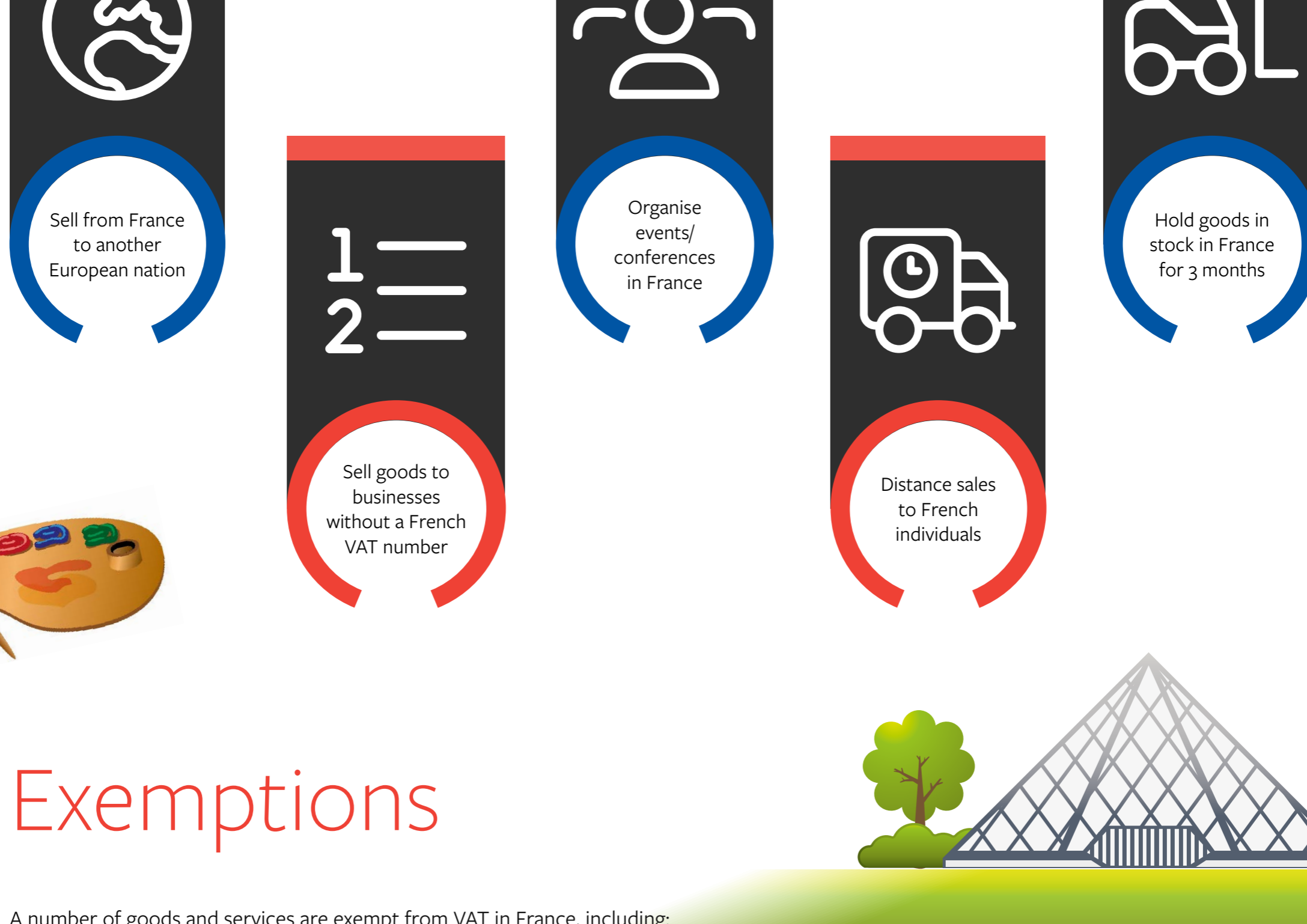
DEB is replaced

France's Declaration des Echanges de Biens (DEB) has been replaced by two new reporting obligations: Intrastat and an EC Sales List. Both were previously included within a single DEB return.

Who needs to register?

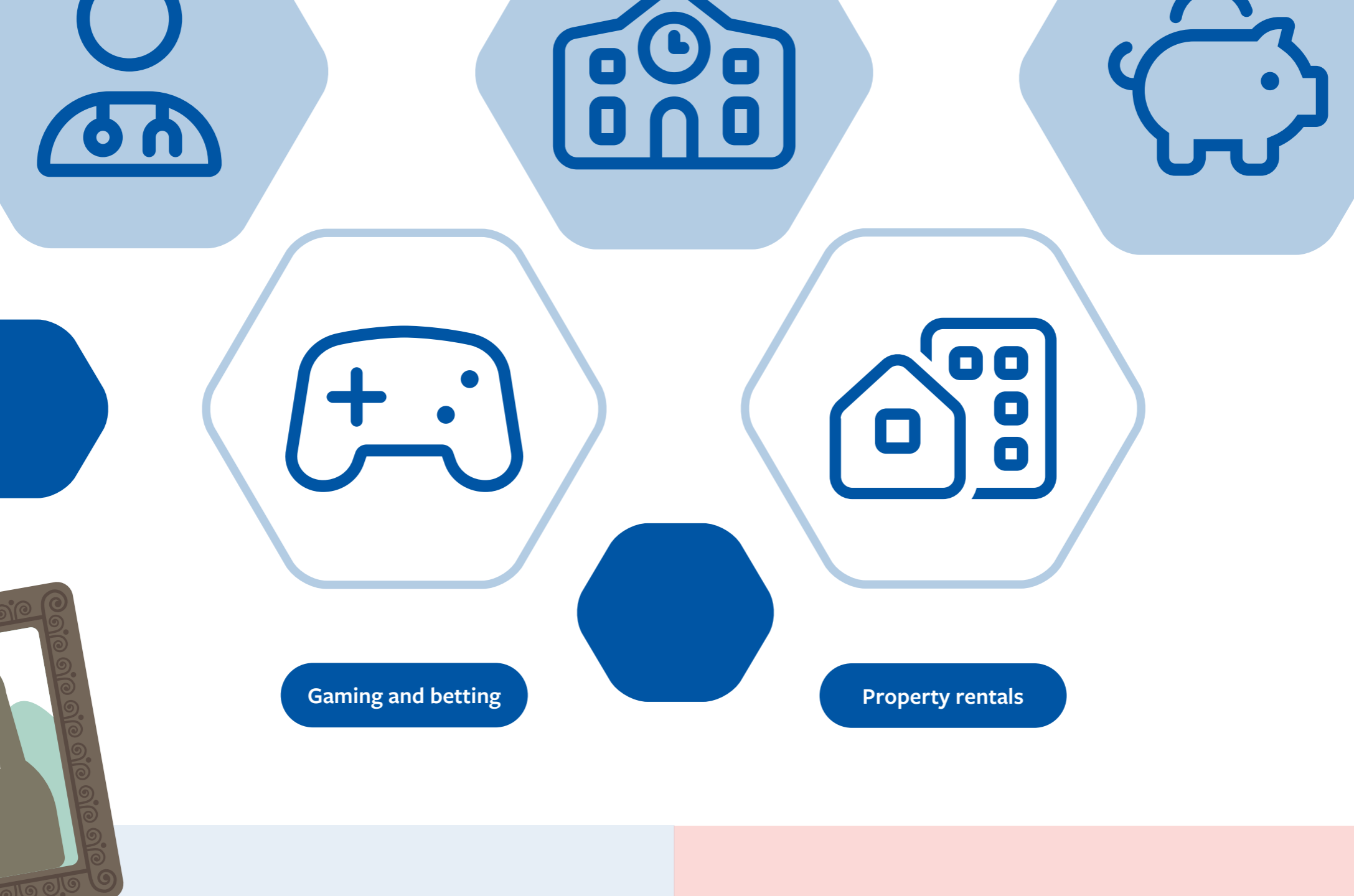
While businesses from most countries are able to sell or purchase goods and/or services in France without being established in the country, they will usually be required to register for VAT purposes.

Here are some of the most common scenarios that mean your organisation is likely to need to register for French VAT. Do you do any of these?



Exemptions

A number of goods and services are exempt from VAT in France, including:



How to comply

Once a business is registered for VAT in France, it will be required to follow a number of rules in order to ensure compliance. These include:

- 1 Maintaining accounts and records and storing them for at least 10 years.
- 2 Accurately invoicing customers for goods and services in accordance with French rules.
- 3 Issuing invoices that contain disclosure details (as outlined in the French VAT Act).
- 4 Processing credit notes.
- 5 Using electronic invoices with official signatures, authenticity and agreement by the recipient.

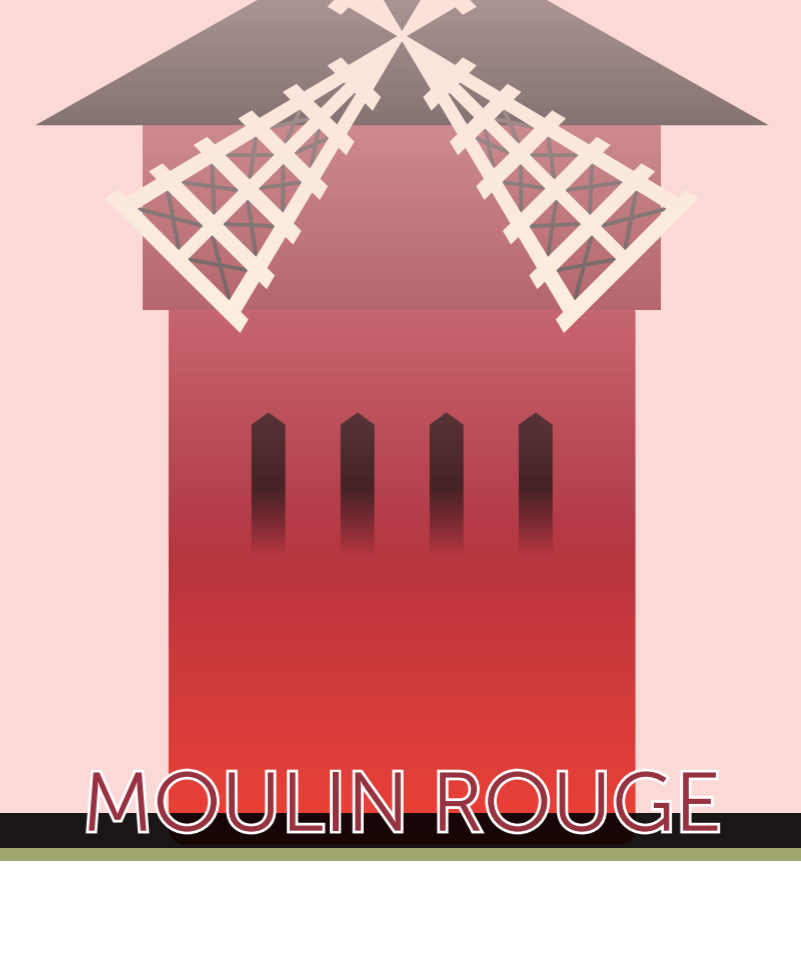
What's next?

Mandatory e-invoicing is set to be introduced in France on a phased basis from 1st July 2024 and 1st January 2026.

It means organisations trading in the country will be required to send e-invoices that are pre-filled with a series of standard fields. These will be submitted to both customers and the French Tax Administration.

And the new requirements don't end there...

There will also be a new regulation making digital reporting for B2C transactions and transactions with foreign customers compulsory.



DID YOU KNOW...

Foreign companies with no tax obligations in France are still allowed to recover the French VAT paid on their purchases for business purposes. This is another process opened by the European Directive and it does not require a French VAT registration.

Fiscal representatives

Previously, all businesses trading in France were required to appoint a French fiscal representative. However, this is no longer the case. Instead...



EU companies **do not** have to appoint a full VAT fiscal representative. However, it can still be a good idea to work with a tax agent.



Non-EU companies **must** appoint a French fiscal representative - unless the country in which they are established has a mutual assistance agreement with France.



The expert's view...

France is the home of VAT. As the first country in the world to adopt a VAT regime almost 70 years ago - a full three decades before European counterparts Germany and the UK - it is a system that features many of the fundamentals of indirect tax.

Of course, as a member state of the European Union (EU), France today follows the EU's VAT Directives, meaning its regime is relatively similar to other member nations. But it still boasts several unique features that tax professionals need to understand.

What's more, as the world's seventh largest economy and the second largest in the EU, the impact of French VAT is felt across the globe.

But despite its status as the original VAT regime, tax in France is constantly evolving. In 2022 alone, there are three major changes: to import VAT reverse charge, the look and feel of a French VAT return itself and the replacement of DEB for reporting.

We know it can be hard to keep up with the regulatory changes, not to mention updates to rates, rules and restrictions!

France is one of more than 150 countries we have an automated tax solution for; indeed, we have helped dozens of clients master French VAT by adopting our industry-leading tax technology. We can implement it within your ERP in next to no time; providing a guarantee of accurate determination, calculation and reporting in every single transaction.

If you'd like to know more about how we can automate French VAT for your organisation, get in touch today.



Laura Batten
Functional Consultant

