

SALMON-LEGAGNEUR & ASSOCIÉS

AVOCATS À LA COUR

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Reminder of the market rate limitation for corporate income tax basis, applicable to interest on loans and advances granted by a related company (article 212 French tax Code, under version applicable as from January 1st, 2007¹)

Interest expenses on financing granted by a related company are tax deductible for the portion not exceeding annual average of effective rates applied by credit institutions in respect of variable-rate business loans with an initial duration of more than two years (publicized quarterly by the French Tax Administration)², OR a higher rate if it is justified as a “market rate”³. The last publicized rate is the one related to the 2nd quarter 2016 amounting to **2.08%**. (BOI-BIC-CHG-50-50-30 n°30, 03-08-2016)

Interest rate provided for by article 39-1-3° French Tax Code applicable to companies ending their FY(s) on December 31:

FY closed on December 31, 2015	2.15%	<i>FRENCH TAX ADMINISTRATIVE GUIDELINES BIC-CHG-50-50-30</i>
FY closed on December 31, 2014	2.79%	<i>FRENCH TAX ADMINISTRATIVE GUIDELINES BIC-CHG-50-50-30</i>
FY closed on December 31, 2013	2.79%	<i>FRENCH TAX ADMINISTRATIVE GUIDELINES BIC-CHG-50-50-30</i>
FY closed on December 31, 2012	3.39%	<i>FRENCH TAX ADMINISTRATIVE GUIDELINES BIC-CHG-50-50-30</i>
FY closed on December 31, 2011	3.99%	<i>FRENCH TAX ADMINISTRATIVE COMMENTS 4 C 1-12</i>
FY closed on December 31, 2010	3.82%	<i>FRENCH TAX ADMINISTRATIVE COMMENTS 4 C 1-11</i>
FY closed on December 31, 2009	4.81%	<i>FRENCH TAX ADMINISTRATIVE COMMENTS 4 C 1-10</i>
FY closed on December 31, 2008	6.21%	<i>FRENCH TAX ADMINISTRATIVE COMMENTS 4 C 1-09</i>
FY closed on December 31, 2007	5.41%	<i>FRENCH TAX ADMINISTRATIVE COMMENTS 4 C 1-08</i>
FY closed on December 31, 2006	4.48%	<i>FRENCH TAX ADMINISTRATIVE COMMENTS 4 C 2-07</i>
FY closed on December 31, 2005	4.21%	<i>FRENCH TAX ADMINISTRATIVE COMMENTS 4 C 1-06</i>
FY closed on December 31, 2004	4.58%	<i>FRENCH TAX ADMINISTRATIVE COMMENTS 4 C 1-05</i>
FY closed on December 31, 2003	5.05%	<i>FRENCH TAX ADMINISTRATIVE COMMENTS 4 C 1-04</i>
FY closed on December 31, 2002	5.66%	<i>FRENCH TAX ADMINISTRATIVE COMMENTS 4 C 1-03</i>
FY closed on December 31, 2001	6.20%	<i>FRENCH TAX ADMINISTRATIVE COMMENTS 4 C 1-02</i>
FY closed on December 31, 2000	6.03%	<i>FRENCH TAX ADMINISTRATIVE COMMENTS 4 C 1-01</i>

¹ For financial/fiscal years opened before 01/01/2007, only interest on loans & advances granted by a shareholder were subject to limitation only by reference to interest rate provided for by article 39-1-3° FTC, without possibility to refer to market rate.

² Article 39-1-3° French Tax Code

³ Article 212-I French Tax Code