

The small entrepreneur



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Contents

Who can become a small entrepreneur?	3
What does the small entrepreneur regime mean?	5
For those starting a business	
For those already in business	
What are the other advantages for a small entrepreneur?	14
How to leave the small entrepreneur regime?	16

Who can become a small entrepreneur?

The Law to Modernise the Economy no.2008-776 dated 4 August 2008 (called the LME) has the core objective of supporting the start-up of more businesses in France by instilling the concepts of growth and liberalisation into the French economy.

Among the more significant measures adopted to encourage entrepreneurs to start new businesses is the new 'small entrepreneur' (auto-entrepreneur) regime aimed at those who want to set up on their own account. The scheme offers them various advantages in terms of start-up, management and cessation of their own business, i.e. a simple legal framework for those who want to become entrepreneurs.

The small entrepreneur regime comes into force on 1 January 2009.

Small entrepreneurs will come under the tax regime known as 'micro-entreprise' (see appendix 1, p. 19). The regime applies as of right subject to the following conditions being fulfilled:

CARRIES ON A BUSINESS ACTIVITY AS A 'ENTREPRISE INDIVIDUELLE' (EQUIVALENT TO SOLE TRADER)

Any individual person may be eligible for this regime from the moment that they start trading on their own account, whatever their field (commercial/sales, skilled trades person, services and, more generally, any independent professional activity) and whether full or part-time or in addition to any other occupation.

However, there are certain occupations that are excluded (see Appendix 1, p. 20).

Those trading as a legally constituted company are not eligible for this regime.

HAS A TURNOVER BELOW A CERTAIN THRESHOLD

Only small businesses whose annual turnover is below the following limits are eligible for this regime:

- 80,000 € for commercial ventures (purchase/resale, sales of goods and services to be consumed on the premises and provision of accommodation)

- 32,000 € for services (not including sales of goods and services to be consumed on the premises and the provision of accommodation).

These ceilings will be reviewed annually.

IS ELIGIBLE FOR VAT EXEMPTION

Any business may be exempt from TVA (VAT) as long as its annual turnover does not exceed the micro-enterprise tax regime ceilings (80,000 € for commercial ventures (purchase/resale, sales of goods and services to be consumed on the premises and provision of accommodation) and 32,000 € for services) and subject to the trader not opting to operate a VAT scheme.

Under this system the business does not add (output) VAT to clients' invoices and cannot recover (input) VAT on invoices from its suppliers. However, certain business activities are excluded from the VAT exemption (see Appendix 1 p.20).

Please note! If you opt to operate a VAT scheme you will no longer be eligible for the micro-enterprise tax regime nor, as a consequence, for the small entrepreneur regime.

What does the small entrepreneur regime mean?

Becoming a small entrepreneur brings with it a wide range of social security, self-assessment and tax benefits.

In essence, the small entrepreneur is affiliated to the social security system which also counts for quarterly contributions for pension purposes. He pays his social charges and income tax at flat rates solely on earnings received from his business activity (fixed at 13% for purchase/resale of goods, 23% for services of a commercial nature¹). If he receives nothing, he pays nothing. By using the pay as you go payment system, he can easily work out his costs.

Moreover, the small entrepreneur is not subject to the VAT regime and he may be exempt from 'taxe professionnelle' (business tax) for three years from date of start-up.

Finally, the small entrepreneur starting a business is not required to register formally with the 'Registre du commerce et des sociétés' (Companies' Register) or with the 'Répertoire des métiers' (Trades Register); he only needs to make a declaration at his local 'Centre de formalités des entreprises' (CFE) (business start-up registration centre). Similarly, if he ceases trading he only has to complete a simplified process at the CFE office.

The advantages of the new scheme are as follows:

¹ Please see information about the rates applicable to professional services (website: www.pme.gouv.fr)

FOR THOSE STARTING UP A NEW BUSINESS

What does the new regime mean for you?

- Option to take up the simplified micro-social regime

How to take up this option? You should opt specifically for this regime when you first declare your business².

This option lets you know what your social charges will be at the time you earn any income and also lets you to pay them monthly or quarterly. **If you have received nothing during the period in question, you pay nothing.** All your personal social charges are combined into a single payment which can be declared and paid online, you so wish.

You can therefore pay all your personal social charges at source in a single pay as you go payment calculated on the basis of earnings received at a flat rate of 12% on purchase/resales, 21.3% on services of a commercial nature³ and 18.3% on professional services coming under the CIPAV. However, this regime will not come into force until the agreement between the CIPAV, ACOSS and the RSI has been signed as set out in the LME (Law to Modernise the Economy).

This flat rate will include: Sickness/maternity insurance contributions and supplementary sickness benefit contributions/ family allowances contributions/basic state pension contributions/general social contribution (CSG)/repayment of the social debt contribution (CRDS)/compulsory supplementary pension contributions/disability and death benefit contributions.

This is a simple regime; contributions are calculated only in proportion to any earnings received. Easy to understand as well as predictable as each payment made is final with no later adjustment; an advantage for cash flow as no advance payment is required from the small entrepreneur. As the small entrepreneur knows exactly what the charges will be, he can adjust his selling price to his cost price, an important factor in his business continuing to flourish.

² You may also qualify for the simplified micro social regime without being eligible for the simple declaration scheme rather than the business formal registration, if you apply subsequently, by the last day of the third month following the start of your business at the latest, to the office handling the social security regime applicable to your business activity.

³ Please see information about rates applicable to professional services (website: www.pme.gouv.fr).

- Exemption from formal registration and simplified declaration

Business and skilled trades people are usually required to register formally with the 'Registre du commerce et des sociétés' (RCS) (Companies' Register) or with the 'Répertoire des métiers' (RM) (Trades Register). If you have opted for the simplified micro social scheme as referred to above, you are exempt from this requirement. (See p.6).

You then complete a single simplified declaration form designed for the small entrepreneur which serves as:

- an application for the issue by INSEE (National Statistics Office) of a SIRENE number, the unique identity number for your business,
- a declaration of business start-up to the social security contributions agency dealing with self-employed workers (RSI) incorporating the request to opt for the simplified micro social regime (see p.6),
- if required, declaration of business start-up to the tax authorities incorporating the request to opt for the simplified micro fiscal regime (see pp.8 and 9).

The completed and signed form should be submitted with a photocopy of your identity card to the business start-up registration centre (CFE) appropriate for your type of business⁴:

- CFE run by the 'Chambre de métiers et de l'artisanat' (chamber for skilled trades) for those carrying on business as skilled trades people,
- CFE run by the 'Chambre de commerce et d'industrie' (Chamber of commerce & industry) for those running commercial/retail businesses,
- CFE run by the URSSAF for other service businesses.

The simplified declaration may also be made online. The CFE will then advise the relevant agencies about the declaration you have made.

- Exemption from pre-start up preparatory course (for those carrying on business as skilled trades people)

Skilled trades people (artisans) usually have to follow and pay for a pre-start up preparatory course generally organised by the 'Chambre de métiers et de l'artisanat' (Chamber of Trades) before they can register with the 'Répertoire des métiers' (RM).

Small entrepreneurs carrying on business as skilled trades people under this new scheme are not required to follow such a course (but you may if you wish ask to follow it on a voluntary basis).

⁴ To find your CFE, see <http://annuaire-cfe.insee.fr/AnnuaireCFE/jsp/Contrroleur.jsp>

If, subsequently, you go on to register formally with the 'Répertoire des métiers' (RM), (either because you wish to or because your turnover figure has exceeded the thresholds shown above), you will be exempt from the requirement to follow the course.

- Option to take up the simplified micro-fiscal regime

Only individual entrepreneurs who have opted for the simplified micro-social regime (see p.6) may exercise the option for this new method of paying income tax levied on the profit from an individual enterprise (sole trader).

This additional option is granted subject to your household's overall assessable income for 2007 not exceeding 25,195 € per family part (quotient familial).

If your overall assessable income exceeds this threshold, you can still be eligible for other advantages offered by this new regime (simplified micro-social regime and exemption from formal registration).

How to take up this option? You should opt specifically for this regime when you first declare your business⁵.

This option gives you a number of advantages:

- Pay as you go payment of income tax as levied at source on your received earnings.

You pay your income tax on the profit from your business at the same time as your flat rate social charges. You pay tax on your earnings received during the period (quarter or month) by applying the following rates:

- ☞ 1% on purchase/resale, sales of goods and services to be consumed on the premises and provision of accommodation;
- ☞ 1.7% on other industrial or commercial services;
- ☞ 2.2% on professional services.

As with contributions and social security payments, if you received no earnings, then you pay no tax for that period.

⁵ You may also qualify for this option even if you are not eligible for the simple declaration scheme which grants exemption from formal registration, if you subsequently make a request at the latest by the last day of the third month following the one when you declared the start of your business to the authorities.

Payment of this tax is at source and in full discharge: you only need to enter the total of your receipts for the year in the box for this purpose on your annual income tax return. Your tax liability, when calculated, will not include the tax already paid during the previous tax year.

For example:

A household consisting of a couple without children. One partner receives a net salary after deducting expenses of 16,005€, the other declares a small commercial business (micro BIC) with receipts of 65,500€ yielding an income of 18,995€ after the 71% allowances. Overall net income is therefore 35,000€.

- ☞ Tax due before the LME: For 2007 income, final tax would be 2,346€, charged at a rate of 6.7% (2,346/35,000).
- ☞ Tax due after the LME: Tax deducted at source is 655€ (65,500 x 1%) Net overall income is therefore only based on that of the first partner, i.e. 16,005€. Tax on his salary is 1,072€ (16,005€ x 6.7%). The total tax on the household is therefore 1,727 € (655 + 1,072). The new regime has given rise to a tax saving of 619€ (2,346 - 1,727).
- Temporary exemption from business tax (taxe professionnelle)

By opting for the pay as you go payment of income tax, your business is fully exempt from contributions to business tax for the three years following start-up.

Thus, if you start up on 1 March 2009, you are exempt from business tax for 2009, 2010 and 2011.

What you should also know

- ☐ What will not change: Conditions under which you operate your business
- Professional qualifications and competence

Certain occupations are regulated and legally require formal qualifications.

For skilled trades (artisans) in the construction and food industries, home-based hairdressing and beauty services, etc., the business must be run or supervised by a person holding a vocational qualification at a level at least equal to CAP (certificat d'aptitude professionnelle - vocational training certificate) or with prior professional experience of at least three years in that field.

You should seek information from the appropriate chamber, institute, professional or statutory regulatory body about the regulations governing the sector in which you wish to operate your business.

➤ Business insurance

You must comply with the requirements for business insurance appropriate to the type of business you operate.

☞ **What insurance is compulsory?**

It depends on the type of business you operate. In some sectors (such as construction), there is a legal requirement to take out a specific type of insurance. Before starting your business you should also seek information about insurance requirements from the appropriate chamber, institute, professional or statutory regulatory body.

☞ **What is the extent of the entrepreneur's liability?**

Like any entrepreneur, the small entrepreneur can understand the professional indemnity liability involved in connection with his business activities. Taking out professional indemnity insurance is not compulsory, except for certain businesses.

Please note! Personal liability is generally covered within the framework of a domestic comprehensive 'multi-risk' insurance policy, but this type of insurance does not cover the policyholder's liability in connection with his business activities, however minimal they are.

➤ Duty of loyalty

Like any contracting party, an employee is bound to observe a duty of loyalty towards his employer. Subject to limits set by case law, this duty of loyalty extends after the end of the employee's contractual relationship with his employer.

If you are a salaried employee and you wish to operate an independent business in addition to your principal employment, you are not permitted to carry on the same type of business set out in your employment contract with your employer's clients without the latter's express agreement.

Moreover, your employment contract may contain clauses prohibiting or restricting your right to start up a business, in order to protect the employer's interests; you should therefore check the clauses in your employment contract carefully if you are a salaried employee and you

wish to run an independent business in addition to your main employment.

- Compliance with general regulations and professional technical standards

Legal and regulatory provisions as well as professional technical standards, especially relating to health and safety, employment law as applied to salaried employees, consumer protection provisions all apply to the small entrepreneur.

- What will change: consequences of opting not to register formally with the RCS (Companies' register) or the RM (Répertoire des métiers)?

If you have decided not to register formally, you will not then be eligible for certain rights reserved for entrepreneurs formally registered with a public legal register (RCS, RM).

- Commercial leases

A reminder of the principal specific provisions of the statute relating to commercial leases (Articles L.145-1 to L. 145-60 of the Code de commerce (French Commercial Code)

- ☞ minimum term of lease fixed at 9 years with tenant having the right to terminate at the end of each 3 year period unless there is a clause to the contrary;
- ☞ rent capped at the three-yearly review or at renewal of the lease;
- ☞ right of renewal for the lessee who requests it prior to the expiration of the lease; if the property owner refuses renewal, he pays the lessee compensation for eviction.

Please note! If, as a small entrepreneur, you have opted for exemption from formal registration with the Companies' register (RCS) or Trades Register (RM), you will not be eligible for the right of renewal of a commercial lease unless the lessor and lessee have decided by mutual agreement to be voluntarily bound by the statute relating to commercial leases. If you wish to be eligible for the right of renewal you need to register voluntarily.

- Entitlement to vote and stand for election at respective chambers

If you are not registered at the Companies' register (RCS) or the Trades Register (RM), you will not be a voting member of either a chamber for skilled trades or a chamber of commerce & industry nor will you be required to pay the relevant annual subscription.

FOR THOSE ALREADY IN BUSINESS

Those already in business and who fulfil all the eligibility criteria to become a small entrepreneur (see p.3 and 4) may from 1 January 2009 access the same advantages as those starting a business from scratch if they wish to become a small entrepreneur (see pp. 5 to 9) except in respect of the exemption from formal registration which is only granted to those who were not already formally registered with the Companies' register (RCS) or the Trades Register (RM).

The entrepreneur already running a business may therefore not 'de-register'.

What does the new regime mean for you?

- Option to take up the simplified micro-social regime

You may ask to be granted the simplified pay as you go regime for social security reserved for small entrepreneurs (see p. 6). You need to make the application in writing to the office handling the social security regime to which you are currently affiliated at the latest by 31 December of the year preceding the one in which the scheme is to apply (see also footnote 2, p.6). Businesses already existing on 1 January 2009 may exceptionally have their option to take up the simplified micro-social regime extended until 31 March 2009 for an application relating to 2009.

The choice of payment option applies for a whole year.

You can thus pay your personal social charges at source and in full discharge calculated on earnings received at a flat rate of 12% for purchase/resale and 21.3% for services of a commercial nature⁶.

- Option to take up the simplified micro-fiscal regime

You may ask to be granted the additional option of pay as you go payment on income tax levied at source on profit from an individual enterprise, providing you have opted for the simplified micro-social regime (see paragraph above) and provided that your overall household income does not exceed 25,195€ per family part (quotient familial) (see p.8).

⁶ Please see information about the rates applicable to professional services (website: www.pme.gouv.fr).

How to take up this option? You should advise the authorities who deal with your affairs about your option at the latest by 31 December of the year preceding the one in which the option is to apply.

This option gives you the benefit of pay as you go payment of income tax levied at source on your earnings received:

You pay your income tax on the profit from your business at the same time as your flat rate social charges. You pay tax on your earnings received during the period (quarter or month) by applying the following rates:

- ☞ 1% on purchase/resale, sales of goods and services to be consumed on the premises and provision of accommodation;
- ☞ 1.7% on other industrial or commercial services;
- ☞ 2.2% on professional services.

As with contributions and social security payments, if you received no earnings, then you pay no tax for that period.

Payment of this tax is at source and in full discharge: you will not be due to pay any further tax on this income at the end of the year.

What will not change?

Choosing to opt for the simplified micro-social regime and simplified micro-fiscal tax regime will not have any impact on the conditions under which you operate your business. As set out above, you must comply with regulations relating to professional competence and qualification, business insurance, restraint of trade (in respect of any employer), general legal regulations and professional technical standards.

What are the other advantages for a small entrepreneur?

Further, as a small entrepreneur you qualify for the same advantages offered to all micro businesses (très petites entreprises – TPE) with the aim of improving management conditions and protection for people running businesses.

LESS ONEROUS ACCOUNTING REQUIREMENTS

Business owners under the micro-enterprise tax regime, whether formally registered or not, benefit from less onerous accounting requirements: They are required only to keep a simple ledger showing the amount and origin of their business receipts in chronological order. This ledger is written up every day.

Shop-keepers and traders (and skilled trades people under the BIC regime) are still required to keep a summary accounts book each year, including details of purchases.

YOU MAY PROTECT ALL OR PART OF YOUR PERSONAL PROPERTY ASSETS BY MAKING THEM EXEMPT FROM SEIZURE

☞ Which assets can be made exempt from seizure?

All land whether developed or undeveloped (plots of land, houses) not designated for business purposes

☞ How to make your property exempt from seizure?

By making a declaration of exemption from seizure before a notary, which is subsequently published in Register of Mortgages (Bureau de la Conservation des Hypothèques) in the place where the real estate is located as well as in the appropriate public legal register (if you are formally registered) or the journal of legal notices in the department where the business is located (if you are not formally registered).

☞ What are the consequences of this declaration of exemption from seizure?

The property designated in the declaration may not be seized by your business creditors where the debts arose after the publication of declaration unless you decide to waive the exemption from seizure in favour of one or more creditors or in respect of all or part of your property assets (by a waiver before a notary and published in the same way and with the same bodies as the original declaration).

The property so protected can include not only your main home but also all your land whether developed or undeveloped not designated for business purposes. You also have right to waive the exemption from seizure in favour of one or more creditors which may allow you to access credit more easily.

ACCESS TO COLLECTIVE INSOLVENCY PROCEEDINGS FOR BUSINESSES EXPERIENCING DIFFICULTIES

The small entrepreneur has access to the collective insolvency procedures for businesses experiencing difficulties whatever the type of business activity.

How to leave the small entrepreneur regime?

CEASING TRADING AND DELISTING

If you opted for the new simplified social security and tax regime for the small entrepreneur and you cease trading, even during the course of the tax year, you are not liable for any remaining social charges or income tax relating to your business activities once you have made a declaration at the business start-up registration centre that you have ceased trading.

LEAVING THE REGIME VOLUNTARILY

If you opted for the new simplified social security and tax regime for the small entrepreneur but you no longer wish to stay on the scheme even though you are still eligible, you should make a specific request at the latest by the 31 December of the year preceding the one in which you wish to revert to the regime under ordinary law.

However, any change in the method of paying social contributions may not be made for a period of less than a year.

LEAVING THE MICRO ENTERPRISE REGIME DUE TO EXCEEDING THE MAXIMUM TURNOVER LIMIT OVER TWO YEARS

If you exceed the eligibility thresholds for the micro-enterprise tax regime (80,000€ for commercial ventures (purchase/resale, sales of goods and services to be consumed on the premises and provision of accommodation) and 32,000€ for services) you may remain eligible for the simplified tax and social security regime and exemption from formal registration during the first two years this limit was exceeded provided that your turnover figure was not in excess of 88,000€ (commercial ventures) or 34,000€ (services). See example in Appendix 1, pp.21 and 22.

If your turnover exceeds 88,000€ (commercial ventures) or 34,000€ (services), the simplified micro-fiscal regime will cease retroactively at 1 January of the year during which this limit was exceeded, whereas the simplified micro-social regime will cease on 31 December of that same year.

Please note! The limits shown above will be reviewed annually.

LEAVING THE SIMPLIFIED MICRO-FISCAL REGIME DUE TO EXCEEDING THE HOUSEHOLD INCOME CEILING

If your assessable household income exceeds the 25,195€ per family part (quotient familial) limit (2007 assessable income), you will only lose eligibility for the new tax regime in the second tax year following the one in which the limit was passed. You may, nevertheless, remain eligible for the other advantages offered to the small entrepreneur (social security regime and exemption from formal registration).

Please note! The 25,195€ threshold will be reviewed annually.

APPENDIX 1

THE MICRO-ENTERPRISE TAX REGIME

□ **Who is eligible for the micro-enterprise tax regime?**

To be eligible for the micro-enterprise tax regime you must:

- be a sole trader:

Only those individuals running a business on their own account are eligible for the micro-enterprise tax regime; registered companies are excluded, even partnerships as defined under Article 8 of the CGI (Tax Code), as are not for profit associations.

- have a turnover which does not exceed the specific ceiling applying to business sector in which you operate:

The new annual turnover ceilings are as follows:

- 80,000 € for businesses involving purchase/resale activities, sales of goods and services to be consumed on the premises or provision of accommodation,
- 32,000 € for businesses providing services, not including sales of goods and services to be consumed on the premises or provision of accommodation

These thresholds will be reviewed annually within the same parameters as the first band in the income tax scale.

- Be eligible for VAT exemption:

The business may be exempted from operating a VAT scheme as long as its turnover does not exceed the micro-enterprise tax regime thresholds and the owner does not opt to operate a VAT scheme. Under this system the business does not add (output) VAT on clients' invoices and cannot recover (input) VAT on invoices from its suppliers.

Please note! If the business opts to operate a VAT scheme, it can no longer be eligible for the micro-enterprise tax regime.

- not run a specifically 'excluded' business:

Businesses 'excluded' from the micro-enterprise tax regime include those covered by the special agriculture VAT scheme, certain commercial or non-commercial businesses such as plant hire and hire/leasing of consumer durables, sale of new vehicles in other EU member states, businesses coming under the property VAT scheme (property dealing, property development, estate agency, operations on behalf of property companies; in contrast, leasing businesses and letting of furnished premises or premises which will be furnished are eligible), letting of empty office space, court and state officials, literary, scientific or artistic output, professional sport, as long as those concerned have chosen to be assessed on the basis of average income over the past two or four preceding years, futures market dealing, trade options exchange and dealing in equity warrants.

- and not opt for assessment under the simplified 'réel' regime:

The micro-enterprise regime is granted as of right if the conditions shown above are met, but the business owner may if he wishes opt to be assessed under the 'régime réel'.

- **How does taxation under the micro-enterprise tax regime generally work?**

The following rules will apply, unless the entrepreneur has opted for the simplified micro-fiscal regime as described on pp. 8, 12 and 13. Business owners declare their receipts received in connection with their business activity during the tax year on their household tax return. These receipts are used to work out a profit; when calculating the income tax due, the tax authorities apply flat rate allowances equivalent to running costs; these vary according to the type of business activity, as follows:

- 71% for businesses involving purchase/resale activities, sales of goods and services to be consumed on the premises or provision of accommodation;
- 50% for commercial businesses providing services except for sales of goods and services to be consumed on the premises or provision of accommodation;
- 34% for non-commercial activity.

The turnover figure less allowances then serves as the basis for levying income tax in accordance with progressive scale rates. This tax is payable in three instalments in the year following the year for which the business declared the income, unless direct debit has been chosen. The self assessment requirements are straightforward and flat rates for deducting running costs mean that accounting procedures can kept very simple.

□ **What are the consequences if business turnover increases?**

So that businesses can transfer smoothly out of the very simple micro-enterprise and VAT exemption regimes if the ceilings are breached, the scheme allows businesses a certain amount of tolerance over 2 years in respect of exceeding the turnover limits, providing that the thresholds of 88,000€ (commercial sales) or 34,000€ (provision of services) are not exceeded.

The benefit of the exemption is granted in year N if:

- the turnover in year N does not exceed 88,000€ and the turnover in year N-1 did not exceed 80,000€
- or the turnover in year N does not exceed 88,000€ and the total turnover in year N-1 was between 80,000€ and 88,000€ inclusive and turnover in year N-2 did not exceed 80,000€.

Two worked examples to illustrate this:

First example: *New business selling regional produce - No option for a VAT scheme*

2009: Receipts of 79,000€: turnover is below the limit, VAT exemption and micro fiscal regime applied.

2010: 82,000 €: Threshold of 80,000€ has now been exceeded, but is below 88,000€. Also, in the previous year, the turnover was less than 80,000€ which => VAT scheme exemption applies as does the first year of tolerance under the micro-fiscal regime.

2011: 87,000 €: Threshold of 80,000€ has now been exceeded, but is below 88,000€. Also, in the previous year, the turnover was between 80,000€ and 88,000€ and the year before that it was below 80,000€, so (VAT) exemption is still possible this year and the micro-fiscal is possible for a second year of tolerance under Art. 50-0-1.

2012:

a) turnover = 70,000 €. The 80,000€ threshold has not been exceeded. However, in the previous year, the turnover did not exceed 88,000€, but the year before that it exceeded 80,000€, so the (VAT) exemption falls which => the business must now charge VAT on its sales and may deduct VAT from suppliers' invoices in accordance with ordinary law. The business now leaves the micro-enterprise regime in 2012 and as of right joins the simplified taxation regime (régime simplifié d'imposition).

b) turnover = 88,000 €. Turnover did not exceed 88,000€ in year N and N-1, but the year before that it exceeded 80,000€, so the (VAT) exemption falls which => the business must charge VAT on its sales from 1 January 2012 and may deduct VAT from suppliers' invoices in accordance with ordinary law. The business now leaves the micro-enterprise regime in 2012 and as of right joins the simplified taxation regime (*régime simplifié d'imposition*).

Second example: *New business selling craft products - No option for a VAT scheme*

2009: receipts of 70,000 €: Turnover is under 88,000 Euros, VAT exemption and micro-fiscal

2010: 80,000 €: Turnover below 88,000€ and turnover in year N-1 below 80,000€ therefore VAT exemption and micro-enterprise regime.

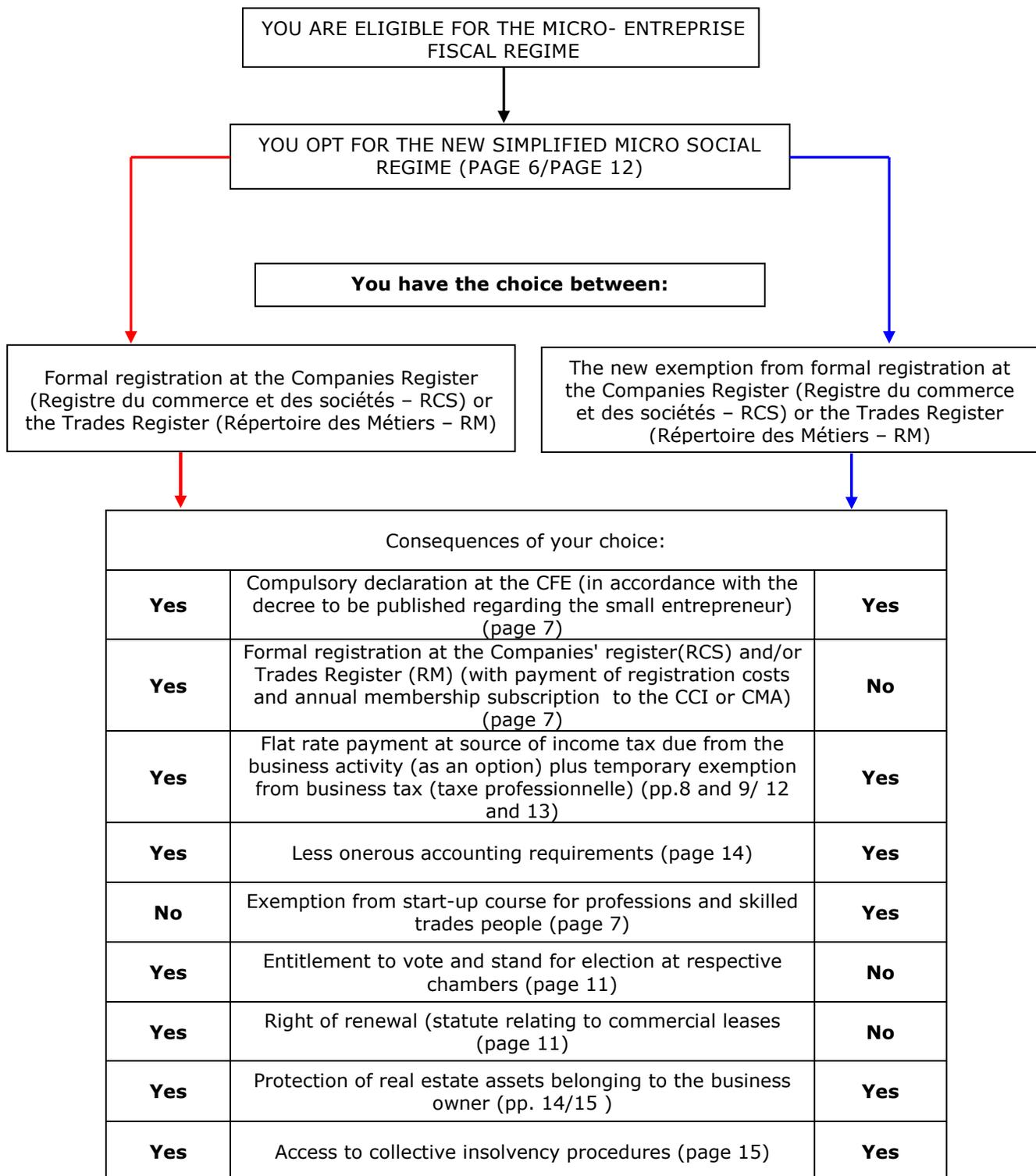
2011: 90,000 €: Threshold of 88,000€ exceeded thus the business is liable for VAT from the first day of the month in which it exceeds 88,000 Euros and it leaves the micro regime in respect of its 2011 profits and as of right joins the simplified taxation regime (*régime simplifié d'imposition*).

NB: However, in applying the simplified micro social to the small entrepreneur and to avoid any retroactive effect in the event that the thresholds of 88,000€ and 34,000€ are exceeded, leaving the scheme will take effect from the following tax year.

In contrast, for the simplified micro-fiscal regime, leaving the scheme will take effect in the same way as for the micro-enterprise regime. Thus, there will be a tax offset against household revenue of the first payments made that year under the simplified micro-fiscal regime.

APPENDIX 2

You are an individual person and wish to start up independent business (commercial sales, skilled trade or services), whether full time or additional employment, in the simplest possible way, then you can elect to become a small entrepreneur if



List of principal abbreviations

ACOSS	Agence Centrale des Organismes de Sécurité Sociale
BIC	Bénéfices Industriels et Commerciaux
CA	Chiffre d'Affaires (turnover/turnover figure)
CAP	Certificat d'Aptitude Professionnelle (vocational training certificate)
CIPAV	Caisse Interprofessionnelle de Prévoyance et d'Assurance Vieillesse
CFE	Centre de Formalités des Entreprises Business start-up registration centre
CGI	Code Général des Impôts
INSEE	Institut National de la Statistique et des Études Économiques
LME	Loi de Modernisation de l'Économie (Law to Modernise the Economy)
RCS	Registre du Commerce et des Sociétés (Companies' register)
RM	Répertoire des Métiers (Trades Register)
RSI	Régime Social des Indépendants (social security regime for professions, sole traders and freelancers)
TPE	Très Petites Entreprises (micro businesses)
TVA	Taxe sur la Valeur Ajoutée (VAT)
URSSAF	Union de Recouvrement des cotisations de Sécurité Sociale et d'Allocations Familiales (general social security organisation)