

2025

Transfer pricing in France : Key practical issues

Introduction

This transfer pricing guide aims to clarify the reporting and documentation requirements in France that may apply to your company or that of your customer.

It also covers the main issues scrutinized by the French tax authorities, as well as the specific features of tax audits and the financial consequences of a tax reassessment concerning transfer pricing in France.

Whether you're a director, financial manager, tax lawyer or chartered accountant, this guide has been designed to meet your needs and help you better understand transfer pricing issues.

Enjoy your reading!



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Transfer pricing: 3 key components



Group companies must carry out transactions with each other

Examples:

- Purchase/sale of goods, raw materials, etc.
- Billing of management fees
- Billing of services (R&D, technical services, etc.)
- Invoicing of trademark / patent royalties
- Invoicing of interest under a loan or cash pooling agreement



Dividends are not considered transfer prices



Group companies must be located in different countries

Transactions must be "**cross-border**", i.e. between a company located **in France** and another based in **another country (within or outside the European Union)**.



Domestic transactions, carried out between the group's French companies, are not affected by transfer pricing issues.



Group companies must be related entities

- **Must have a legal dependence:** when one company **directly or indirectly holds more than 50% of the share capital or voting rights of another company** (threshold applicable in France).

or

- **Must have an economic dependence:** when one company has the ability to **impose its economic conditions on another company in the group**.

For example: a company that exclusively manufactures products for another company.



TO REMEMBER

Transfer pricing issues can arise when there are intercompany transactions within international groups:

- between a French parent company and its over 50%-owned foreign subsidiaries (or branches)
- between a French subsidiary and its foreign parent company (which owns more than 50% of it)

Reporting and documentation requirements for certain companies

Reporting obligation

Companies with **net sales (or gross assets) \geq 50 million euros** must declare their transfer pricing policy to the French tax authorities on an annual basis, using the form 2257-SD.



Article 223 quinquies B of the French General Tax Code (Code général des impôts - CGI)

Documentary obligation

Companies with **net sales (or gross assets) \geq €150 million euros** are required to have transfer pricing documentation.



Article L 13 AA of the French Tax Procedure Code (Livre des Procédures Fiscales - LPF)

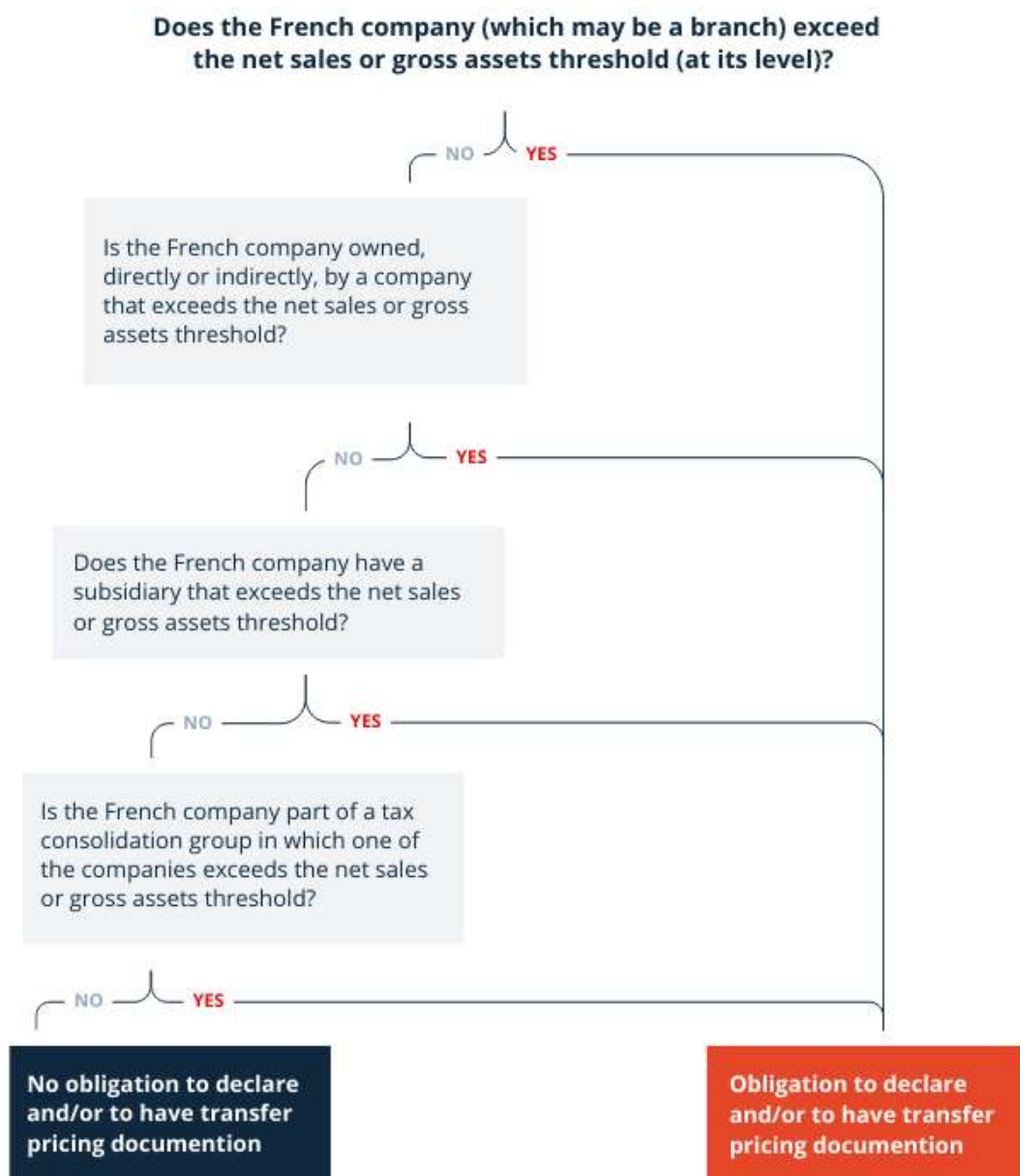
Summary of obligations according to company size

	Net sales or gross assets threshold		
	\leq 50 M€	between €50M and €150M	\geq 150 M€
Obligation to declare transfer pricing policy	✗	✓	✓
Obligation to have transfer pricing documentation	✗	✗	✓

Reporting and documentation requirements for certain companies

How is the threshold calculated at which a company is subject to these obligations in France?

The threshold for net sales or total gross assets is to be considered at **the level of each entity (statutory data)** and not at group level (consolidated data are not taken into account).



Reporting and documentation requirements for certain companies

Other key points

➤ **Must be declared and documented only:**

- Intercompany transactions for which the aggregate amount per type of transaction **exceeds €100,000**
- **cross-border intercompany transactions** (not domestic transactions)

➤ **For companies not subject to the obligation to have a transfer pricing documentation:** they must **be able to explain and justify their transfer prices in the event of a tax audit.**

In the event of a presumption of transfer of profits abroad, the French tax authorities may implement the procedure provided for in article L. 13 B of the French Tax Procedure Book). In this case, the company under audit is required to provide detailed information on its transfer pricing policy, equivalent to that required in the transfer pricing documentation.

➤ **For groups with consolidated sales exceeded 750 million euros:** in addition to these obligations, they must provide the French tax authorities with **Country-by-Country Reporting (CbCR)**, using form 2258-SD.

What you need to know about transfer pricing documentation in France

What is the content of the documentation?

Transfer pricing documentation includes :

- a **Master File**, common to the whole group (can be written in English)
- a **Local File**, which is specific to each company (can be written in French or English)

France follows the OECD model (presented in Action 13 of the BEPS report).



What are the penalties for failing to provide documentation?

Companies that are obliged to have transfer pricing documentation may be subject to fines in the event of a tax audit if the documentation is missing or insufficient.

Minimum: €50,000 fine per year audited.

Up to :

- 0.5% of the amount of transactions concerned by missing information or
- 5% of the amount of transfer pricing adjustments.



What you need to know about transfer pricing documentation in France

How long does it take to prepare the documentation?

French law does not impose any particular deadline for preparing documentation.

Since 2024, transfer pricing documentation has been enforceable against companies. This means that **the transfer pricing policy described in the documentation must correspond to the one applied.** Any discrepancy is considered by the French tax authorities as a transfer of profits abroad.

Preparing the documentation in the months following the end of the financial year allows to ensure consistency between the transfer pricing policy described in documentation and the one applied, and to make any adjustments, if necessary.

In the event of a tax audit, the documentation must be submitted within **30 days from** the auditor's request.

Does the documentation need to be updated every year?

In its administrative instructions, the French tax authorities recommend to have "contemporary documentation". It is strongly recommended that documentation be updated every year, especially since documentation has been enforceable against companies since 2024 in France.

An annual update of documentation helps to ensure that the transfer pricing policy described in the documentation is consistent with the one applied.



What you need to know about transfer pricing declaration in France



What is the content of the transfer pricing declaration (form 2257-SD)?

The transfer pricing declaration must be completed using **form 2257-SD** (template available on the French tax authorities' website: www.impots.gouv.fr).

This is a simplified version of transfer pricing documentation.

Form 2257-SD includes :

- **general information on the group:** description of the business, the main assets held by the group and used by the reporting company, a general presentation of the transfer pricing policy
- **information specific to the reporting company:** nature and location of transactions with other group companies, aggregate amount by type of transaction and transfer pricing method used.

DIRECTION GENERALE
DES FINANCES PUBLIQUES



N°15221*02

Formulaire obligatoire

(art. 223 quinquies B du code général des impôts)



N°2257-SD
2017

DECLARATION DE LA POLITIQUE DE PRIX DE TRANSFERT

Exercice ouvert le et clos le

A – IDENTIFICATION DE L'ENTREPRISE

Désignation de la société :		Adresse du siège social :	
SIRET		Ancienne adresse en cas de changement	
Adresse du principal établissement			

B- ACTIVITE

Activités exercées	Si vous avez changé d'activité, cochez la case
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Nom et adresse du professionnel de l'expertise comptable :

Nom et adresse du conseil :

<i>Tél :</i>	<i>Tél :</i>
Service des impôts des entreprises :	Identité du déclarant :
	Date : Lieu :
	Qualité et nom du signataire :
	Signature :

What you need to know about transfer pricing declaration in France



What is the deadline for submitting form 2257-SD?

Form 2257-SD must be sent electronically to the Service des Impôts des Entreprises, **within 6 months of filing the corporate income tax return.**

For financial years ending December 31, 2024, this form must be sent to the French tax authorities **no later than November 3, 2025.**



What are the penalties for non-submission of form 2257-SD?

- **Failure to submit form 2257-SD:** €150 fine
- **In the event of omission or inaccuracy of the declared information:** €15 fine per error

Total fines may not be less than €60 or more than €10,000.



Article 1729 B of the French General Tax Code

This form provides the French tax authorities with an overview of the groups' transfer pricing policies. This enables them to quickly assess the nature and volume of intra-group transactions, and the countries involved. **This form plays a key role in planning tax audits.**

In the age of *data mining*, **failure to declare transfer pricing policy can arouse suspicion and attract the attention of the French tax authorities.**

Main points scrutinized by the French tax authorities

<p>French subsidiary of a foreign parent company with recurring losses or having low margins</p>	<p>What reasons explain the losses/low margins generated by the French subsidiary?</p> <p>Does the subsidiary have a benchmark to justify the margins earned on its intra-group transactions?</p>
<p>No justification of the management fees invoiced by the group to the French subsidiary</p>	<p>Are the costs invoiced by the group justified (identification of costs, appropriate allocation keys)?</p> <p>What economic advantage or tangible benefit does the French subsidiary have from the services invoiced by the group?</p> <p>Do the services invoiced by the group duplicate the functions performed internally by the subsidiary?</p>
<p>Excessive / insufficient royalties (for trademarks, patents, etc.)</p>	<p>What economic benefit does the licensee derive from the asset for which it pays a royalty?</p> <p>Does the licensee also incur asset-related expenses (brand, patent, technology, etc.) in addition to the royalty paid to the group?</p> <p>How is the royalty rate justified?</p>
<p>Financial transactions (intra-group loans, remuneration of cash pooling...)</p>	<p>How is the interest rate justified?</p>
<p>Justification of Restructuring costs/ Termination costs</p>	<p>Which entity of the group had decided to restructure?</p> <p>How is the restructuring justified?</p> <p>What is the economic or strategic benefit of the restructuring for the company bearing the costs?</p>
<p>Identification of effective place of management (actual headquarters)</p>	<p>Do the people carrying out strategic and management functions actually operate from the group's headquarters, or are they physically located in another country likely to be considered as the group's actual headquarters?</p>

Specificities of a transfer pricing tax audit

The contacts



Depending on the size of the company, the tax audit will be carried out by an auditor from the **DVNI** (Direction des Vérifications Nationales et Internationales) or a **DIRCOFI** (Direction spécialisée de contrôle fiscal). There are 8 DIRCOFIs in France, divided geographically.



When the auditor wishes to examine transfer prices, he/she may request **the support of international consultants** working within DVNI and in certain DIRCOFI, who have expertise in transfer pricing.



The auditor may use the **international administrative assistance procedure**, which enables him/her to request information from another foreign tax authorities.

This exchange of information is possible with :

- European Union member states
- countries that have signed an administrative assistance agreement with France

The French tax authorities are not required to inform the company of the implementation of this procedure, except in cases where they wish to take advantage of the extension of the limitation period.

Limitation periods

In general: the tax limitation period is **3 years**.

In 2025, the financial years that can be audited in France are :

- For financial years ending December 31: financial years ending December 31, 2022, 2023 and 2024
- For financial years with non-calendar year-ends: 2021/2022, 2022/2023 and 2023/2024.

→ **In the case of tax loss carryforwards:** the auditor may extend his/her audit **to the year of origin of the deficit**.

→ **If the international administrative assistance procedure is implemented:** **extension of the limitation period by 3 years** (article L 188 A of the French Tax Procedure Book).

→ **In the case of hidden activity** (e.g. identification of an undeclared permanent establishment): **the limitation period is 10 years** (article L 169 of the French Tax Procedure Book)

Financial consequences of a transfer pricing adjustment

Direct consequences

Profits reintegrated into the company's results following a tax reassessment are subject to the following taxes:

- **In the case of a beneficiary situation**

Additional corporate income tax payable

+ interest for late payment

+ possibly a 40% bad faith penalty (calculated on the additional tax payable)

- **In the case of a deficit situation**

Reduction in tax loss carryforwards



Transfer pricing adjustments are considered to be deemed dividends, which are subject to withholding tax.

The withholding tax rate is defined by the applicable tax treaty (or by domestic law in the absence of an existing tax treaty, i.e. a rate of 30% in France).

This withholding tax is calculated on the amount of the adjustments.

It is therefore due whether the company is making a profit or a loss.

The withholding tax is subject to interest for late payment and a penalty of 10%. (of the amount of withholding tax applied) for failure to file a withholding tax return.

Indirect consequences

- **Company value-added contribution** (Cotisation sur la Valeur Ajoutée des Entreprises – “CVAE”): adjustment of the CVAE payable when the reassessment relates to an item taken into account for the calculation of added value
- **Employee profit-sharing**: changes in calculation following adjustments to company results
- **Customs duties**: impact on declared customs value when the adjustment relates to a price adjustment

Contact



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Find out more:



Visit the firm's website: www.cambio-avocat.fr

Here you'll find :

- **thematic FAQs** to help you quickly find answers to your questions: transfer pricing documentation, benchmarks, transfer pricing declarations (form 2257-SD), tax audits, etc. (see "Expertise" section)
- **articles** on international tax news and transfer pricing topics (see "Resources" section)