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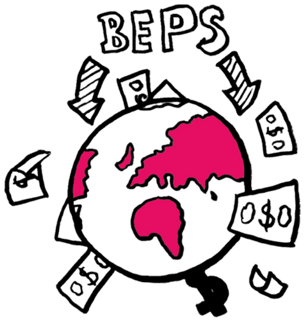

BEPS in France

France has always been a strong supporter of the BEPS initiative and has not waited for the OECD's final conclusion to unilaterally implement BEPS-inspired measures, often at the expense of legal certainty for businesses. In fact, French legislation includes various anti-abuse provisions (such as CFC rules and limitations on interest deductions) which predate the BEPS Project. In addition, extensive case law has been developed for many years on the concept of "abuse of law", which enables the tax authorities to disregard legal arrangements and, accordingly, to tax the corresponding transaction on the basis of its actual substance when it is purely tax-motivated. This concept can be applied to many situations, including tax treaty abuses.

Pre-BEPS anti-abuse provisions have generally been strengthened during recent years. This is particularly true for legislation limiting the deduction of interest expenses, which has been regularly reinforced since 2007. The latest illustration of this trend is the introduction, as of September 2013, of a rule targeting hybrid instruments, by denying the deduction of interest on loans from an affiliated lender if such lender is not subject to tax on such interest at a level which is at least 25% of the applicable corporation tax under French standard rules.

France broadened existing transfer pricing documentation applying to large companies in 2014, and implemented country-by-country reporting as of the beginning of 2016. The investigative powers of the French tax authorities were increased by a law of November 2013, which also enhanced information requirements and increased tax penalties. In fact, recent years have seen a surge of tax reassessments, with a record 21.2 billion for 2015, most of which from large companies.

Please contact BEPS@Debevoise.com to discuss further.