NEWSLETTER

June 2026

I. CORPORATE TAXATION

- **Tax consolidation:** ***the election must be notified no later than the deadline for filing the annual tax return - Decision of the Administrative Court of Appeal ("CAA") of Toulouse on June 11th, 2026, No.24TL01429, Sté Mark Holding***
  The CAA judges that the election for the tax consolidation regime must be notified to the French Tax Authorities ("**FTA**") no later than the deadline for filing the annual tax return of the fiscal year preceding the one of the regime's first application, as Section 223 A of the French Tax Code ("**FTC**") does not allow any subsequent regularization within the time limit for filing claims.

- **Interest-free advances between related companies:** ***the debtor's distressed financial situation is not sufficient to rule out an abnormal act of management - Decision of the CAA of Paris on June 18th, 2026, No.24PA05019, SAS Far East Access***
  The CAA confirms the add-back of uncollected interest on debit current accounts opened in the name of financially distressed subsidiaries and the director, the absence of remuneration and the rent-free provision of housing to the director was not sufficient to justify the renunciation to receive interest.

II. TAX AUDIT

- **Tax raid at the company representative's home:** ***his dual capacity as director and shareholder in two companies is sufficient to establish the connection required to authorize it - Decisions of the Court of Appeal ("CA") of Paris on June 3rd, 2026, No.24/17498 and No.24/17510***
  The CA confirms the order of the liberty and detention judge authorizing the tax raid at the premises of a company' representative and of a French company and a Singaporean holding company sharing the same director, the same person being the companies' representative and the shareholder in both companies.

- **Abuse of law**: ***characterized where the set up of a family real estate look-through company ("SCI") enables the deduction of losses relating to a property occupied by the shareholders - Decision of the CAA of Versailles on June 4th, 2026, No.24VE01240***
  The CAA confirms the qualification of abuse of law for the interposition of a family SCI in the management of a real estate property leased to certain of the shareholders' descendants, the transaction having for sole purpose to avoid the prohibition of deducting expenses for properties used by the onwers. The arguments relating to the complexity of joint ownership, from the non-fictitious character of the lease and from the arm's length condition of the lease are not retained.

- **Undeclared foreign accounts:** ***the transfer of funds to France is sufficient to establish the use of the account - Decision of the CA of Nîmes on June 11th, 2026, No.24/03113***
  The CA rules that the transfer of funds to France is sufficient to establish the use of the account within the meaning of the reporting obligation in force prior to January 1st, 2019, irrespective of the identity of the bank or of the private deposit agreements mentioned by the taxpayer.

III. INTERNATIONAL TAXATION

- **Permanent establishment:** ***effective place of management is carried out from France since the management and use of the foreign company's trademark portfolio are in fact carried out from France - Decision of the CAA of Toulouse on June 11th, 2026, No.24TL01418, Sté Mark Holding***
  The CAA confirms that a Luxembourg holding company has a permanent establishment in France as the management of its portfolio, its relations with the licensees and the monitoring of the contracts are in fact carried out from France by its French directors.

- **Royalties:** ***payments made by a French company to a foreign company with no employees in respect of real estate brokerage services are taxable in France - Decision of the CAA of Paris on June 19th, 2026, No.24PA00640***
  The CAA judges that the amounts invoiced, in respect of real estate brokerage services rendered by a Canadian company - having neither employees nor subcontractors - to a French company for which the French taxpayer was the sole point of contact and the sole signatory of contracts without any counterpart, are taxable in France, in the taxpayer's hands, pursuant to Section 155 A of the FTC, all the more so since the effective taxation of the said amounts in Canada is not established.

IV. INDIVIDUAL TAXATION

- **Contribution at an undervalue:** ***the significant discrepancy between the contribution value and the fair market value characterizes a taxable gift - Decision of the CAA of Douai on June 8th, 2026, No.25DA01065***
  The CAA confirms the qualification of a taxable gift for a contribution of shares in a SARL to a holding company subject to Corporate Income Tax ("**CIT**") at their nominal value, being 11 times below their fair market value, the significant discrepancy and the relationship between the parties being sufficient to support such requalification.

- **French Wealth Tax ("ISF"):** ***the stock-market valuation method applies not only to the shares in the operating company but also to the total wealth - Decision of the CA of Paris on June 11th, 2026, No.23/08823***
  The CA rules that Section 885 T bis of the FTC sets out a general valuation method for company shares, applicable both to the shares in the operating company - within the assets of the interposed holding company - and to the taxable wealth in which such participation is included, irrespective of whether the ownership is direct or indirect.

- **SCI liable to CIT:** ***the rent-free provision of a villa to a shareholder, following a furnished rental activity, terminates the company's liability to CIT - Decision of the CAA of Marseille on June 18th, 2026, No.25MA01117***
  The CAA confirms that the rent-free provision of a villa to a shareholder, which was previously rented out furnished, triggers the termination of its CIT liability and, consequently, the immediate taxation of the unrealized capital gain on the property, as well as the application of withholding tax on the profits deemed distributed to the shareholder, who is tax resident in Ireland in the case at hand.

- **Fight against social security and tax fraud:** ***the provisions for detecting and fighting against them are strengthened - Law No.2026-534 of June 25th, 2026***
  Several measures are adopted, including in particular:
  - Transfers of shares in predominantly real estate companies now require the involvement of a notary, a lawyer or, in certain circumstances, a chartered accountant, failing which registration will be rejected.
  - The benefit from the 3% tax exemption by filing a disclosure undertaking is abolished and an annual declaration must be filed (see our Tax Alert on this topic), and entities without a permanent establishment in France are henceforth required to appoint a tax representative.
  - The trustee liable for the payment of inheritance tax upon the death of the settlor must nowadays file a return upon the payment of such tax. The 80% penalty for failure to file a declaration is extended beyond real estate assets.
  - Certain special reassessment periods are extended by one year, while the reassessment period applicable to the housing tax on secondary homes and to the taxes on vacant dwellings is extended from one to three years.