

By PwC Deutschland | 01 March 2023

# VAT group regime introduced in France effective 2023

**France has chosen to exercise the option of Article 11 of the VAT Directive as of 1 January 2023 and to provide for the establishment of a VAT group if certain requirements are met. With this new optional regulation in force France joins most other EU countries providing for one VAT entity for the whole group and a single VAT registration in this respect.**

As of 1 January 2023, Article 11 of the Directive 2006/112/EC of 28 November 2006, whereby each member state may exercise the right to be treated as a single taxable person any persons established in the territory of this member state who are legally independent but are closely connected with each other for financial, economic, or organizational purposes, will be implemented in France under new Article 256C of the FTC. This new regime would be optional and would reinforce the neutrality of VAT for groups, particularly in sectors carrying out tax-exempt transactions. Taxable persons who have elected to form a single taxable person would have to appoint one of them as the head of the group in order to comply with all the obligations related to the tax and make the tax payments, in respect of which all members would remain jointly and severally liable. The group would be set up for a minimum period of three years.

Only companies established in France can join a VAT group. This includes French branches of foreign companies. A VAT group is defined as a group of financially, organizationally and economically integrated businesses. If these prerequisites are fulfilled the companies may choose whether to apply for a VAT group. The option for a VAT group must be exercised by 31 October so that the tax group can take effect from the following January 1. The group itself will have a single number, but all parties will remain jointly and severally liable. The members of a VAT group must file a single consolidated VAT return.

It should be noted that the establishment of a VAT group in France may also have an impact on the VAT treatment of intra-group services or sales, for example between the foreign parent company (Head Office) and its French permanent establishment - the principles established by the ECJ in the judgments C-7/13 "Skandia" and C-812/19 "Danske Bank" apply here and must be observed in the right manner (for that matter we refer to our [blog post of 25 March 2021](#)).

**Source:**

Excerpts (in part) taken from PwC France – Worldwide Tax Summaries

**Keywords**

VAT group