

# A PROGRAM OF PRO-BUSINESS REFORMS

TO STIMULATE GROWTH AND EMPLOYMENT IN FRANCE

October 2020

The French government has embarked on a **vast program of pro-business reforms**, aimed at generating more solid, inclusive and sustainable growth. This national strategy is based around four themes:

- ❖ **Encouraging investment and employment through a reduction in taxation**
- ❖ **Promoting professional mobility and valuing work**
- ❖ **Supporting corporate growth and innovation**
- ❖ **Transforming the State through administrative simplification**

France's new economic stimulus plan, [“France Relance”](#) or [“Relaunch France”](#), presented on September 3, 2020, supplements this widescale drive for reform in the areas of **competitiveness, simplification** and **stability**.

It includes a **budget of €100 billion** to speed up and amplify the **recovery of activity** and to minimize the long-term effects of the crisis, while strengthening the **resilience of productive apparatus**, accelerating the **digital and environmental transition**, as well as reinforcing **solidarity** with young people and the most precarious.

It aims at building the France of 2030 today, with a focus on three key areas:

- **Ecological transition: €30 billion ring-fenced** to support the transition to a greener, more sustainable economy.
- **Competitiveness: €34 billion ring-fenced** to create the most favorable conditions for companies to grow their business and protect jobs.
- **Cohesion: €36 billion ring-fenced** to ensure solidarity between generations, regions and all French citizens.

For further details on the measures interesting foreign businesses and their establishments in France that have been implemented by the French economic recovery plan, view the following document: [“France Relance” \(“Relaunch France”\) \(Business France\)](#).

The **pro-business reforms undertaken since 2017, combined with the widescale measures introduced by “France Relance” (“Relaunch France”)**, are solid assets that will enable France, and the businesses developing there, to tackle the post-crisis rebound from 2020 with greater agility.

## A NEW TAX ENVIRONMENT

TO ENCOURAGE INVESTMENT AND EMPLOYMENT, AS WELL AS TO INCREASE PURCHASING POWER

### ❖ LIGHTENING CORPORATE TAXATION

- A progressive lowering of the rate of corporate tax (*impôt sur les sociétés – IS*) from 33.33% to 25% by 2022, in line with the European average. In all, this will amount to tax savings of **€11 billion**.



TAX RATE OF CORPORATE TAX (IS)		
Year	Businesses with revenues < €250 million	Businesses with revenues ≥ €250 million
2020	28%	28% up to €500,000 of profits Then 31% above
2021	26.5%	27.5%

- As of January 1, 2021, significant and lasting cuts (€10 billion/year) to local taxes weighing on businesses' industrial activity will be implemented in application of the French recovery plan. The cuts will include a **50% reduction** in business value-added contribution (CVAE) and property taxes on industrial sites (built-up property tax and corporate property contribution (CFE)), and a **reduction in the capping rate from 3% to 2%** of the local economic contribution based on value added. It will benefit **all businesses liable for these taxes in France**, regardless of their size or sector of activity.
- Transformation since 2019 of the competitiveness and employment tax credit (CICE) into a **permanent reduction of health insurance contributions by 6%** for salaries of up to €3,848 per month (2.5 times the statutory national minimum wage (SMIC), equating to €3,848.55/month according to the latest revaluation in January 2020). This measure has contributed to **reducing labor costs in France**; as a comparison, these costs are now lower in France (€10.54/hour) than in Germany (€11.24/hour).
- The **research tax credit (CIR)**, a flagship system that makes it possible to deduct R&D expenditure of 30% up to €100 million in expenditure, and 5% above this threshold, **places France first among OECD countries for financing R&D** (OECD, 2019). **As the leading component of French policy to support innovation, it has now been made permanent**, at an annual cost of more than **€6.7 billion in 2019**.
- Since January 1, 2019, SMEs can also benefit from a **supplementary depreciation measure, making it possible to deduct up to 40% of the original value of goods** acquired between January 1, 2019 and December 31, 2020, where these goods are machines, sensors, software or equipment for **robotization and the digitalization of industrial activity** (an exhaustive list of equipment is incorporated into the law).

## ❖ PERSONAL TAXATION: RAISING PURCHASING POWER AND ENSURING THAT WORKS PAY MORE



For households, a **historic fall of €5 billion in income tax was introduced in 2020.**

The complete abolition of housing tax by 2023 is also planned for, providing **a further €18 billion in purchasing power to the French people.**

**Tax exemption on overtime for employees**, who have not needed to pay tax or social security contributions since 2019, was also adopted to rapidly increase the purchasing power of the lowest earners.

**A single capital gains tax rate of 30%** has applied since 2018. **This flat-rate tax is referred to as the *prélèvement forfaitaire unique (PFU)*.**

The wealth tax on total assets (*impôt de solidarité sur la fortune – ISF*) was replaced in 2018 by the **property wealth tax (*impôt sur la fortune immobilière – IFI*)**, which restricts the tax base to the value of real estate assets, **in order to encourage investment in the real economy.**

### **OVER THE COURSE OF THE FIVE-YEAR PRESIDENTIAL TERM, TAX CUT COMMITMENTS WILL EASE THE TAX BURDEN FOR HOUSEHOLDS AND BUSINESSES:**

**€27 billion in tax cuts for households**

**€11 billion in corporate tax cuts**

**€20 billion in production tax cuts (2021 and 2022, then €10 billion/year)**

**€20 billion in reduction of health insurance contributions (transformation of the CICE)**

## OVERHAULING FRANCE'S SOCIAL MODEL

TO PROVIDE GREATER FLEXIBILITY FOR BUSINESSES, FACILITATE EMPLOYEE CAREER PATHS AND PROMOTE THE RECRUITMENT OF YOUNG PEOPLE

### ❖ REFORM OF LABOR LAW

The “work decrees” of September 22, 2017, in force since January 2018, committed labor reform to be carried out in three major areas:



- **Introducing greater labor market flexibility to boost employment**, including the possibility of adjusting pay and working time, within the framework of a collective performance agreement, to respond to a decline in activity.
- **Simplifying dismissals on economic grounds and making employment contract terminations less risky by giving greater transparency to duration and cost**: Facilitating voluntary redundancy plans, assessing the financial difficulties of international groups at national rather than global level when they seek to carry out redundancies in France, capping damages for unfair dismissal, and limiting the time to appeal a dismissal to one year.
- **Facilitating social dialogue** to ensure negotiations are aligned as closely as possible with the needs of both employees and employers, including the **creation of a single employee information and consultation body** (Social and Economic Committee) and merging three existing bodies (Personnel Delegates, Works Council and Health, Safety and Working Conditions Committee (CHSCT)).

**The first review of the “work decrees” confirmed that businesses were positively taking up these new tools:**

- Regarding **collective negotiation**: As of June 2020, **371 collective performance agreements** had been signed.
- Regarding **collective dismissals**: As of March 31, 2020, **234 businesses had embarked on a collective termination agreement**.
- Regarding **litigation arising from individual dismissals**: **A fall in the number of appeals to industrial tribunals** (119,000 applications filed with industrial tribunals in 2019, versus 230,000 in 2009) and **a rise in the number of employees hired on permanent contracts** (+14% since the start of the five-year presidential term). In 10 years, labor disputes [have been halved](#).

Following on from the structural changes made to France’s social model carried out in 2017, **France’s new economic stimulus plan (“France Relance” or “Relaunch France”)** has adapted and completed the existing **short-time working scheme** to secure employers and employees affected by a decline in business:

- **A statutory short-time working scheme** (*Dispositif d’activité partielle de droit commun – APDC*), catering for the need for firms to adjust their activity on an occasional basis: Three months, renewable once, during which (1) the employee receives an allowance for hours not worked equivalent to 60% of their gross salary and (2) the employer receives a government allowance covering 36% of the gross salary (up to a maximum of 4.5 times the statutory national minimum wage) – effective as of November 1, 2020.
- **A long-term short-time working scheme** (*Dispositif d’activité partielle de longue durée – APLD*), when business is slow for longer periods: The employer can reduce working hours by 40 to 50%, for a period of up to 24 months (consecutive or non-consecutive) and over a total period of 36 consecutive months, during which (1) the employee receives an allowance for hours not worked equivalent to 70% of the gross salary and (2) the employer receives a government allowance covering 56% of the gross salary (up to a maximum of 4.5 times the statutory national minimum wage).

## ❖ REFORMS TO THE APPRENTICESHIP AND PROFESSIONAL DEVELOPMENT SYSTEM

Reforms to the apprenticeship and professional development system (Freedom to Choose Professional Development Act of September 5, 2018) have aimed to **adapt employees' skills** to the globalization of markets, the development of digital technology, robotics and new production methods. Having come into force in January 2019, they have made it possible to:

- Invest massively in training and future skill sets through the creation of **a skills investment plan, backed with €15 billion by 2022**, aimed at jobseekers and young people. **In all, some two million people will be trained over the next five years.**
- **Give everyone the freedom to choose their professional future** and the ability to nimbly **build their career path**, thanks to:
  - The free provision of **personalized career transition counseling by an approved organization**, open to all working people and jobseekers.
  - An innovative application, **“My Training Account”**, enabling employees and jobseekers to consult their rights to training in real time and to choose one of the 40,000 professional training programs offered.

## ❖ TRANSFORMING UNEMPLOYMENT INSURANCE AND SUPPORTING JOBSEEKERS



Launched by the Freedom to Choose Professional Development Act, the reform of unemployment insurance, presented on June 18, 2019, responds to three major objectives:

- **Encouraging people to return to work and enhance its value:** Introducing a **new framework of conditions for unemployment benefit**, increasing the minimum work span required to obtain unemployment benefit from six months to 24, benefit procedures now dependent on the level of income of employees and decline for high earners.
- **Encouraging businesses with financial support to offer more permanent contracts and to extend the duration of fixed-term contracts, rather than resorting to very short-term mandates or contracts:** The introduction of a **bonus/penalty system for contributions from business (between 3% and 5.05%)** for businesses with more than 11 employees which have too systematic recourse to very short-term contracts, in seven business sectors particularly affected with average separation rates higher than 15%.
- **Strengthening support for jobseekers:** Drawing up **customized training sessions** following stable job offers requiring skills to be updated, **and supporting businesses** thanks to **new services by the National Employment Agency** to provide quicker response times, meeting the recruitment needs of businesses more effectively.

The first provisions of the unemployment insurance reform were implemented in November 2019. Due to the spread of the Covid-19 epidemic, the government has decided, in a decree of July 30, 2020, to postpone the application of the entire reform until January 2021.

A total of €3.4 billion in savings is expected by 2022, as well as a reduction in the number of jobseekers by 150,000 to 250,000 people during the same period.

## ❖ MEASURES TO PROMOTE THE RECRUITMENT OF YOUNG PEOPLE AND TO FACILITATE TRAINING TO THE STRATEGIC PROFESSIONS OF THE FUTURE

- New measures to promote **apprenticeship** and **employment for young people entering the labor market** have been introduced as part of France’s new economic stimulus plan (“France Relance” or “Relaunch France”), **totaling €6.5 billion** (#1young1solution plan). **Recruitment bonuses** will be introduced to immediately encourage the recruitment of young people and thus contribute to the **government’s objective of creating 160,000 jobs in 2021**.
  - **€4,000 for the recruitment of an individual under the age of 26** on a permanent or fixed-term contract lasting more than three months (the mechanism is applicable on a pro rata basis according to the duration of the contract and will be in place until January 31, 2021).
  - **Between €5,000 and €8,000 for the recruitment of an apprentice or a student on a work-study program** (measure in place until February 28, 2021). As part of “France Relance” (“Relaunch France”), employee personal training accounts (*Comptes personnel de formation* – CPF) will be topped up to cover 100% of their out-of-pocket expenses when they take training relating to a strategic sector (i.e. digital, ecological transition, sectors that face industrial relocation challenges).
- **New measures are also being introduced to expand the training France offers to cater for strategic professions:** Roll-out of **100,000 qualifying training courses** for young people who are preparing to enter the labor market and **15,000 certification courses to enhance the digital skills of employees**, starting in November 2020 (in conjunction with “My Training Account”).

## NEW ECONOMIC POLICIES

### IN SUPPORT OF THE GROWTH OF BUSINESSES, INNOVATION AND EMPLOYMENT

#### ❖ PLAN FOR BUSINESS GROWTH AND TRANSFORMATION (PACTE ACT)



The Action Plan for Business Growth and Transformation, or PACTE Act, was adopted on April 11, 2019, **giving businesses, especially SMEs, the means to innovate, transform, grow and create jobs.**

**The aim is to encourage the emergence of a large network of mid-sized companies in France.**

**The PACTE Act simplifies the business environment in several respects and encourages innovation:**

- **The removal of social thresholds of 10, 25, 100, 150 and 200 employees. These are now grouped in three levels: 11, 50 and 250 employees.** Crossing through an employee threshold to the upside is taken into account when this threshold has been reached or exceeded for five consecutive calendar years.
- **An online platform, which will be the sole interface for corporate formalities,** whatever the activity and legal form. It will replace the seven networks of Enterprise Formalities Centers (CFE). The creator will thus be able to easily identify the right contact and their administrative burden will be reduced thanks to the **complete dematerialization of formalities.** In addition, a **single digital register** will be set up to centralize information relating to businesses, replacing existing company directories and registers.
- **The system for attracting foreign talent is strengthened and simplified by exempting employees relocated to France from pension contributions for a period of three years, renewable once.** This measure only applies to employees not affiliated to a social security scheme in France over the previous five years. The provision supplements the expatriate scheme, which allows persons domiciled outside France for tax purposes, during the five calendar years preceding the one in which they took up their position in the business established in France, to benefit from tax exemptions on some income (exemption period of eight years).
- **The Act simplifies initial public offerings (IPOs) and reduces their cost,** facilitates de-listing, **clarifies the codification of the law on listed companies,** encourages the installation of financial services providers in France and aims to give greater flexibility to market infrastructures.
- **The creation of a fund for disruptive innovation worth €10 billion.**
- **The implementation of a legislative and legal framework for initial coin offerings (ICOs)** or crypto-asset fundraising, which are booming in the financing of innovative projects, especially those based on blockchain technology. Token issuers can now request an optional visa demand with the French Financial Markets Authority (AMF). This visa provides recognition of reliability and protects investors as well as issuers.
- **Bringing public research closer to the business:** The PACTE Act simplifies the path of public-sector researchers wishing to create or participate in a business's life.

## ❖ MULTI-ANNUAL PROGRAMS

To offer investors maximum predictability, the government has also announced the implementation of multi-year frameworks with:

- **A Research Programming Act for 2021 to 2030**, currently under parliamentary review (October 2020) for entry into force in 2021. Three priority themes:
  - **Strengthening capacities to finance** projects, programs and research laboratories in France (**€25 billion will be invested over the next 10 years in public research in France to reach a minimum target of 3% of GDP spent on R&D activities**).
  - Adapting human resources policies to **strengthen the attractiveness of jobs and scientific careers**.
  - **Developing public-private research partnerships**.
- **The multi-year energy planning and the national low-carbon strategy** (adopted in April 2020).

France's aim is **to achieve carbon neutrality by 2050** and set a course for all the energy sectors to constitute, in a complementary fashion, the French energy mix of the future.

## AN AMBITIOUS, PRO-ACTIVE PUBLIC-SECTOR TRANSFORMATION

TO MODERNIZE THE ADMINISTRATIVE FRAMEWORK IN WHICH CITIZENS, BUSINESSES, USERS OF PUBLIC SERVICES AND PUBLIC OFFICIALS OPERATE

### ❖ “ACTION PUBLIQUE 2022”



The French government **launched the “Action Publique 2022” program in October 2017 to fast-track public service transformation.** The aim is to build a new model for running public policy that takes into account the digital revolution and its new usages.

**Public agents and users of public services, businesses and citizens, will all stand to benefit, as well as taxpayers, since a target reduction of public spending equivalent to three percentage points of GDP has been set by 2022.**

As part of the implementation of “Action Publique 2022”:

➤ **The ESSOC Act** (The State Serving a Society of Confidence Act) of 2018 aimed to establish a relationship of trust between users – individuals and businesses – and the authorities they deal with around two pillars:

- **“Extending trust” by enshrining the right to amend errors:** Each user, whether an individual or a business, is, as a matter of principle, considered to be acting in good faith in the event of a mistake in their declarations to the authorities, without risking a penalty from the first failure. **From now on, each user can rectify – spontaneously or at the request of the administration – their error when it is committed in good faith and for the first time.** For example:

**Regarding tax, penalty interest on late returns** will be reduced by 30% if an error made in good faith is detected during an audit, or by 50% if users rectify mistakes of their own accord. Businesses can also exercise the **“right to an audit”**, i.e. to request that an audit be performed by the authorities, so that the latter can check the firm’s compliance with official procedures and issue binding conclusions, all without running the risk of heavier penalties.

**The Labor Inspectorate no longer systematically penalizes** audited businesses for certain infringements, and instead only issues a warning, provided there is no intent to defraud.



**The update of the portal [oups.gouv.fr](https://oups.gouv.fr)** embodies the approach of this new stance adopted by the authorities by giving access to all the principal errors by category, practical advice from the authorities to gain insight into your obligations, and links that can be followed to deepen understanding of every topic.

- **“Keep things simple”** by introducing measures to **reduce the complexity of administrative processes**, streamline regulations and speed up the drive for administrative procedures to go paperless, including:
  - **Making all administrative procedures paperless** (excluding the initial provision of identity documents) by 2022.
  - **The extension to businesses of the “tell us once only” principle**, or the right to not be required to provide information to a government body if it is already in the possession of another government body, notably via the platform **France Connect**.

- Tackling the inflation of regulatory standards by obliging ministries to suggest the abolition of two standards when a new one is introduced (the “**one in, two out**” rule).
- **Ending the practice of over-implementing EU directives** into French law (or “gold-plating”).
- **Setting up information certificates** containing the rules applicable to a particular economic or social activity, which any user may request from the relevant authorities.

➤ **The Bill to Accelerate and Simplify Public Action (ASAP)**, currently under parliamentary review (October 2020), supplements this effort to transform public action. It contains a package of simplification measures that will benefit businesses, for instance:

- **Simplification and better coordination of administrative procedures** to speed up and secure industrial projects.
- **Easing of public procurement rules** to broaden access to public procurement and to promote economic recovery.
- **Simplifying the implementation of profit-sharing agreements in small businesses.**
- **Effort to remove over-transpositions of European directives** in the financial, public procurement and electronic communications fields.