

FLAGSHIP REFORMS SINCE 2017

To promote growth and jobs in France
february 2021

SINCE 2017, THE FRENCH GOVERNMENT HAS BEEN ENGAGED IN A VAST PROGRAM OF STRUCTURAL REFORMS TO TRANSFORM THE ECONOMY AND THE LIVES OF BUSINESSES: BY SIMPLIFYING APPLICABLE STANDARDS, BY REDUCING TAXATION TO SUPPORT INVESTMENT AND INNOVATION, BY OPTING FOR A CARBON-FREE ECONOMY, AND ULTIMATELY BY IMPROVING COMPETITIVENESS. NEW MEASURES WERE IMPLEMENTED FROM THE ONSET OF THE COVID-19 GLOBAL HEALTH CRISIS, ON THE ONE HAND TO TEMPORARILY SUPPORT THE ECONOMIC SECTORS MOST AFFECTED BY THE PANDEMIC, AND ON THE OTHER HAND TO DESIGN THE FRENCH STRATEGY FOR RECOVERY AS PART OF THE “[RELAUNCH FRANCE](#)” ECONOMIC STIMULUS PLAN.

The national strategy is structured around four major areas of transformation: a new tax environment, the transformation of the social model, administrative simplification combined with the facilitation of the establishment of industrial sites, and accelerated ecological transition.

1. PROMOTING INVESTMENT AND JOBS VIA A NEW TAX ENVIRONMENT

Corporate taxation is reduced in order to encourage investment and facilitate the economic recovery

- \ Gradual reduction in corporate tax: from 33% to 25% by 2022, i.e. €11 billion in tax relief, and convergence towards the European average. In 2021, the rate is being reduced to 26.5%, with the exception of businesses whose turnover exceeds €250 million, for which the reduction is slower (27.5%).
- \ Massive and lasting reduction in production taxes: €20 billion over the period 2021-2022 as part of “[Relaunch France](#)”, which benefits all businesses liable for these taxes in France, regardless of size and business sector:
 - A 50% reduction in corporate value added tax (CVAE) and property taxes on industrial sites (built-up property tax and business property tax (CFE)).
 - A reduction in the capping rate from 3% to 2% of the regional economic contribution based on value added.
- \ Continuation of the research tax credit, a flagship system that makes it possible to deduct R&D expenses for tax purposes of 30% up to €100 million in expenses, then 5% thereafter. The research tax credit places France at the top of the OECD countries for R&D financing (OECD, 2019).
- \ Transformation since 2019 of the competitiveness and employment tax credit (CICE) into a permanent reduction in health insurance social contributions of six points for salaries of up to €3,886 per month. This measure has contributed to the reduction in labor costs in France, particularly at minimum wage levels: €10.54/hour in France vs. €11.24/hour in Germany (source: Treasury Directorate, Ministry for the Economy, Finances and Recovery).

Taxation of individuals has evolved to encourage investment in the real economy and increase the value of work:

- \ Reform of capital taxation: fixed tax rate of 30% on capital income since 2018 called prélèvement forfaitaire unique (PFU).
- \ Transformation of the solidarity tax on wealth (ISF) into a tax on real estate wealth (IFI) (payable by taxpayers with real estate assets in excess of €1.3 million), which restricts the tax base to the value of real estate assets.
- \ Measures in favor of employee purchasing power: overtime tax exemption for employees, paid without tax or social security contributions from 2019, historic reduction of €5 billion in income tax in 2020.

2. TRANSFORMING THE FRENCH SOCIAL MODEL TOWARDS GREATER FLEXIBILITY AND COMPETITIVENESS

The new model built based on the “Work Orders” of 2017 gives rise to a renewed labor market:

- \ Offering a simplified, secure and predictable framework for economic redundancy and termination of the employment contract: facilitation of voluntary departure plans, assessment at national and no longer global level of the economic difficulties of an international group wishing to make redundancies in France, capping of damages in the event of unfair dismissal, deadline for challenging a dismissal limited to one year.
- \ Facilitating social dialogue for negotiations that are as close as possible to the needs of employees and businesses via the creation of a single employee information and consultation body (Social and Economic Committee) combining three pre-existing bodies.
- \ Offering more flexibility for the employer in order to promote job preservation: possibility of adjusting remuneration and working time, as part of a collective performance agreement, to respond to a cyclical drop in activity; improvement of the partial activity system to facilitate economic recovery. Businesses can thus use two short-time working mechanisms in the event of a decline in activity.
 - A statutory short-time working scheme (APDC), catering for the need for firms to adjust their level of 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 minimum wage).
 - A long-term short-time working scheme (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 minimum wage).

The first [assessment of the “Work Orders”](#) confirms the positive assuming of ownership, by the businesses, of these new tools, including:

- \ Regarding litigation stemming from individual dismissals: A decline in the number of appeals filed with the industrial tribunals (119,000 applications filed with industrial tribunals in 2019, compared with 230,000 in 2009) and an increase in the number of permanent contracts (+14% since the start of the five-year Presidential term). In 10 years, industrial disputes have been cut in half.
- \ In so far as concerns collective redundancy: As of March 31, 2020, 234 businesses had committed to an agreement for collective mutual termination.
- \ In so far as concerns collective bargaining: In June 2020, 371 collective performance agreements were signed.

Job transitions are facilitated, massive investments are made for training in the jobs of tomorrow and youth employment:

- \ With reforms in vocational training and apprenticeships aimed at adapting employee skills to the globalization of markets, the development of digital technology, robotics, and new production methods, thanks in particular to:
 - The creation of a €15 billion skills investment plan until 2022, aimed at job seekers and young people – in total two million people will be trained over the next five years.
 - The opportunity to give everyone the freedom to choose their professional future and the ability to build their career path with agility thanks to a free personalized advice offer and an innovative application that makes it possible to view training rights in real time and to register for training.
- \ Thanks to the strengthening of support for job seekers through tailored training following receipt of a stable job offer requiring a skills upgrade.

- \ With financial incentives in favor of apprenticeships and employment for young people entering the labor market to contribute to the target set by the government of creating 160,000 jobs in 2021 (overall budget: €6.5 billion – [Plan#1jeune1solution](#) included in the “[Relaunch France](#)” plan):
 - €4,000 for the recruitment of an individual under the age of 26 on a permanent contract or a fixed-term contract lasting more than three months (the mechanism is applicable on a pro rata basis in accordance with the duration of the contract and will be in place until March 31, 2021).
 - Recruitment premium of 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).
 - Employee personal training accounts will be topped up so as to cover 100 % of their out-of-pocket expenses when they undergo training in a strategic sector (i.e. digital, ecological transition, sectors that face industrial relocation challenges).
- \ And a strengthening of the [French offer of qualifying training](#): Deployment of 100,000 qualifying training courses for young people soon to enter the labor market and 15,000 certifying digital knowledge training courses for employees from November 2020.

3. OFFER BUSINESSES A SIMPLIFIED ADMINISTRATIVE ENVIRONMENT AND INCENTIVES TO ENCOURAGE INNOVATION, JOB CREATION AND NEW LOCATIONS

- \ The Action Plan for Business Growth and Transformation (PACTE Act – 2019), enabled:
 - The removal of old social thresholds, now grouped on three levels: 11, 50 and 250 employees.
 - The creation of an online platform, the only interface for corporate formalities.
 - Simplification of IPO procedures.
 - Establishing a legislative and legal framework for ICOs (Initial Coin Offerings).
 - Bringing public research closer to the business: Simplification of the path of public-sector researchers wishing to create or participate in the life of a business.
- \ The Essoc Act (2018) has made it possible to establish a relationship of trust between users – individuals and businesses – and the authorities: enshrining the right to correct errors, the reduction of late penalties, the easing of labor controls, the principle of “Tell us once” with [France Connect](#).
- \ The ASAP Act (Acceleration and Simplification of Public Action – 2020), makes it possible to:
 - Simplify and better co-ordinate administrative procedures in order to speed up and secure the establishment of industrial projects.
 - Relax procedural rules for public procurement, particularly in the event of exceptional circumstances or reasons of general interest.
 - Decentralize around fifteen individual administrative decisions (social, economic and financial, as well as cultural and healthcare).
- \ The selection of 78 [turnkey industrial sites](#) offers investors shorter and better controlled deadlines to install a new plant, via the anticipation of administrative procedures relating to urban planning, preventive archaeology and the protection and preservation of the environment.

\ The “[Relaunch France](#)” plan (€100 billion) implements:

- A €2 billion action plan to accelerate the creation or relocation of industrial activities in France, in the form of grants to businesses in the context of [calls for proposals](#).
- Investments in public works aimed at creating an attractive and simplified environment for the establishment of industrial activities: €300 million for the rehabilitation by the State of brownfield industrial sites, €550 million for infrastructure works, €4.7 billion for the rail sector and €200 million for the greening of ports; and in technologies of the future: €11 billion between 2021 and 2022, €1.5 billion for the digitization of public services.
- Strengthening of the equity of VSEs, SMEs and mid-caps to the tune of €3 billion in guarantees for €10 billion to €20 billion in financing.
- Government initiatives to support the modernization, digitization and greening of industrial activities.

4. SPEEDING UP THE ECOLOGICAL TRANSITION AND AFFIRMING THE CHOICE OF A PIONEERING ECONOMY IN INDUSTRIAL DECARBONISATION

By providing investors with visibility on the strategies pursued:

- \ Publication of the Multiannual Energy Program ([PPE](#)): It contains the guidelines and priorities for action of the public authorities for the management of all forms of energy in France, to achieve the energy policy objectives defined at the European level incumbent upon France.
- \ Publication of the National Low Carbon Strategy ([SNBC](#)): France’s roadmap to fight climate change, it provides objectives and guidelines to implement, in all business sectors, the reduction of greenhouse gas emissions by 2050, and the transition to a low-carbon, circular and sustainable economy.
- \ The anti-waste law for a circular economy (AGEC, 2019): Gradual end of single-use plastic packaging by 2040; target of 100% recycled plastic by 2025; upscaling of the quality of French production through incentives for eco-design upstream and recycling downstream; incentives for sorting and recycling; strengthening of extended producer responsibility.

By supporting the decarbonization of industry and investing heavily in innovation for the ecological transition:

- \ “[Relaunch France](#)” ring-fences €30 billion for ecological transition: Allocation of grants on calls for proposals for the adaptation of industrial processes and improvement of energy efficiency in the sectors that emit the most (€1.2 billion); long-term support for projects aimed at producing “low-carbon” heat, support for the development of the green hydrogen strategic sector (€7 billion by 2030, of which €2 billion by 2022), aid for the renewal and development of agri-equipment (€250 million and PIA4 financing) needed for the agri-ecological transition; €500 million from the ADEME Circular economy fund; development of clean transport for daily life; assistance plan for energy renovation of public and private buildings (€6 billion).
- \ The “National Investment Program” (PIA4), which was created 10 years ago, finances the life cycle of innovation, from experimentation to the marketing of innovative products and services. The 4th PIA, with a target budget of €20 billion over five years, will invest €11 billion by 2022 within the scope of “Relaunch France”, focusing on two areas:
 - The financing of exceptional investments in strategic sectors and technologies: the digital (cloud, quantum technologies, cybersecurity, artificial intelligence, EdTechs), healthcare (digital health and bioproduction of innovative therapies) and space markets are targeted.
 - Combine structural financing for higher education, research and innovation ecosystems so as to speed up the transfer of technologies from the academic sphere to the world of business.