

Reforms to boost business competitiveness

Invest Division
February 2024

What path for reform in France?

Thanks to the achievements of the business-friendly reforms carried out since 2017, France is back in the European game in terms of taxing capital and labour. In 2022, the unemployment rate continued the fall that began in 2016 and fell by 0.6 point over the year, reaching its lowest level since 1982 (7.1%) in the first quarter of 2023. Since 2017, 300 factories have opened and 100,000 industrial jobs have been created. The French economy has shown itself to be resilient in both 2022 and 2023, and growth forecasts remain solid for 2024 (1.3% according to the IMF).

For the fourth year running, France has topped the European ranking of destinations for foreign investment projects in Europe (EY 2023 Survey). France's attractiveness is based in particular on a policy of encouraging innovation, on skills that are in demand, and increasingly on the availability of low-carbon energy.

The ability to transform and respond proactively to environmental challenges has also become a criterion of choice for FDI. The new, more flexible business environment benefits both new entrants and French companies, which are all potential customers or suppliers for foreign investors.

Innovation, decarbonisation and reindustrialisation are at the heart of the economic strategy for this second five-year term. Mobilising industry is a crucial part of the fight against climate change. The package of the **Green Industry Act** (October 2023), the **Nuclear Acceleration Act** (June 2023) and the **Renewable Energies Acceleration Act** (March 2023) all set out the goals for decarbonising industry.

In 2024, new reforms are expected to complete the transformation of the French economic and social model: simplification of standards for VSEs and SMEs ("PACTE II" law), strengthening the financial attractiveness of France as a business location, and continuing to reduce production taxes. Measures to promote energy sovereignty are also planned, as well as the publication of the new "National Low-Carbon Strategy" and the new "Multiannual Energy Programme".

Targeting strategic sector priorities and making France the leader in green industry in Europe

The France 2030 Plan sets out France's choices of strategic sectors in which investment is most urgent, and where the need for innovation is greatest. It has a budget of €54bn, to be deployed over 5 years, and aims to develop industrial competitiveness and the technologies of the future. Half of the funding is earmarked for **emerging players**, and half for **decarbonisation initiatives**. It has 10 objectives for better understanding, better living and better production by 2030, including: supporting breakthrough innovation in the nuclear industry, producing at least 20 biomedicines in France, becoming a leader in green hydrogen and renewable energies, producing 2M electric and hybrid vehicles: [list of upcoming calls for projects](#)

The plan is a powerful instrument for supporting innovation, from the fundamental research stage through to development and production.

Since its launch in 2021, half of the funding has already been committed. The first results achieved by the winners include:

- 2,000 patents filed
- 4 gigafactories of batteries and 1 million safe electric vehicles
- 8 biomedicines produced in France
- 34,000 training places for the professions of the future by 2022 and 2023
- 40,000 direct jobs created
- Around 8.5 million tonnes of CO2 should be saved every year thanks to the projects undertaken to date

The "Green France Nation" ecological plan provides France with a national action plan to accelerate the ecological transition. In the industrial sector, this planning takes the form of decarbonisation objectives, in particular:

- **negotiating decarbonisation paths** for the main industrial sites and emitting sectors (chemicals, metallurgy, construction materials): 50 roadmaps have been drawn up to reduce emissions at the sites with the highest emissions (-45% greenhouse gas emissions by 2030); the government aims to replicate this approach with the sites that emit the most plastic packaging by 2024;
- the **launch of industry-wide calls for tender to develop innovative decarbonisation technologies**: the *Decarb Ind* and *Decarb Ind+* calls for projects run until March 2024;
- **drawing up a national carbon capture, storage and utilisation strategy** for incompressible residual emissions, combined with a support scheme (*Carbon Contract for Difference*): after the electrification of industrial processes, this technological lever represents a potential for sequestering CO₂ by 2030 estimated at between 4 and 8 Mt CO₂/year;
- the pursuit of a **circular economy trajectory** with the implementation of the AGECL law and the further development of the concept of extended producer responsibility.

The **Green Industry Act** published in October 2023 aims to make France the leader in green industry in Europe, and by 2030:

- Generate €23bn of investment
- Create 40,000 direct jobs
- Train 50,000 engineers a year
- Save more than 40M t of CO₂ equivalent
- Locate 50 major projects on rehabilitated brownfield sites

The **Green Industry Act** has a dual purpose:

- accelerate the production of new green technologies in France
- decarbonise existing industries, whatever the size of the company

Financing industries that contribute to the transition to a carbon-free economy is essential if we are to overcome the investment barrier that is currently limiting the transition. The principle of a **tax credit for investment in green industry ("C3IV")** was laid down in the Green Industry Act, then created in the latest Finance Act for 2024:

The aim of the Green Industry Tax Credit (C3IV) is to **encourage companies to launch new projects in four key technological areas of the energy transition**:

- **batteries**
- **solar panels**
- **wind power**
- **heat pumps**

An indicative list of the equipment, components and materials concerned is available; **the tax credit rate is 20%, capped at €150m per company**, and increased to 25% or 40% with a ceiling of €200m for investments made in regional aid zones (ZAFR). Eligibility for this scheme is subject to approval being obtained before 31/12/2025.

The C3IV is currently one of the most attractive incentives in Europe for supporting green industries.

For technologies not covered by the TCTF (e.g. thermal renewable energies or electricity networks), **subsidies** will be available at a rate of 15 to 40%. The green hydrogen sector is receiving €9.2bn in support under France 2030.

Accelerating and facilitating the establishment of industrial facilities

The Green Industry Act aims to reduce **the time taken to set up a plant from 18 to 9 months in real terms by 2025**, by modifying the rules for public consultation and paralleling certain stages in the environmental authorisation application procedure. **This measure concerns all types of industrial project subject to environmental authorisation, not just green industry.** As a result, by 2025, once the implementing decrees have been published, implementation times will be comparable to those in other European Member States.

Thanks to the Green Industry Act, France is also speeding up **the consolidation of its strategic stock of industrial land**, to meet the challenges of current and future reindustrialisation. **Around fifty strategic sites are about to be selected to form a new generation of turnkey sites known as "France 2030", in addition to the 89 sites already approved.** These sites are intended for new industrial activities, and their preparation will be the subject of enhanced support for developers and local authorities in three areas:

- requesting the engineering required (co-financing of studies, legal or feasibility expertise, etc.),
- initiating and finalising preparatory administrative procedures (environment, town planning, preventive archaeology)
- activating the appropriate financing mechanisms (Banque des Territoires, Green Fund, etc.).

Dataviz Turnkey Sites: a cartographic module providing extensive, customisable information on industrial real estate.

Providing a favourable tax environment for investment

As part of the macroeconomic competitiveness policy pursued since 2017, in addition to lowering the cost of labour and capital, taxes have been cut by €52bn, households and businesses combined.

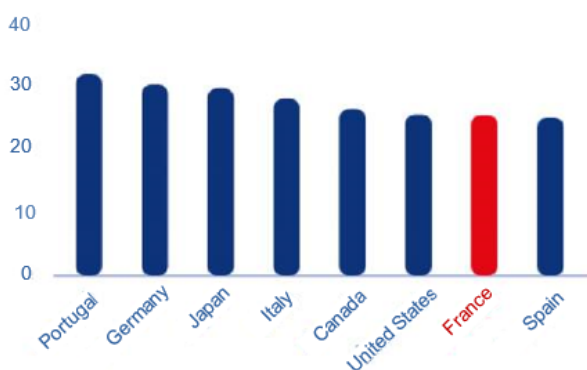
For businesses, this has taken the form of a gradual reduction in corporation tax over 5 years, from 33% to 25%, supplemented by a €10bn/year reduction in production taxes from 2021.

In 2023, the Finance Act ratified the continued reduction in production taxes, with the gradual abolition of the CVAE (business value added tax), over four years. In 2023, this corresponds to a reduction of €4.1bn, of which the industrial sector is the main beneficiary, accounting for 25% of the total.

The research tax credit, created in 1983 and extended in 2018, is the most generous R&D tax incentive scheme in the OECD. It is permanent, and represents average tax expenditure of €7.5bn for the State each year.

Maximum rate of corporation tax

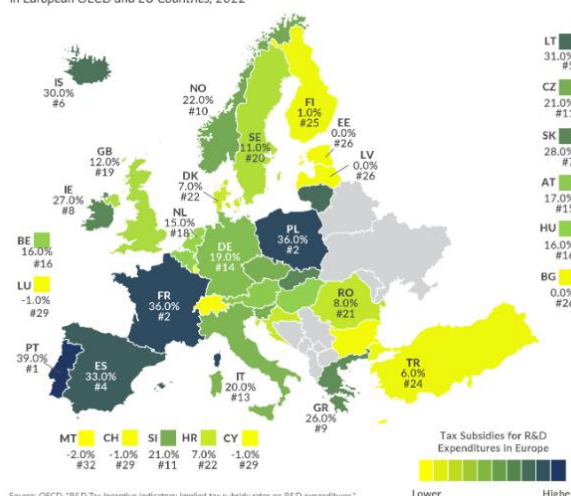
as a percentage in 2022



OECD, 2022

Tax Subsidies for R&D Expenditures in Europe

Implied Tax Subsidy Rates on R&D Expenditures for Profitable Large Firms in European OECD and EU Countries, 2022



Source: OECD, "R&D Tax Incentive Indicators: Implied tax subsidy rates on R&D expenditures."

Offering a transformed social model

The successive and in-depth reforms of labour law carried out in France over the last few years have made it possible to restore flexibility and predictability to companies by:

- Adjusting work organisation rules as closely as possible to the company's needs (working hours, pay, mobility, etc.). In 2022, there was a 15% increase in the number of company collective agreements signed
- Making the termination of employment contracts more predictable by capping the compensation payable in the event of unfair dismissal and limiting the time limit for disputing dismissal to one year. Between 2010 and 2020, the number of cases referred to the industrial tribunal fell by 55.6%.

A policy to encourage people to return to work or stay in work: new unemployment insurance compensation rules (minimum working time), modulation of the duration of compensation, extension of the contribution period and raising of the retirement age from 62 to 64 for the majority of French employees.

A working day that's far from conventional wisdom:

63% of employees worked more than 35 hours a week in 2020. The average working week for managers was 42.5 hours in 2021.

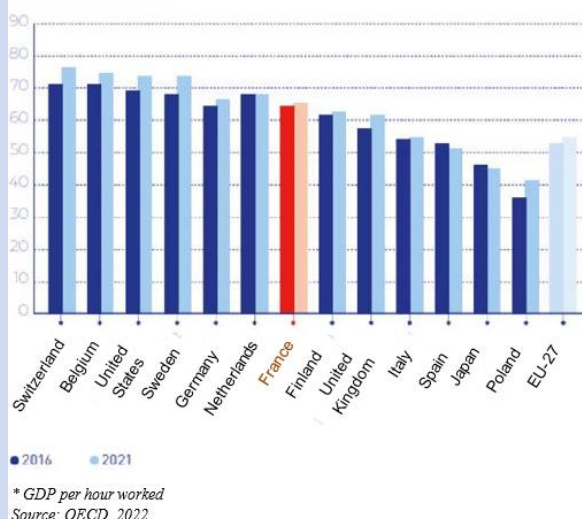
The maximum working week is 48 hours per week and 44 hours per week averaged over 12 weeks.

Overtime is charged for working more than 35 hours.

The cost of labour has fallen thanks to a reduction in social security contributions equivalent to a gain of €20bn a year for businesses, and to several reduction mechanisms.

Hourly labour productivity is also high: in 2022, \$65.2, compared with \$68.6 for Germany and \$55.6 for the EU 27.

HOURLY LABOUR PRODUCTIVITY* [2021]
IN US\$ AT PPA 2015



Adapting skills to changes in the job market and new professions

A massive investment in skills was made from 2018 with the Skills Investment Plan endowed with €15bn over 5 years. The plan has made it possible to increase the training effort for people with low levels of qualification, and to respond to the needs of the French economy in the short term (shortage sectors) and the longer term (digital and environmental transformations).

The simplification of the framework and the financial incentives for apprenticeships have led to a 2.8-fold increase in the number of new apprenticeship contracts in the private sector between 2017 and 2022 (DARES).

The France 2030 plan devotes €2.5bn to training for future professions, with the aim of training 400,000 people a year, through the selection and funding of innovative training schemes. Among the first achievements, which have committed €1.5bn, are 34,000 new training places to be opened in 2022/23 in the strategic sectors of France 2030: structuring of a training offer in quantum technology, 65 "learning by doing" production schools to train 10,000 young people per year (industry, construction, catering, wood sector, etc.), battery college...

The Green Industry Act provides for measures to enable 50,000 engineers to graduate each year by 2027, to offer additional places in IUTs, professional bachelor's degrees, master's degrees and scientific doctorates, and to make careers in industry more attractive to young people and schoolchildren.



Business France is the national agency serving the internationalisation of the French economy.

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It promotes the attractiveness and economic image of France, its companies and its regions. It manages and develops the V.I.E. (International Internship Programme) scheme.

Whether in France or abroad, Business France's 1,420 employees are present in 55 countries and cover more than 100, either directly or via a network of partners.

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