

# FLAGSHIP REFORMS SINCE 2017

## To promote growth and jobs in France

**June 2021**

Since 2017, the French government has been engaged in a vast [program of structural reforms](#) to transform the economy, the lives of businesses and boost competitiveness. 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.

The national strategy was structured around four major areas of transformation, highlighted by this fact sheet: 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. Most of these far-reaching changes were introduced before the health crisis, allowing France today to show resilience, which has been well received by foreign investors: in 2021, France remained the most attractive European country to foreign investors. (EY, 2021).

Emergency measures were implemented from the onset of the Covid-19 global health crisis to support businesses during the pandemic “regardless of what it costs” in the words of the French President Emmanuel Macron, and to help them restart more quickly as soon as normal economic activity started. Today, while the end of the crisis is in sight and lockdown restrictions are gradually being lifted, the main support measures for businesses are set to evolve, [gradually](#), to secure the most businesses.

The “[France Relance](#)” economic stimulus plan has come in addition to these schemes, providing further support over the next two years in strategic sectors and outlining French strategy until 2030.

### **1. PROMOTING INVESTMENT AND JOBS VIA A NEW TAX ENVIRONMENT**

**Corporate taxation has been considerably 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 revenues exceed €250 million (27.5%).
- **Massive and lasting reduction in production taxes:** €20 billion over the period 2021-2022 as part of “[France Relance](#)” plan (then €10 billion per year), 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 in second place among 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.**<sup>1</sup>

<sup>1</sup> 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 the *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.
- **Historic reduction of €5 billion in income tax in 2020.**
- Measures in favor of employee purchasing power: **Overtime tax exemption for employees**, paid without tax or social security contributions from 2019.

## **2. TRANSFORMATION OF THE FRENCH SOCIAL MODEL TO GAIN GREATER FLEXIBILITY AND COMPETITIVENESS**

The new model built based on the “Work Orders” of 2017 enabled a renewed labor market prior to the health crisis by:

- **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 within a limit of six consecutive months or not during a 12-month period, 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).
  - \ **A long-term short-time working scheme (APLD)** designed to secure employees and business activity, enabling these firms, confronted with a long-term reduction in activity, to reduce working hours in return for commitments, notably regarding maintaining employment. The scheme can be implemented for a period of up to 24 months, consecutive or non-consecutive, and over a total period of 36 consecutive months. The reduction in working hours may not exceed 40% of the legal hours per employee over the entire duration of the agreement. As from July 1, 2021, firstly the employee receives an allowance for hours not worked equivalent to 70% of the gross salary and secondly the employer receives a government allowance covering 60% of the gross salary (up to a maximum of 4.5 times the statutory national minimum wage).

**The progressive implementation of these reforms in the last three years confirms the positive assuming of ownership of these new tools by businesses:**

- 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 awarded (+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, a total of 234 businesses had committed to an agreement for collective mutual termination.
- In so far as concerns collective bargaining: In June 2020, a total of 371 collective performance agreements were signed.

**Massive, unprecedented investments have been made for training in the jobs of tomorrow and youth employment, as well as to promote professional transitions, prior to the health crisis, which are already contributing to a better post-crisis resilience:**

- **With reforms in vocational training and apprenticeships** in 2018 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 launch in 2018 of a €15 billion skills investment plan until 2022, aimed at job seekers and young people. Midway through the scheme, there are:**
    - More than one million people starting training every year since 2019, a level never seen before in France.
    - 111,000 training paths towards short-staffed sectors implemented with professional branches in 2018, 2019 and 2020 to meet immediate business recruitment needs
    - More people starting training in three priority sectors of the “France Relance” plan: +70% in digital jobs, 12% in ecological transition jobs and 18% in priority jobs for industry.
  - \ The opportunity to give everyone the freedom to choose their professional future and how to build their career path flexibly, thanks to a **free personalized advice offer and an innovative application**, making it possible **to view training rights in real time** and to register for training.
- **Strengthening of support for job seekers through tailored training** following receipt of a stable job offer requiring a skills upgrade.
- **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 “France Relance” plan):
  - \ **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 December 31, 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).

Public efforts led to promote the development of apprenticeships reached a historic high in 2020 of 495,000 apprenticeship contracts signed in the private sector, a figure constantly rising since 2018.

- **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. SIMPLIFYING THE ADMINISTRATIVE ENVIRONMENT FOR BUSINESSES AND ACCELERATING THEIR ESTABLISHMENTS, STIMULATING JOB CREATION AND ENCOURAGING INNOVATION

- **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 initial public offering (IPO) procedures.
  - \ Establishing a legislative and legal framework for initial coin offerings (ICOs).
  - \ Decentralize around fifteen individual administrative decisions (social, economic and financial, as well as cultural and healthcare).
- The Essoc Act (2018) has made it possible to establish a relationship of trust between users – individuals and businesses – and the administrative authorities:** Enshrining the right to correct errors, the reduction of late penalties, the easing of labor controls, the principle of “Tell us just once”, with the introduction of the [“France Connect”](#) platform, which brings together more than 900 online services and administrative undertakings.
- **The ASAP Act (Acceleration and Simplification of Public Action – 2020)**, made 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 [“France Relance”](#) 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.
  - \ Government initiatives to support the **modernization, digitization and greening of industrial activities**.
  - \ Investments 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.
- Since April 6, 2021, work permit requests to recruit a foreign employee can only be carried out online at the [website for paperless procedures for foreigners in France](#).

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

By providing investors with visibility on the strategies pursued:

- **Publication of the [Multiannual Energy Program](#)** (PPE, 2019): 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 and multilateral level incumbent upon France.
- **Publication of the [National Low Carbon Strategy](#)** (SNBC, 2020): 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 and Circular Economy Act](#)** (AGEC, 2019): Fixed the gradual end of single-use plastic packaging by 2040; a 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:

- **“[France Relance](#)” ring-fences €30 billion for the ecological transition:** Support for the development of a strategic green hydrogen industry (€7 billion by 2030, including €2 billion by 2022); the [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; aid for the renewal and development of agri-equipment (€250 million and “National Investment Program” financing) needed for the agri-ecological transition; €500 million from the [ADEME circular economy fund](#); development of clean transport for [daily life](#) (€1.2 billion); assistance plan for the 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 fourth PIA, with a target budget of **€20 billion over five years, will invest €11 billion by 2022 within the scope of “France Relance”, focusing on two areas:**
  - \ The financing of exceptional investments in strategic sectors and technologies, targeting the digital (cloud, quantum technologies, cybersecurity, artificial intelligence, EdTechs), healthcare (digital health and bioproduction of innovative therapies) and space markets.
  - \ 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.

Download the reforms overview [here](#) 