

# Why invest in France? The key reforms

The French government has embarked on a **vast program of pro-business reforms on a permanent basis** since 2017, aimed at generating more solid, inclusive and sustainable growth. Due to Covid-19 crisis, new measures, some temporary, have been implemented to complete these reforms. The national strategy is built around four key areas:

## Promoting investment and employment, and increasing purchasing power, as a result of a new tax environment for companies and individuals

- ✓ A **reduction in corporation tax** (33% to 25% by 2022 – €11bn in tax relief): the gradual reduction in the nominal rate of French corporate income tax (CIT) was initiated in 2017 and will be continued in order to reach 25% in 2022. French CIT taxation will thus converge towards the European average and this tax reduction will help to promote long-term business investment in France. For 2021, the corporate tax rate will be lowered to 26.5% for almost all companies, with the exception of companies whose turnover exceeds €250m, for which the rate will only be lowered at 27.5%,
- ✓ A **reduction in production tax** (€20bn over the period 2021-2022),
- ✓ The **reform of capital taxation** (30% flat tax on capital income),
- ✓ The implementation of an extraordinary **over amortization for investments** in the robotization and digitization of SME's industrial activity,
- ✓ The **perpetuation of Research Tax Credit** (tax deduction of 30% of R&D expenses up to €100m in expenditure, 5% thereafter),
- ✓ Reductions in **social and employer contributions** (a reduction of health insurance contributions by 6% for salaries of up to €3,848 per month...),
- ✓ Measures in favour of **employee purchasing power** (including tax exemption for overtime workers),
- ✓ Incentives to invest in the real economy with the **transformation of the solidarity tax on wealth (ISF)** into a wealth tax (IFI) on real estate (due by taxpayers whose real estate asset exceeds a limit €1,3m).

## Transforming the French social model to restore flexibility to companies and promote education and professional mobility

- ✓ The 2017 “work decrees” committed **labor reforms** (adjusting pay and working time within a collective performance agreement, simplify dismissals on economic grounds and make employment contract terminations less risky, facilitate social dialogue by creating a single employee information and consultation body...),
- ✓ A new mechanism to provide **greater predictability and flexibility for employers and employees** subject to activity downturns (partial activity scheme under ordinary law, long-term partial activity scheme until summer 2021),

- ✓ The reforms in **vocational training and apprenticeships** (adapting employees' skills to the globalization of markets, the development of digital technology, robotics, and new production methods),
- ✓ The transformation of **unemployment insurance and support for job seekers** (financial support for businesses to offer more permanent contracts, new services of the National Employment Agency to provide businesses with quicker response times, meeting the recruitment needs of businesses more effectively),
- ✓ Financial incentives to stimulate **youth employment** (4,000€ under 26, from 5,000 to 8,000€ for an apprentice or work-study student, open until February 2021),
- ✓ Providing companies with **young graduates hosted in a public laboratory**, with 80% of the salaries paid by the State.

### Supporting business growth and innovation through ambitious new economic policies and investments

- ✓ Simplifying **the business environment with "Pacte" Law 2019** (removal of old social thresholds, creation of an online platform for corporate formalities, exempting employees relocated to France from pension contributions, simplifying IPOs and reducing their costs, establishing a legislative and legal framework for ICOs),
- ✓ Strengthening the **equity capital of VSEs, SMEs and midsize companies** (€3bn of guarantees for €10 to €20bn of financing),
- ✓ A €1bn action plan to accelerate the **creation or relocation of industrial activities** in France (grants for businesses in the context of calls for proposals),
- ✓ **Public works** to create an attractive and simplified environment for the setting up of industrial activities (€300m for the rehabilitation of brownfield sites and artificial land, €550m for infrastructure works, €4.7bn for the rail sector and €200m for ports greening),
- ✓ Massive **investments in the technologies of the future** (€11bn between 2021 and 2022, €1.5bn for the digitalization of national and local authorities, €1.2bn for energy efficiency and the adaptation of industrial processes, with subsidies).

### Transforming and simplifying the public action and policies

- ✓ The **Essoc Act** (2018) aimed to establish a trusting relationship between users – individuals and businesses – and the authorities (enshrining the right to amend errors, lowering penalties for late payment, easing of work inspection, "tell us once only" principle with France Connect...),
- ✓ The **Public Sector Transformation Act** (2019) has changed the practice of social dialogue in the public sector and expanded the employment of contract staff ("France Services" network brings public services closer to citizens),
- ✓ The **ASAP act** (passed by Parliament) will aim to accelerate industrial installations and give certainty to industrial project owners (in case of a change in regulations during the project), enable administrative decisions as close as possible to the territories (prefects)...