LETTER

N°23
November 2007

TRÉSOR-ECONOMICS

Reduced-rate corporation tax for SMEs

This study was prepared under the authority of the Treasury and Economic Policy General Directorate and does not necessarily reflect the position of the Ministry of the Economy, Finance and Employment.

- Independent Very Small Enterprises (VSEs) and Small and Medium-Sized Enterprises (SMEs) frequently have greater difficulty than large firms in gaining access to outside financing. On the one hand their access to financing *via* the markets is very limited. On the other, banks and other lending institutions pay even greater attention to balancesheet quality and to the level of the firm's share capital than they do for large firms, owing to the greater risk of default.

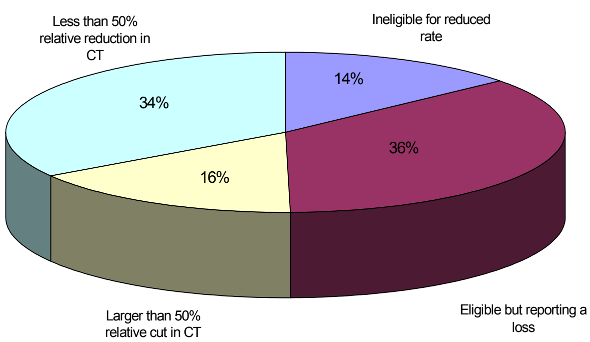
- VSEs and SMEs therefore need to increase their share capital. The difficulty here is that, by taxing reinvested profits and dividends paid to shareholders, corporation tax (CT) directly raises the cost of equity.

- To reduce the cost of funding for VSEs and SMEs and improve their share capital, it was decided in 1996, and again in 2001, to reduce their tax burden by instituting a reduced CT rate. This reduced rate applies exclusively to independent VSEs and SMEs subject to CT. Eligible companies pay a reduced 15% rate instead of the standard $33^{1/3}$% rate on a fraction of their taxable profit capped at € 38,120.

- 470,000 companies currently pay CT at the reduced rate. This reduced rate has rendered the tax scale progressive for eligible companies. While it is steeply progressive at the lower end of the scale, it fairly quickly becomes much less so above the € 38,120 threshold. In absolute terms, the tax gain is effectively limited to a little under € 7,000 per company. However, most companies in France are small and generate a taxable profit of only a few tens of thousands of euros. As a result, the tax charge of more than one company in three is more than halved thanks to the reduced tax rate.

- Those sectors that are relatively little concentrated, where independent VSEs and SMEs account for a large proportion of firms, benefit more than the others from this reduced rate. The sectors that benefit most are building, commerce and distribution, property and personal services. Conversely, manufacturing, energy and financial activities are the sectors that benefit least.

Breakdown of companies by impact of the reduced rate



Source: DGTPE calculations, financial year 2004.

DGTPE
DIRECTION GÉNÉRALE DU TRÉSOR ET DE LA POLITIQUE ÉCONOMIQUE

1. The goal behind the institution of a reduced-rate CT in France is to lower the cost of funding and strengthen the share capital of small and medium-sized enterprises

1.1 The reduction in corporation tax aimed at small enterprises serves as a corrective to certain market imperfections

The implementation of a progressive CT scale is sometimes viewed by analogy with the personal income tax structure. In fact, however, this analogy is inappropriate due to the fundamental differences in the respective bases of these two taxes. Corporation tax is calculated on the basis of the balance remaining after deducting all of the company's costs, whereas personal income tax is levied on total income, with only very small deductions for the tax household's charges. Moreover, a company as such does not have a tax-paying capacity that might justify a lower rate of taxation on grounds of equity. The purpose of a company's profit is to be distributed to the shareholders and employees, and it is they who have the tax-paying capacity and are liable for personal income tax.

On the other hand, small and medium-sized enterprises are generally penalised by the greater difficulty they experience in gaining access to outside financing (see box 1). Business financing has always been a major economic policy concern. For VSEs and SMEs, this question is even more acute insofar as it can affect not only their growth, but their very survival. A cut in the CT rate targeted at SMEs can reduce the cost of their equity funding. Which is why the reduced CT rate was introduced with the explicit aim of strengthening their share capital.

1.2 The reduced-rate CT directly lowers the cost of equity capital

The existence of distinct tax and social security regulations for interest, dividends and capital gains, both for companies and for individual shareholders, has a significant impact on the cost of the different forms of financing. Consequently, the cost of equity funding is higher than for borrowing[1], notably due to less advantageous tax treatment: while interest paid to creditors is deductible from the profit liable for CT, dividends paid to shareholders or reinvested profits are not. **In other words, while CT does not affect the cost of borrowing, it does weigh on the cost of equity.**

A targeted cut in the CT rate aimed at independent VSEs and SMEs thus serves directly to reduce the cost of their share capital. In line with this logic, a reduced-rate CT was instituted specifically for these firms. This measure should allow them to strengthen their share capital and consolidate their balance sheet, and hence, in the final analysis, it should facilitate their access to credit. In this way it can usefully supplement the other forms of public intervention in favour of funding for VSEs and SMEs, such as loans guaranteed by Oséo or soft loans.

2. Nearly 90% of French companies are eligible for the reduced rate, and one company in two actually benefits from it

2.1 The reduced rate applies to all independent SMEs that are subject to CT

According to the preamble of the Act, the reduced-rate CT instituted by Section 7 of the 2001 Budget Act is a mechanism designed to "strengthen the share capital of SMEs".

The reduced rate applies to independent VSEs and SMEs subject to CT. To be eligible for the reduced rate, a company must satisfy the following two criteria:

- revenue for the financial year, excluding taxes, of less than €7.63 million (this is the size criterion);
- issued capital must be fully paid up, and at least 75% of it must be held continuously by individuals or by companies that themselves satisfy these conditions (this is the criterion of independence).

These two criteria complete each other insofar as an SME belonging to a large group of companies presumably has easier access to funding. The second criterion serves in addition to deter large companies from splitting into several smaller entities in order to qualify for the reduced rate.

Eligible companies currently enjoy a reduced rate of 15% instead of the standard $33^{1/3}$% on the portion of their taxable profit not exceeding €38,1202[2]. In fact this amounts to introducing a progressive tax scale for the eligible SMEs in place of the conventional proportional scale (see part 3).

Several OECD countries also have implemented progressive tax systems for businesses, adopting a scale including more than one bracket. Some countries, like France, reserve this progressive scale for VSEs and SMEs; others, like the United Kingdom and the United States, have applied it to all businesses across the board. France's reduced rate looks rather generous by comparison with these other countries (see Box 2).

(1) X. Boutin and S. Quantin (2006): "Une méthodologie d'évaluation comptable du coût du capital des entreprises françaises : 1984-2002", (An accounting methodology for assessing the cost of capital for French companies: 1984-2002), *Document de travail G 2006 / 09, INSEE-INSEE working paper).*

(2) The 1997 Budget Act instituted a reduced corporation tax rate of 19% for SMEs. This was an optional measure, however, the profits taxed at the reduced rate had to be incorporated into the capital.

Box 1: **Methods of business financing depending on the size of the firm**

With regard to financing, it is important to distinguish between direct financing via a capital increase or internal funding from cash flow, and indirect financing through borrowing or finance leases. The shareholders (of a quoted company) receive payment in the form of dividends, when the profit is distributed, or capital gains if the profits are retained in the business. Creditors receive payment in the form of interest, which is paid regardless of whether or not the firm makes a profit.

The funding policies of VSEs and SMEs can be summarised by observing the funds utilised, which show up in the financial statements (see Appendix 1 for a presentation of the different balance sheet items). From this we can gauge the relative importance of each of these sources in the operations of the company.

Table 1: the relative importance of the different forms of funding (in %), by size of firm

As a proportion of total assets, excluding provisions (financial year 2004)	Under 10 employees	10 - 50	50 - 500	Above 500	Total
Share capital, of which :	42	34	35	32	32
- Issued capital	23	12	15	12	12
- Additional paid-in capital and revaluation reserve	8	3	7	8	8
- Reserves	8	13	9	5	5
- Unappropriated earnings and profit for the year	1	4	1	1	1
Financial borrowing, of which :	26	23	20	27	27
- Bonds	0	0	1	10	10
- Bank credits	11	12	9	7	7

Notes : The foregoing applies to all companies subject to the standard CT regime, excluding financial and property activities. The notion of financial borrowings refers here to the broad meaning of the term; it also comprises borrowings from non-financial companies. Non-financial borrowings consist for the most part in supplier accounts payable and to tax and social security debts. Source : French General Tax Directorate (DGI, standard regime database); DGTPE calculations.

The contribution of share capital as a means of financing declines, on average, with the size of the company: from 42% or VSEs (under 10 employees), to 35% for SMEs (10 - 500 employees) and 32% for large companies. But this finding does not mean that the share capital of VSEs or SMEs is adequate. It simply signals the greater difficulty these firms experience in gaining access to outside financing.

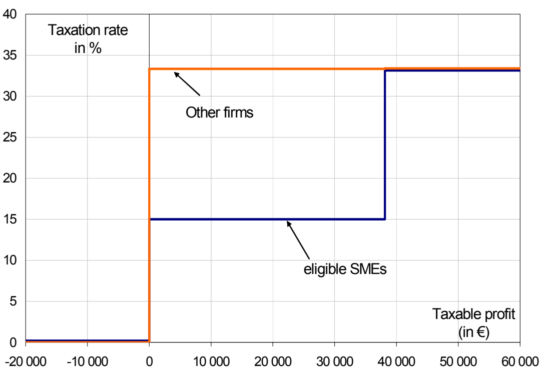
In the first place, VSEs and SMEs have very limited access to financing in the markets, to the extent that the only way they can finance themselves via a capital increase is by raising funds from individuals close to the firm or from institutional investors seeking risky investments. As a result, the ratio of additional paid-in capital (reflecting the company's growth via capital increases) to issued capital (reflecting the initial capital investment) is one third for companies employing fewer than 50 people, one half for those with 50-500 employees, and two thirds for those with over 500.

In the second place, the main form of financial borrowing available to VSEs and SMEs is bank borrowing, since they are too small to access the bond market. Yet VSEs and SMEs generally find it harder to gain access to credit than large firms. Consequently the business of lending to VSEs and SMEs demands a specific organisation, backed by risk management expertise and a local presence, due to the greater risk of default and the greater difficulty of obtaining reliable financial information than for large firms[a]. This explains why lending institutions pay closer attention to the quality of VSEs' and SMEs' balance sheet structure and the level of their share capital.

On top of these difficulties inherent in their size, companies of a given size may find it harder or easier to gain access to outside financing depending on whether or not they form part of a group. Those belonging to a group enjoy wider access to financing, notably because of the larger overall size of that group. Consequently, the high share of borrowings from non-financial companies reflects the vitality of financial links between subsidiaries belonging to a single group.

a. M. Aubier, F. Cherbonnier (2007): "Firms' access to bank credit", *Trésor-Économics No7, DGTPE.*

Chart 1: Marginal CT rate paid by companies



Source : DGTPE

2.2 half a million companies benefit from reduced-rate CT

Out of slightly under a million companies subject to CT in 2004, more than 800,000 were eligible for the reduced rate. However, only the 470,000 companies reporting a positive taxable profit actually benefited from the reduced rate, at a cost to the budget of €1,9 bn[3]. Altogether, one company in two in fact pays CT at the reduced rate, for an average tax gain of €4,000 to each company.

The very high number of companies eligible for the reduced rate reflects the fact that most French companies are small, the key criterion being revenue: 96% of companies subject to

CT have a revenue of less than €7.63 million, 80% less than € 1 million, and 67% less than €500,000.

But while the number of companies eligible for the reduced rate is very large, their share in the economy is small. Eligible SMEs employ a third of full-time equivalent wage earners and generate a quarter of the taxable profit of companies subject to CT, which in turn reflects the very large share of the large groups in the French economy[4].

Table 2: number of eligible SMEs and number of SMEs that actually benefit from the reduced rate

	Financial year 2003	Financial year 2004
Number of eligible SMEs as % of all companies	760 000 85%	800 000 86%
Number of SMEs that actually benefit as % of all companies	760 000 48%	800 000 50%
Total amount (in mn) Average amount (in mn)	760 000 4 000	800 000 4 000

Source : French General Tax Directorate (DGI, simplified and standard regime databases); DGTPE calculations

Table 3: economic importance of eligible SMEs and SMEs that actually benefit from the reduced rate

Economic importance in terms of: (financial year 2004)	Employees	Taxable profit
Eligible SMEs of which SMEs that actually benefit	33% 22%	27% 27%
Other companies subject to CT	67%	73%

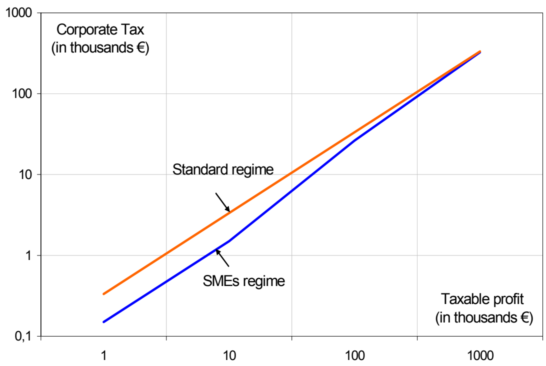
Source : French General Tax Directorate (DGI, simplified and standard regime databases); DGTPE calculations

2.3 More than a third of companies pay less tax thanks to the reduced rate

In introducing the reduced rate, French Parliament in fact introduced a progressive tax scale for eligible SMEs in place of the conventional proportional scale.

The tax rate is steeply progressive at the lower end of the scale, the reduced rate being less than half of the normal rate. It then tapers fairly rapidly above the €38,120 threshold. As a result the potential tax gain to a company from the reduced rate is capped in absolute terms at slightly under €7,000. The relative tax gain by comparison with the amount of tax normally due can thus range from 55% for SMEs reporting a taxable profit of less than €38,120 to less than 2% for SMEs reporting a taxable profit of more than €1 million[5].

Chart 2: the progressive impact of the reduced rate for SMEs



Note : The abscissa and ordinate are logarithmic scales

Table 4: the relative reduction in CT supplied by the reduced rate

Relative tax gain (Financial year 2004)	Taxable profit threshold	Number of SMEs	Number of employees	Tax expenditure
More than 50%	< €41,932	318,000	44%	44%
40% - 50%	=> €52,415	25,000	6%	9%
30% - 40%	=> €69,887	26,500	7%	10%
20% - 30%	=> €104,830	32,000	10%	12%
10% - 20%	=> €209,660	37,000	15%	14%
Less than 10%	> €209,660	30,500	18%	11%
SMEs that actually benefit from the reduced rate		**469,000**	**100%**	**100%**

Source : French General Tax Directorate (DGI, simplified and standard regime databases); DGTPE calculations

(3) This figure is somewhat larger than the one presented in the budget documents (*Évaluation des voies et moyens, tome II*- «Ways and means estimates, vol. II"), due to a difference in the method of selecting eligible companies.

(4) P. Lagarde, S. Raspiller et S. Roux (2003) : "La situation économique et financière des entreprises françaises : de fortes hétérogénéités" (Sharp heterogeneities in the economic and financial conditions of French companies), *L'Economie française, édition 2003-2004, INSEE.*

(5) There were 3,000 eligible SMEs in this situation for the financial year 2004.

Box 2: **reduced-rate CT in other countries**

Several OECD countries have adopted progressive systems for taxing company profits. All these systems are intended to help "small" businesses. But the definitions underpinning them sometimes differ. Two types of regime need to be distinguished, depending on whether or not they contain a size criterion:

- one group of countries has introduced a progressive scale based solely on taxable profit. In the United States and the United Kingdom, for instance, the average rate of taxation rises continuously in line with reported profit;
- a second group of countries applies a reduced rate to a fraction of SMEs' profits. The definition of an SME can vary according to country, since in Japan it is based on issued capital, and on revenue in Spain and France.

1 - Progressive taxation based on taxable profit

In the United States and the United Kingdom, the scale applies to all companies subject to CT and is based on the principle of differentiating the tax rate by profit bracket. This scale results in a continuously rising average rate of taxation according to profit, until it equals the marginal rate applicable to the highest profit bracket. Not all of the marginal rates rise in line with the tax brackets, since some marginal rates for intermediate brackets are higher than the marginal rates for the final bracket.

Consequently, the gain from application of the lower progressive brackets is cancelled out once profit rises above a certain level. In other words, only companies with low profits gain from this system. In that sense the system does not appear to be particularly restrictive, since in the final analysis large but unprofitable companies can enjoy a low average tax rate.

2 - Progressive taxation based on company size

In Japan, Spain and France, the progressive scale is reserved exclusively for SMEs. The latter are defined in terms of size, though this criterion may differ from one country to another, e.g. issued capital in Japan, and revenue in Spain and France.

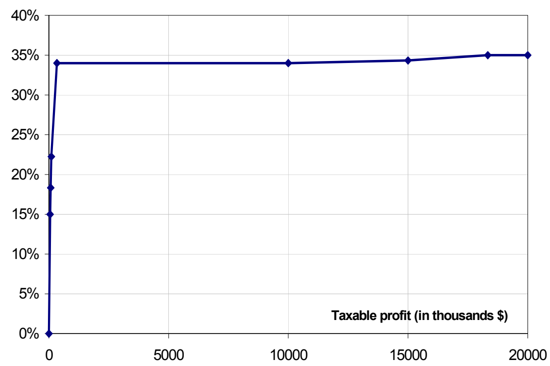
In that sense these three countries have instituted a hybrid system, adding a criterion of size to the classical criterion of profit. This system serves to avoid granting undue tax relief to large companies that fail to report high profits. But it creates a threshold effect due to the criterion restricting the benefit of the reduced rate. That is because the existence of a size threshold could encourage manipulation around the criterion selected, or else introduce imbalances between the different sectors (see Part 3).

Table 5: CT scales in selected OECD countries

Country	Standard rate	Taux réduit		
		Rates	Tranches	Conditions de taille
Spain	35	30	< 120 202 €	revenue < 3M€
US	35	see chart		no
France	$33^{1/3}$	15	< 38 120 €	revenue < 7,63 M€
Japan	30	22	< 8 M¥	capital < 100 M¥
United Kingdom	30	see chart		no

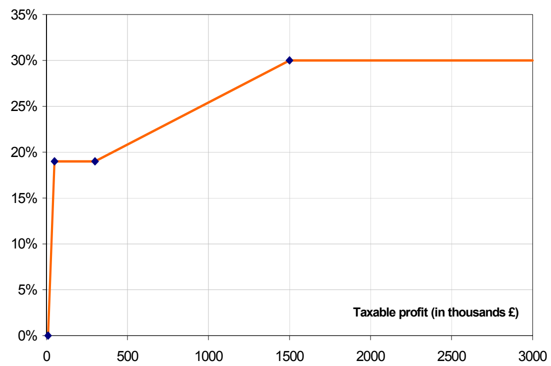
Source : OECD, Tax Data Base 2006

Chart 3: average tax rate (US)



Source : OECD, Tax Data Base 2006

Chart 4: average tax rate (UK)



Source : OECD, Tax Data Base 2006.

The relative tax gain provided by the reduced rate is calculated as the ratio between the amount of the resulting reduction and the amount of tax that would have been due in the absence of the reduced rate. Because the amount of the reduction is capped, the relative tax gain diminishes as taxable profit rises, being greater than 50% for a taxable profit of less than €42,000, and still greater than 30% for a taxable profit of less than €70,000; it only falls below 10% for a taxable profit exceeding €210,000.

Since most companies in France are small, very many of them make a profit of no more than a few tens of thousands of euros. Nearly 320,000 SMEs eligible for the reduced rate-i.e. more than a third of the companies in France-thus report a taxable profit of less than €42,000 and consequently see their tax charge reduced by more than half.

3. Who benefits from the reduced rate?

3.1 The reduced rate benefits the service and building sectors more, relatively, than the manufacturing sectors

Only independent VSEs and SMEs are eligible to benefit from the reduced rate. As a result, the threshold effect associated with the eligibility criteria, and particularly company size, can introduce differential treatment between sectors. **This means that the reduced rate is of greater benefit to sectors that are not concentrated, where there are large numbers of independent VSEs and SMEs.**

The building, commerce and distribution, property activities and personal services sectors are those that benefit most from the reduced rate, capturing a share of tax expenditure far beyond their economic importance. For example, the building sector contributes only 4% of the taxable profit of all companies yet accounts for 14% of tax expenditure.

Manufacturing, energy and financial activities, on the other hand, benefit least from the reduced rate, since they are highly concentrated and are dominated by large groups. These sectors account for only 15% of tax expenditure whereas they contribute 45% of the taxable profit of all companies.

3.2 The reduced rate is relatively more beneficial to VSEs than to SMEs

Because the reduced rate is reserved for independent companies with revenue of less than €7.63 million, it is natural that there should be differences depending on company size measured by number of employees. Consequently VSEs, which employ fewer than 10 people, benefit most from the reduced rate, accounting for nearly 80% of the tax expenditure whereas they contribute less than 30% of the taxable profit of all companies.

Among these VSEs, companies employing 0 or 1 employee benefit relatively less than the others from the reduced rate. This is because a smaller proportion of these companies benefit from the measure, partly because there is a greater proportion of lossmaking companies among those employing 0 or 1 person than among those with 2 - 10 employees; the other reason is that many holding companies employ 0 or 1 person but are ineligible because they belong to a group

3.3 reduced rate benefits young firms more, relatively, than older ones

We can also study VSEs and SMEs that benefit from the reduced rate in terms of their age, albeit only within the restricted scope of the standard regime. Companies less than 2 years old benefit most, relatively, from the measure: although they contribute only 4% of taxable profit, they account for 14% of tax expenditure within the scope of our analysis.

More generally, the reduced rate is relatively more beneficial to companies less than 7 years old than to older one. The latter nevertheless capture a substantial share of tax expenditure (more than 50% within the scope of our analysis, or more than 40% of total tax expenditure, owing to their very large share of the economy.

Sébastien RASPILLER

Table 6: by size of companies benefiting from the reduced rate

Financial year 2004	Share of tax expenditure	Share of taxable profit	Proportion of tax expenditure beneficiaries
0-1 employees	25%	15%	40%
2-25 employees	32%	6%	58%
6-10 employees	22%	7%	64%
11-20 employees	12%	5%	61%
21-50 employees	8%	12%	46%
more than 50 employees	1%	55%	13%
Total	**100%**	**100%**	**50%**
Industry	13%	23%	49%
Energy	0%	3%	30%
Building	14%	4%	65%
Commerce	25%	18%	51%
Transport	3%	3%	50%
Finance	3%	18%	45%
Property activities	10%	6%	45%
Business services	18%	20%	48%
Personal servicess	9%	3%	45%
Other sectors	5%	2%	50%
Total	**100%**	**100%**	**50%**
Less than 2 years	14%	4%	48%
2 - 3 years	7%	3%	48%
3 - 4 years	6%	3%	50%
4 - 5 years	6%	3%	50%
5 - 6 years	5%	5%	51%
6 - 7 years	9%	6%	53%
More than 7 years	53%	76%	50%
Total	**100%**	**100%**	**50%**

Due to the unavailability of older data, the scope here is restricted to companies subject to the standard regime. Source: French General Tax Directorate (DGI standard regime database).

Appendix 1: **the balancesheet structure of French companies**

By presenting a company's accounts in balancesheet form we can form a complete view of its year-end situation, in terms of its operations (assets) and sources of financing (liabilities). By construction, the sum of assets is equal to the sum of liabilities.

Liabilities reflect the company's funds and consist primarily of three items, namely share capital, provisions for other liabilities and charges, and borrowings:

- share capital corresponds to the funds provided either by shareholders or by profits reinvested in the company. Also known as shareholders' equity or "capital and reserves attributable to equity holders of the company" (in IFRS), this serves to finance part of the company's investments and to guarantee creditors financing the remainder of the investments;
- provisions for other liabilities and charges record the increases in liabilities resulting from charges not yet payable at the close of the financial year, but which will probably have to be paid and which are associated with operations engaged in during the year;
- a company's borrowings refer to the funds made available to it by its creditors. A distinction should be made between operating debts, which are generally short term and do not carry interest, and bank and financial borrowings, which are obtained from financial institutions or on the financial markets in the form of bonds.

Share capital itself consists of several items:

- issued capital : this is the company's initial capital, not including any profits that may have been made in the lifetime of the company. This is a legal concept first and foremost, since the level of a company's issued capital need not necessarily reflect its size.
- additional paid-in capital (or issue premiums) correspond to the difference between the value of a capital increase at the time of issuance and the par value of the company's shares. This item may be greater than the issued capital, better reflecting the company's growth.
- reserves are where the company may place its reinvested profits. If a company has generated a positive net profit in the year, it can choose either to distribute this profit to its shareholders or to transfer it to reserves.
- retained or unappropriated earnings is the accounting item to which the company transfers sums not yet allocated. The company may decide to allocate these amounts in future years. This item can be negative if the company has made a loss, for example.
- net profit is recognised in share capital before appropriation. Thereafter it is split between reserves, dividends and unappropriated earnings.

Table 7: Balancesheet structure of French companies by size

Share of total assets (financial year 2004)	Under 10 employees	10-50 employees	50-500 employees	More than 500 employees	Total
Share capital	41%	33%	33%	29%	29%
Provisions for other liabilities and charges	2%	2%	4%	11%	11%
Borrowings	57%	65%	63%	60%	60%

Note: the scope of this analysis covers all companies subject to CT under the standard regime, excluding financial and property activities, and excluding holding companies. Source: French General Tax Directorate (DGI, standard regime database); DGTPE calculations

Appendix 2: **data used**

The descriptive statistics presented in this study are drawn from the BIC-RN and BIC-RSI databases of the General Tax Directorate (DGI), which comprise all of the tax reporting forms of companies subject to tax on industrial and commercial profits. These companies notably include those subject to corporation tax (CT), which is the scope utilised for this study. Consequently:

- the BIC-RN database comprises all companies subject to the standard CT regime, which are therefore required to complete detailed tax returns. This database contains slightly fewer than 600,000 companies, including the largest ones;
- the BIC-RSI database comprises all companies subject to the simplified CT regime, with reduced reporting requirements. It contains slightly fewer than 400,000 companies, all of them small.

There is no box on the tax reporting forms directly referring to eligibility or otherwise for reduced-rate CT. Nor is it any longer possible to refer to the two eligibility criteria: while revenue is properly recorded, the same does not hold for ownership of the capital.

The solution adopted consists in comparing the company's effective rate of taxation, which can be calculated from the tax forms, with the theoretical effective rate if the company is ineligible, and with the theoretical effective rate if it is eligible. This method serves to identify eligible SMEs, provided they are profitable . This restriction does not apply if we consider only those companies that actually benefit from the reduced rate. On the other hand it is problematic if we look at all eligible SMEs: in this case, it is assumed that the proportion of eligible companies is the same among lossmaking SMEs as among profitable ones.

Editor:

Ministère de l'Économie, des Finances et de l'Emploi

Direction Générale du Trésor et de la Politique économique

139, rue de Bercy
75575 Paris CEDEX 12

Publisher:

Philippe Bouyoux

Editor in chief:

Philippe Gudin de Vallerin

+33 (0)1 44 87 18 51

tresor-eco@dgtpe.fr

Page layout:

Maryse Dos Santos

ISSN 1777-8050

Recent Issues in English

November 2007

No. 22 .Are Stokmarkets overvalued
Fabrice Montagné

October 2007

No. 21 .The global economic outlook in autumn 2007
Aurélien Fortin, Fabrice Montagné, William Roos

No. 20 . Shoud we worry about current account imbalances in a monetary union?
Thibault Guyon

No. 19.The use of economic instruments for environmental policies
Chirstophe Wendling

September 2007

No. 18. International macroeconomic policy coordination
Benjamin Carton, Fabrice Montagné

No. 17.Has France adjusted to recent trends in world trade ?
Nicole Madariaga

July 2007

No. 16 .Do financial variables yield greater insight into the economic situation in real time?
Othman Bouaabdallah, Stélios Tselikas

No. 15 .Do interest rates help to predict exchange rates ?
Sébastien Hissler