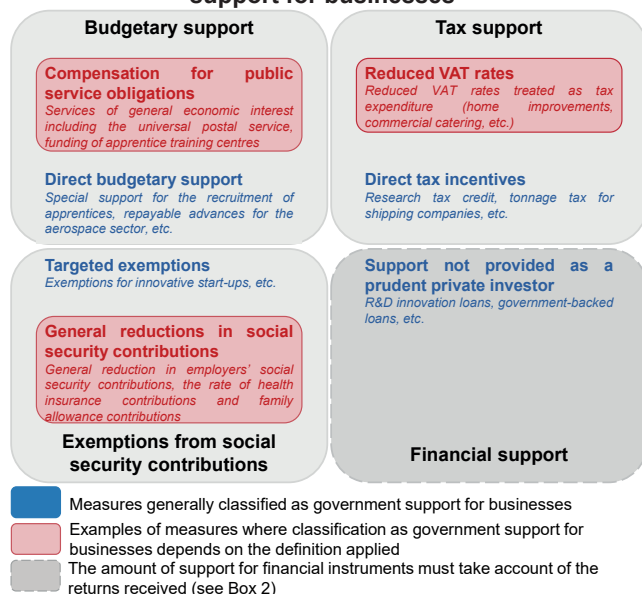


## Defining Government Support for Businesses

*Diego Renaud and Johan Seux*

- The concept of government support for businesses encompasses a broad range of very different situations. The lack of a comprehensive and widely accepted definition of what is meant by government support for businesses limits the ability to monitor this support and to ensure that the public debate on its scale and utility is based on objective evidence.
- Recent estimates from the Inspectorate General of Finance, the High Commission for Strategy and Planning and a Senate Select Committee put the figure for government support for businesses at anything between €88bn and €211bn per year, largely as a result of differences in definition.
- Government support for businesses can be defined by three cumulative criteria: it must originate from the public sphere, primarily benefit a business, and confer an economic benefit. However, each of these criteria can give rise to conceptual or methodological difficulties, leading to borderline cases.
- The inclusion of three categories of support is particularly contentious: compensation for public service obligations, which is intended to offset the costs incurred by entities providing a public service; reduced VAT rates, which can benefit businesses and households; and general reductions in social security contributions, which can be regarded as a special method of calculating the rate of social levies.
- In response to the recommendations of the Senate Select Committee, the government unveiled an action plan in late 2025 to establish a consolidated system for monitoring government support for businesses in France. This plan is based, in particular, on methodological work carried out jointly by the French Treasury (*DG Trésor*) and the Directorate General for Enterprise concerning the definition and scope of government support for businesses, to which this paper contributes. The Prime Minister has tasked the High Commissioner for Strategy and Planning with organising a public consultation on this subject. Its findings will be used to produce a budgetary document to be appended to the 2027 Budget Bill, with the aim of identifying and quantifying government support for businesses.

### Summary of the scope of definition of government support for businesses



Source: *DG Trésor*.

# 1. Fulfilling the need for transparency regarding government support for businesses requires prior definition of its scope

## 1.1 The government monitors its support for businesses according to its purpose and type, but there is no comprehensive survey based on a widely accepted definition

The issue of the level of government support for businesses has become increasingly important against a backdrop of high public deficits and debt. Businesses receive government support in many different forms: grants, tax breaks, reductions in social security contributions, loans, guarantees, and so on. Some of these are subject to specific monitoring, in particular tax expenditure<sup>1</sup> and measures relating to exemptions or reductions in the social security charges and contributions base.<sup>2</sup> There are also lists of support schemes covering specific areas, such as the France 2030 Investment Plan or innovation grants.<sup>3</sup> However, there is currently no comprehensive overview, in a single document, of all government support for businesses. Various recent studies, in particular those conducted by the Senate<sup>4</sup> and the High Commission for Strategy and Planning,<sup>5</sup> conclude that the lack of a standardised definition of government support for businesses explains the absence of comprehensive monitoring of all such support.

The concept of “State aid” in European law,<sup>6</sup> although similar to that of business support, does not provide a means of measuring the extent of government support for businesses. To be classified as “State aid”, it must, among other criteria,<sup>7</sup> be selective in nature, i.e., it must confer an advantage on certain businesses or on certain types of production over others: this key criterion under European law means that general support applicable to all businesses is excluded. This is

the case, for example, with general reductions in social security contributions or the research tax credit (CIR), a form of government support for businesses that is not considered to be State aid within the meaning of European law because it is non-selective. The concept of State aid thus constitutes a legal framework geared towards competition regulation rather than the consolidated quantification of government support for businesses.

Similarly, the national accounting system does not include the concept of business support and is not entirely suited to monitoring all forms of government support for businesses. It allows for a comparison between the support received by businesses and the charges they pay,<sup>8</sup> but covers only two categories of government payments to businesses that can be regarded as support: production subsidies and investment grants. Tax reductions and exemptions from social security contributions do not appear as such:<sup>9</sup> they result in lower revenue for government, which is invisible in the national accounts.

## 1.2 The concept of government support for businesses has been the subject of numerous recent studies, resulting in significant discrepancies in the figures due to varying definitions

In the absence of a common definition, several institutions have produced estimates of government support for businesses in France, each based on its own criteria. These studies, carried out by the Inspectorate General of Finance (IGF) in 2024, the Senate in 2025 and the High Commission for Strategy

(1) [Ways and Means Assessment](#), Volume 2 appended to the Budget Bill (in French only).

(2) [Annex 4](#) to the Social Security Budget Bill (in French only).

(3) IGF report (2018), “[Les aides à l’innovation](#)” (in French only).

(4) Senate: Adopted report No. 808 (2024-2025), “[Commission d’enquête sur l’utilisation des aides publiques aux grandes entreprises et à leurs sous-traitants](#)” (in French only).

(5) High Commission for Strategy and Planning (2025), “[Les aides aux entreprises en France: de quoi parle-t-on ?](#)” (in French only).

(6) State aid is, in European law, “any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods”.

(7) See [Treaty on the Functioning of the European Union](#), Article 107(1).

(8) See in particular the Rexecode study (2023), “[Malgré les aides publiques, les prélèvements sur les entreprises restent excessifs en France](#)” (in French only).

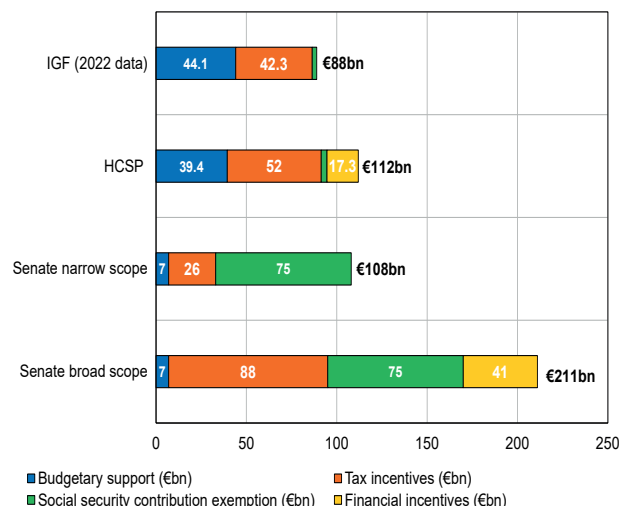
(9) Only refundable tax credits are recorded as expenditure in the national accounts.

and Planning (HCSP) in the same year, arrived at figures of vastly different magnitudes, ranging from €88bn to €211bn (see Chart 1). These discrepancies primarily reflect differences in the definition of what constitutes government support for businesses.

The Senate Select Committee on government support for large businesses and their subcontractors put forward an aggregate estimate of government support for businesses “in the broadest sense” of €211bn for 2023, as well as a more conservative estimate of €108bn. Based on the Select Committee’s own definition, the broader scope includes subsidies to businesses (€7bn), tax expenditure (€88bn), reductions in social security contributions (€75bn) and financial interventions by Bpifrance (€41bn). The estimate falls from €211bn to €108bn by excluding financial interventions by Bpifrance, declassified tax expenditure<sup>10</sup> and VAT relief.

While noting that the amount of State aid stood at €45bn in 2022, the report by the High Commission for Strategy and Planning, published in July 2025,<sup>11</sup> arrives at a total of €112bn<sup>12</sup> for 2023, by including budgetary support (€39bn), tax expenditure (€52bn), financial support (€17bn) and targeted exemptions from social security contributions (€3bn). While this amount may seem very close to the lower estimate from the Senate Select Committee, there are major differences between the two. In particular, the Senate report includes general relief measures, whereas the HCSP defines a broader scope for budgetary support, including, in particular, payments to businesses intended to compensate for the government’s delegation of certain public services (such as the universal postal service provided by La Poste, etc.).

**Chart 1: Comparison of the amounts and nature of existing estimates of government support for businesses in 2023**



Sources: Senate, High Commission for Strategy and Planning, Inspectorate General of Finance.

Note: The HCSP and Senate reports were published in 2025 based on data from 2023, while the IGF report, published in 2024, covers data for 2022.

The previous year, the Inspectorate General of Finance (IGF) had published a report that adopted a narrower scope and arrived at a figure of €88bn,<sup>13</sup> comprising €44bn in budgetary support, €42bn in tax expenditure and €3bn in exemptions from social security contribution. This estimate is closer to the HCSP’s findings, but does not include financial interventions.<sup>14</sup>

The discrepancies in the figures between the three studies are mainly due to differences in the choice of scope for government support for businesses. For budgetary support, this relates primarily to the treatment of compensation paid to companies in

(10) Refers to schemes that were initially classified as tax expenditure but were subsequently incorporated into the standard tax regime by the tax authority, e.g., the parent-subsidiary scheme (Article 216 of the General Tax Code).  
 (11) This refers to the HCSP’s previous report on the subject (2020): “Les politiques industrielles en France – Évolutions et comparaisons internationales, Chapter 4” (in French only).  
 (12) Extending this scope to local authorities and European aid brings the figure to €129bn. The document also stated that the figure would be even higher if general exemptions from contributions were included.  
 (13) Extending this scope to local authorities and European aid brings the figure to €105bn.  
 (14) The IGF report’s budget support figures include the net budgetary cost to the government of certain financial instruments, such as government-backed loans (€1.4bn disbursed by the government in 2022).

return for performing a public service (see Box 3): the Senate Select Committee excludes it on the grounds that it constitutes a simple quid pro quo rather than support, while the HCSP and the IGF include it in part. Regarding tax and social security contributions, they reflect differing approaches to the benchmark tax regime: tax expenditures that have been declassified are included by the Senate but excluded by the HCSP and the IGF, and the same applies to general

reductions in social security contributions (see Box 4). Lastly, with regard to financial support, the Senate uses the nominal amount of interventions by Bpifrance, without deducting the financial returns to government, whereas the HCSP uses the gross grant equivalent of government financial support and the IGF uses only the budgetary cost of government-backed loans (see Box 2).

## 2. Identifying the stakeholders' scopes: who provides the support and to whom?

### 2.1 Does the support come from the public sphere?

For a measure to be regarded as government support for businesses, it must be granted by a government department or a body in the public sphere. The public sphere can be defined simply as the general government sector within the meaning of the national accounting system, i.e., government departments where the deficit is recorded in accordance with the Treaty on the European Union,<sup>15</sup> known as the "Maastricht deficit". This scope covers the bulk of the public sphere that is likely to grant support to businesses, not only central government and local authorities, but also social security authorities and government agencies, provided they meet the criteria for inclusion in the general government sector (such as *France Travail*, universities or social security funds).

However, some organisations do not fall within the scope of the general government sector as defined by the European treaties, yet they operate major business support schemes: this is the case, for example, with the *Caisse des Dépôts et Consignations*, as operator for the France 2030 Investment Plan. Nevertheless, this support does indeed stem from government funding and a decision made by a government department. In order to include such support granted *indirectly* by the

public sphere, an additional criterion may be applied: support may be regarded as being of government origin provided that it is granted using government resources and that the decision to award it is attributable to a government department, these two conditions being cumulative.<sup>16</sup> This additional criterion ensures, for example, that all grants under the France 2030 Investment Plan, managed by operators outside the general government sector and benefiting businesses, are indeed included.

### 2.2 Defining the scope of recipient businesses

Defining government support for businesses requires clarifying what is meant by a "business". A purely legal approach, treating a business as a legal entity,<sup>17</sup> appears insufficient for identifying support for businesses. In fact, this would result in the exclusion from the scope of the definition of operators that carry on the same activities – and sometimes receive the same funding – as certain businesses (national research bodies, training centres, non-profits, artists and authors), without operating under a legal status comparable to that of a business. In addition, adopting a purely legal definition would mean distinguishing – in the case of schemes such as support for apprentice training centres – between recipients that are businesses in the legal sense and those that are not

(15) This applies only to government-funded institutions that fall within the scope of the general government sector, based on the applicability of the three *ESA 2010* criteria (institutional unit, controlled by the government, and a non-market producer).

(16) This criterion is based on the one used in European law to define State aid within the meaning of [Article 107\(1\) of the Treaty on the Functioning of the European Union](#).

(17) Or, more precisely, a "combination of legal entities constituting an organisational unit for the production of goods and services that enjoys a degree of decision-making autonomy" within the meaning of Article 51 of the Economic Modernisation Act.

(universities, national research bodies, etc.), which would not be justified from an economic perspective and would present practical difficulties.

A functional definition of a business, based on the economic nature of the activity carried on, therefore seems more appropriate. It is thus possible to draw inspiration from the definition adopted by the Court of Justice of the European Union in the context of State aid, namely “every entity engaged in an economic activity, regardless of the legal status of the entity and the way in which it is financed”,<sup>18</sup> an economic activity being defined, again drawing on the CJEU, as “any activity consisting in offering goods and services on a given market”.<sup>19</sup> This definition of a business thus depends more on the nature of the activity carried on than on the legal form of the entity carrying it on. Thus, a non-profit, a non-governmental organisation or even a body that is officially part of the public sector may be classified as a business provided that it carries on an economic activity. For example, in a ruling<sup>20</sup> concerning a non-profit that organised motorcycle races and entered into sponsorship and advertising agreements, and insurance policies, the Court of Justice held that the activity in question was economic in nature.<sup>21</sup> This non-profit was therefore regarded as a business in relation to this activity, but not necessarily in relation to other activities (voluntary work, etc.).

### 2.3 Who benefits from the support?

Once the concept of a business has been defined, the question arises as to whether a particular government measure actually benefits a business or another economic operator. Several approaches can be considered, and these will likely need to be correlated to form a body of evidence that can be used to assess whether a particular scheme qualifies as business support. Here, we are using the definition of government support that *primarily* benefits businesses, as opposed to other types of operators. In particular, this criterion makes it possible to distinguish it from support for households.

An initial approach, and the simplest to apply in practice, is that of the direct recipient, i.e. the operator to whom the aid is legally granted and paid. This is

the most immediately applicable criterion: we can see directly who is paid or who receives the tax benefit. For example, the call for tenders for “major industrial decarbonisation projects” directly benefits businesses.

However, the direct recipient is not always who the scheme actually aims to support. The target recipient – i.e. the one the legislator intended to support when the scheme was created – may differ significantly from the direct recipient, either way. Some forms of support are indeed paid to businesses but are actually intended to help households as part of specific public policies. This is the case with the *tiers payant* system in the healthcare sector under which the patient does not pay medical expenses upfront. Technically, payments are made directly to a healthcare professional or a healthcare facility, but the aim is to cover the insured person’s costs. The fact that businesses are the direct recipients of the payment is not sufficient to classify the scheme as government support for businesses. Conversely, some schemes where the direct recipient is a household are explicitly designed to support businesses. This is the case with IR-PME tax relief, which takes the form of a reduction in income tax for individuals who invest in a small or medium-sized enterprise (SME). The stated aim of the legislator is “to channel savings into the capital of SMEs”.<sup>22</sup> However, this approach also has its limitations, as such schemes often have multiple objectives aimed at a wide range of different types of operators.

A third approach involves identifying the indirect recipient, i.e., the operator that ultimately reaps the economic benefit conferred by the support – or at least a significant portion of it. Depending on market conditions, such support may be passed on to various operators: businesses (higher profit margins), consumers (lower prices) or employees (higher wages). The example of reduced VAT rates is a good illustration (see Box 1). Consumers, employees and businesses share the economic benefit of the tax cut in proportion to the level of prices and wages resulting from market conditions. Nevertheless, this criterion is very difficult to apply systematically in practice, as it requires robust empirical assessments, which remain rare, heterogeneous and methodologically demanding.

(18) ECJ, 23 April 1991, Höfner and Elser, [C-41/90](#), paragraph 21.

(19) ECJ, 12 September 2000, Pavlov and Others, [C-180/98 to C-184/98](#), paragraph 75.

(20) ECJ, 1 July 2008, MOTOE, [Case C-49/07](#), paragraph 43.

(21) See “Vade-mecum des aides d’État” - 2020 edition (in French only).

(22) See tax expenditure No. 150713 in [Ways and Means Assessment](#), Volume 2 appended to the 2026 Budget Bill (in French only).

### Box 1: Reduced VAT rates: an example of a scheme where it is difficult to identify the recipient

Value added tax (VAT) is an indirect tax paid by end consumers and collected by businesses.<sup>a</sup> Reduced VAT rates, set at 10%, 5.5% or 2.1% depending on the category of goods and services, represent exceptions to the standard rate of 20%. In the 2026 Budget Bill, 46 VAT-related measures were identified as tax expenditures, representing a total cost of €23.4bn<sup>b</sup> for the public purse in 2025. Conversely, 21 VAT-related measures are not considered as tax expenditure and were therefore declassified, as they were designed to make the consumption of certain essential goods (such as medicines and food) more affordable.

The direct recipient is the taxable business, which pays VAT at lower than the standard rate. However, each reduced rate serves a specific purpose: to boost employment in certain sectors, to support consumption in particular geographical areas (overseas France), to support specific sectors (such as hospitality, forestry, agriculture, etc.), or to increase the share of renewable energy in overall energy consumption. The indirect recipient, in economic terms, depends on the actual behaviour of businesses and the characteristics of the market in question (in particular the level of competition). If the businesses pass on the full reduction in VAT to their prices, the benefit goes to the consumer; if they pass it on only partially, they may increase their profit margins or raise their employees' wages. Hence, it is not possible to identify a single target recipient for all reduced rates.

The available empirical evidence suggests that the pass-through to prices is generally only partial. A study by INSEE on the reduction in the VAT rate for the restaurant sector in July 2009 shows that, in the long term, prices fell by only 2.4%, whereas a full pass-through would have led to a drop of approximately 9.8%: the bulk of the tax benefit was retained by the businesses.<sup>c</sup> A further study<sup>d</sup> breaks down the impact in greater detail, identifying a 1.9% fall in prices, a 4.1% rise in wages, a 5% rise in supply costs and a 24% rise in owners' profits. However, such assessments remain rare and sector-specific, and do not allow this finding to be generalised to all reduced rates.

a. M. Gesta (2025), "Examining the Composition of VAT Revenues in France", *Trésor-Economics* No. 371

b. As from the 2024 Budget Bill, the costs set out in Ways and Means Assessment, Volume 2, no longer correspond to the reductions in VAT revenue but to the net cost to government after payments to local authorities and social security authorities. This cost is estimated at €12.3bn for 2026.

c. INSEE (2014), "L'addition est-elle moins salée? La réponse des prix à la baisse de TVA dans la restauration en France" (in French only).

d. Y. Benzarti and D. Carloni (2018), "Who benefited from the July 2009 sit-down restaurant value-added tax cuts?", *Institute of Public Policy, IPP Policy Brief* No. 32.

## 3. Identifying the economic benefit: when does a payment from public finances become government support?

Not every payment from public finances to businesses necessarily constitutes government support. The concept of support encompasses the idea of conferring an economic benefit on the recipient. Yet this is not the case for all such payments. For example, it is generally accepted that public procurement does not constitute support for businesses, since the business supplies the public contracting authority with goods or services at market price. There is, therefore, a need to determine how to identify when a government payment to businesses contains an element of support.

### 3.1 Is the payment in return for equivalent consideration?

Where a payment from the government to a business is not intended to support that business but rather to receive equivalent consideration in return, it can hardly be classified as government support. Three cases in particular can be highlighted.

Firstly, there is clear equivalent consideration in the case of public procurement: purchases made by the government under public procurement law – whether

they involve computer hardware, vehicles or services – would not appear to constitute support for the businesses in question. The procedure laid down in the Public Procurement Code is intended to ensure that contracts are awarded on market terms.

Secondly, financial interventions carried out in accordance with the prudent private investor principle also fall within the scope of support involving equivalent consideration: when the government acts under conditions comparable to those of a private investor seeking a rate of return in line with that of other market players, it is acting in its own financial interest. A loan generates repayments, a guarantee generates premiums, and an equity investment generates dividends. On the other hand, if the government grants a loan or any other financial product on terms more favourable than those prevailing in the market, it is

justifiable to consider that this constitutes government support for businesses (see Box 2).

Lastly, when government funding is intended to compensate a business for carrying out a public service assignment, there is also consideration, as is the case, for example, with services of general economic interest (SGEI) (see Box 3). In this case, the government pays for a given service that the business would not have provided under normal market conditions. Compensation for performance of the public service corresponds to the net cost of providing it. In the case of compensation for public service obligations, the government receives no direct consideration: it funds a service providing benefits that accrue to society as a whole (public transport in areas where it is not particularly profitable, maintaining affordable fares, or ensuring the continuity of an essential service).

### Box 2: Estimating the amount of support for financial interventions

In the case of support not provided as a prudent private investor, determining the amount of the support raises methodological issues. There are two approaches. The first is the budgetary cost of the entire transaction for the government, taking into account both the cost of resources (refinancing costs and administrative expenses) and the returns received on this support (e.g., loan repayments). In annual reporting, however, this approach may present an incomplete picture, e.g. in the case of equity investments where dividends will be paid out over many years to come. The second approach involves estimating the grant equivalent of a government intervention carried out through non-grant instruments by comparing the actual transaction with one that might have taken place under market conditions. To estimate the gross grant equivalent (GGE) of these instruments, the European Commission has authorised four calculation methods for France.<sup>a</sup> Estimating this GGE presents practical difficulties, however, as it involves reconstructing, for each recipient, the terms under which they would have had access to the market, which requires individual data on the company's risk profile.

In all cases, both of these approaches are preferable to simply taking the nominal or notional value of all financial interventions – i.e. the sum of loans granted, guarantees issued or equity stakes taken – as this leads to a significant overestimation of the actual support, given that these instruments generate financial returns for the government.

a. Decision N 677/b/2007 of 29 April 2009 on government-backed bank loans, Decision N 677/a/2007 of 16 July 2008 on government loans, Decision SA.101518 (2023/N) of 6 November 2023 on repayable advances for RDI and SA.112074 on interest-free innovation loans.

### Box 3: Services of general economic interest

Some businesses are tasked by the government with carrying out public service assignments that the market would not naturally provide, or would not provide under the conditions required by the public authorities. This is what European law refers to as services of general economic interest (SGEI). These assignments can span a wide range of sectors, including transport, social housing, healthcare, energy, and postal services. In consideration of the constraints imposed (serving unprofitable areas, regulated tariffs and continuity of service), the operator, which may be a business, receives financial compensation intended to cover the additional costs incurred in fulfilling its obligations. Typical examples include the compensation paid to La Poste Group for the universal postal service (€520m in 2023) and to social housing organisations for general interest housing (€7.1bn in 2023).

These are obviously payments from the government to businesses, but it is not clear that they constitute support for businesses. The answer depends, in particular, on how the compensation is calibrated. European case law<sup>a</sup> has established four cumulative conditions for determining that compensation does not constitute State aid: the public service obligations must be clearly defined and assigned by an explicit act; the parameters for calculating the compensation must be predetermined and transparent; the amount paid must be limited to the net cost necessary to provide the service; and lastly, if the operator was not selected through a competitive bidding process, the compensation must be determined on the basis of the costs that would be incurred by a typical, well-managed business. When these four conditions are met, the business derives no net economic benefit: it is merely compensated for a constraint, without gaining any advantage over normal market conditions.<sup>b</sup>

a. Case law [Altmark](#) (ECJ, 24 July 2003).

b. Where not all of these conditions are met, the compensation may be classified as State aid and must comply with specific rules, in particular the de minimis regulation, which sets a ceiling of €500,000 over three years (EU Regulation [No. 360/2012](#)), or, for amounts exceeding this, an exemption governed by the [Commission Decision of 20 December 2011](#).

### 3.2 What is the amount for government support that does not involve an explicit financial transfer?

The cases examined so far specifically involve the transfer of public funds to the account of a third party. This is not the case with tax and social security contribution relief measures, i.e. exemptions from the standard tax or contribution regime, which result in a business or individual paying less than they would have done if the measures had not been in place.

Any measure that grants an exemption from the standard tax or social security contribution regime and benefits businesses can be regarded as government support for businesses, so this approach requires a clear definition of the standard regime.<sup>23</sup> Yet it is

not easily defined and it changes over time. So-called “declassified” tax expenditures are the most direct illustration of this. Some schemes that were initially classified as exemptions have gradually been incorporated into the standard tax regime by the tax authority, on the grounds that they now reflect the general principles of tax law.<sup>24</sup> They are no longer classified as government support, but simply as a way of calculating the tax due, even though they reduce the tax burden on the businesses that benefit from them. As part of the annual preparation of the budget bill, the Tax Policy Directorate (DLF) makes this classification by assessing whether a measure can be regarded as consistent with the general principles of tax law or whether it deviates from them sufficiently to constitute an exception.

(23) It should also be noted in passing that lowering the standard rate (i.e. reducing the tax rate under the standard tax regime) automatically reduces the level of support, and vice versa. If the standard VAT rate were to rise from 20% to 21%, the benefit of being subject to the 10% VAT rate, as is the case for restaurant operators for example, would increase accordingly.

(24) For example, the parent-subsidiary regime ([Article 216 of the General Tax Code](#)), which prevents double taxation of dividends and reduced corporation tax revenue by €32bn in 2024, is now regarded as a standard feature of the corporation tax system rather than tax expenditure.

The difficulty also arises in the case of very general schemes, applicable to all businesses without any sectoral or geographical restrictions, which can sometimes be likened to ways of calculating the tax due without, however, being declassified at this stage. This applies in particular to general reductions in employers' social security contributions for low-wage workers (see

Box 4). Their treatment varies depending on the costing method. On the one hand, they do indeed constitute an exemption from the general scale of social security contributions. On the other, their general and structural nature makes them more akin to a standard way of collecting social security contributions rather than targeted support.

#### **Box 4: General reductions in employers' social security contributions for low-wage workers: support for businesses or a collection method?**

General reductions in employers' social security contributions for low-wage workers constitute the main exception to the general rules governing social security levies. In 2025, they represent a sliding-scale reduction in employer contributions, which is highest at statutory minimum wage (SMIC) level and gradually decreases at up to 1.6 times the SMIC for the general sliding-scale reduction, supplemented by proportional reductions in health insurance and family allowance contributions applicable at up to 2.25 and 3.3 times the SMIC respectively. Their total cost is estimated at €62bn for 2025 for the basic mandatory social security schemes, representing 87% of the total amount of contribution exemptions.<sup>a</sup> As of 1 January 2026, these three schemes have been merged into a single general sliding-scale reduction (RGDU) applicable to wages below three times the SMIC, and the parameters have been revised.<sup>b</sup>

General reductions in social security contributions were gradually introduced from 1993 onwards, with the initial aim of reducing labour costs for low-wage earners in order to support the hiring of low-skilled workers. It is precisely their universal application that makes them difficult to categorise. They apply to all private employers, regardless of sector, location or size: this is one of the main reasons they are not regarded as State aid by the European Commission.

a. See [Annex 4](#) to the Social Security Budget Bill (in French only).

b. With a minimum exemption threshold set at 2%, and increased convexity.

## **4. Applying these principles makes it possible to define a core scope for government support for businesses and to identify so-called borderline cases where the classification is unclear**

### **4.1 While existing research suggests a core scope for measures that are generally recognised as support for businesses, the inclusion of some measures remains open to discussion**

Applying these principles makes it possible to identify a core scope for measures that are unambiguously defined as government support for businesses according to recent research (see Chart 2). This consensus stems from the fact that these measures meet all the relevant criteria: there is no doubt as to their public origin, their direct, targeted and indirect beneficiaries are indeed businesses in the economic sense of the term, and they confer an economic benefit without equivalent consideration. This applies to some

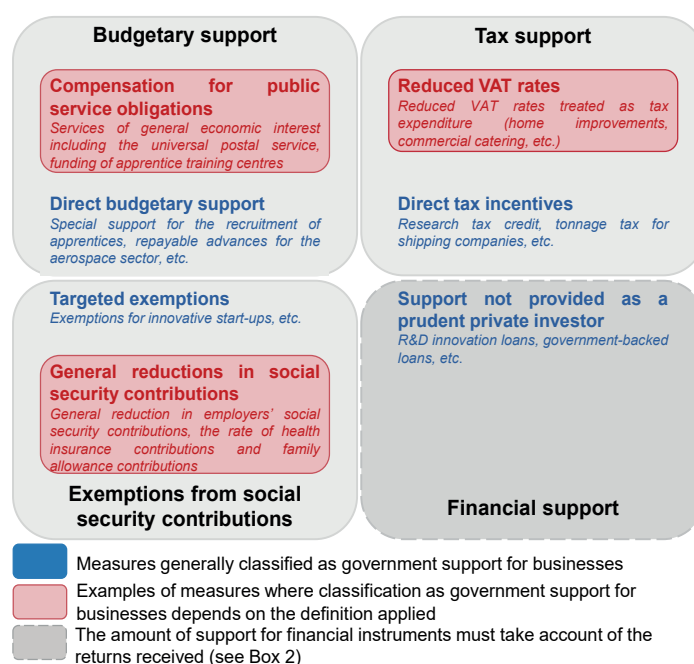
forms of budgetary support (sector-specific support, such as support for the solar power sector, or for hiring apprentices) and direct tax relief (research tax credit or the tonnage tax option for shipping companies), as well as targeted exemptions from social security contributions, such as those for innovative start-ups.

At the other end of the spectrum, certain measures appear, in accordance with the principles outlined above, to fall clearly outside the scope of government support for businesses. This applies in particular to declassified tax expenditure, investments made by the government acting as a prudent private investor, and support that is clearly intended for households but may be channelled through a business (such as the tiers payant system in the healthcare sector).

Between these two categories, certain mechanisms are treated differently depending on the study and constitute so-called “borderline cases”, i.e. cases that cannot be definitively classified according to the principles set out in this paper. As mentioned above, this applies to compensation for public service obligations, reduced VAT rates, and general reductions in social security contributions, among other measures. The inclusion of all these mechanisms would therefore result in a broader scope for government support for businesses.

The chart below summarises these different categories, grouping them by the type of measure that may or may not be considered as support: budgetary support (direct grants), tax incentives, welfare benefits and financial support. Financial support must be treated separately when calculating its amount, as explained in Box 2. Lastly, businesses also benefit directly from European Union support (CAP, ERDF, etc.), which are indirectly financed by Member States, including France.

**Chart 2: Scope of definition of government support for businesses**



Source: DG Trésor.

Note: The chart categorises government support into four main categories (budgetary, tax, social and financial). Within each category, there is consensus regarding some measures (shown in blue), while others are the subject of debate depending on the definition used (shown in red).

#### 4.2 Work currently under way aims to establish a shared definition and a consolidated monitoring system for government support for businesses

At the end of 2025, the government launched an action plan aimed at establishing a consolidated and transparent system for monitoring government support for businesses in France. The aim is to produce a budgetary document to be appended to the 2027 Budget Bill, which can serve as a shared reference point during budgetary discussions and enable the monitoring of changes in this government support over time.

In a letter of engagement,<sup>25</sup> the Prime Minister tasked the High Commissioner for Strategy and Planning with organising a “consultation process with members of parliament and the social partners, leading to a comprehensive overview and a consensus-based definition of government support for businesses”. This consultation process will, in particular, provide a framework for the collective examination of issues relating to definition and scope. The principles and borderline cases outlined above are therefore intended to contribute to the public debate on this subject and may, in particular, be of use during this consultation process. In addition to this work on defining the scope, the letter of engagement also instructs the HCSP to

(25) HCSP (2025), “Aides aux entreprises: une concertation confiée au Haut-commissariat à la Stratégie et au Plan pour clarifier leur cartographie” (in French only).

“propose a framework for assessing the effectiveness of government support for businesses”, by identifying, on the basis of the survey of government support for businesses that will be produced, those measures that have not yet been adequately assessed and proposing a prioritised annual cycle of assessments, in coordination with existing inspection bodies and assessment organisations.

On the basis of the definition thus established, the government will be able to carry out a comprehensive survey of the measures falling within the defined scope, drawing on all available administrative sources. This survey will inform the budgetary document to be appended to the 2027 Budget Bill, which will, for the first time, provide a comprehensive and consolidated overview of the scope and total amount of government support for businesses.

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