

PACTE

The Business Growth and Transformation
Action Plan (PACTE) in ten measures

July 2018

« In my view, there are three stages to economic transformation. The first is the new flexibility that social dialogue will provide. The second stage involves training, apprenticeship and unemployment insurance. I would now like to overhaul what it means to be a business. »

Emmanuel Macron

President of France

15 October 2017



Bruno Le Maire

Minister
for the Economy
and Finance



**Delphine
Gény-Stephann**

Minister
of State reporting
to the Minister
for the Economy
and Finance

Growth has returned, but the state of the French economy is still far from perfect – high unemployment, a trade deficit and savings insufficiently invested in companies. One reason for these weaknesses is that our companies are too small and not competitive enough.

Our companies are struggling to expand at the same rate as those in other European countries. France has 5,800 mid-sized businesses, while Germany has 12,500. And yet, mid-sized businesses create the most jobs, they have the most resources for innovation, and they are the ones conquering new markets. The battle for employment can only be won if we fight for mid-sized businesses.

By electing Emmanuel Macron, French citizens chose to transform the French economy by both freeing its potential and ensuring greater protection.

To get this transformation underway, the government has taken resolute action. Labour law reforms are reinvigorating social dialogue in small and medium-sized businesses. Overhauling vocational training and the apprenticeship system will create jobs. And our new tax policy focuses on investment as the way to spur growth.

With the PACTE, a new phase in the economic transformation of our country can begin.

Our goals are twofold.

First, we want to get rid of roadblocks that hamper companies' growth at each stage of their lifecycle, from their creation to the day they shut down or are sold on.

Second, we want to put businesses back at the very heart of our society. This is a key element in the President and Prime Minister's new economic project. Incentive and profit-sharing schemes will be encouraged so that employees have a greater stake in their company's success. Amendments to the Civil Code will change the role that companies play in society. And the government's role as a shareholder will be changed to ensure it is focused on investing in the future.

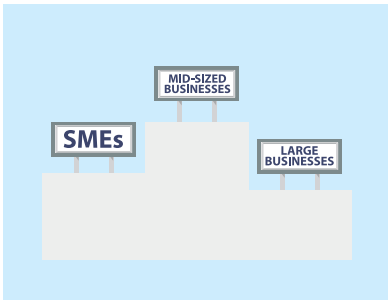
We need to work with companies to transform France – a transformation that will reconcile its citizens with the private sector and more fairly distribute the gains that growth brings. This is why the PACTE is directed at both employees and business owners. Its goal is clear: to help businesses grow and share more of their value. This is vital to France's success.

Some facts and figures



Companies are the primary source of employment in France.

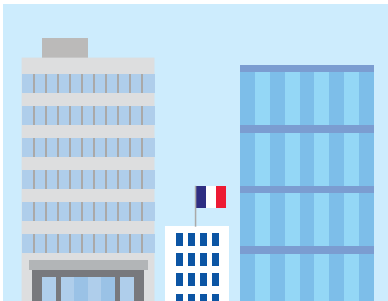
3.9 million companies employ **66%** of the workforce.



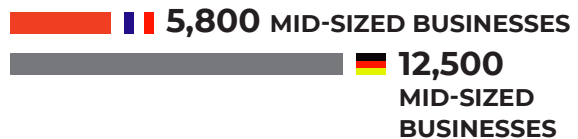
SMEs and mid-sized businesses create the most jobs.

Between 2009 and 2015,

SMEs **100,000** net new jobs. **Mid-sized businesses** **300,000** net new jobs.

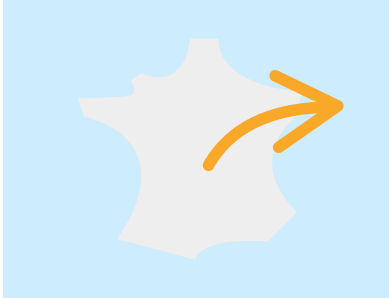


French companies are too small.

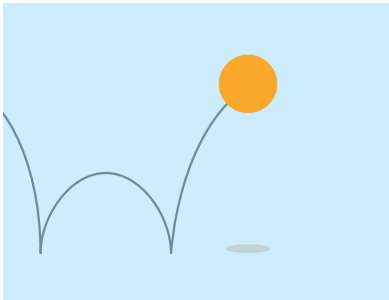
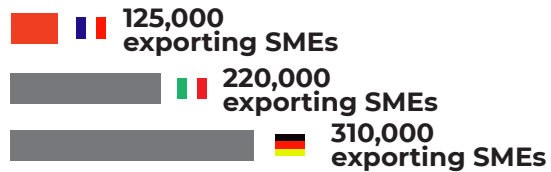


Too many obligations are linked to the workforce reaching thresholds

199 different thresholds grouped into 49 categories for SMEs.



French SMEs are exporting less than their European neighbours.



Court-ordered winding-up proceedings take too long and prevent business owners from starting over.

2.5 years the average length for proceeding a court-ordered winding-up.



Savings are insufficiently deployed to finance companies' growth .

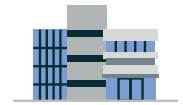
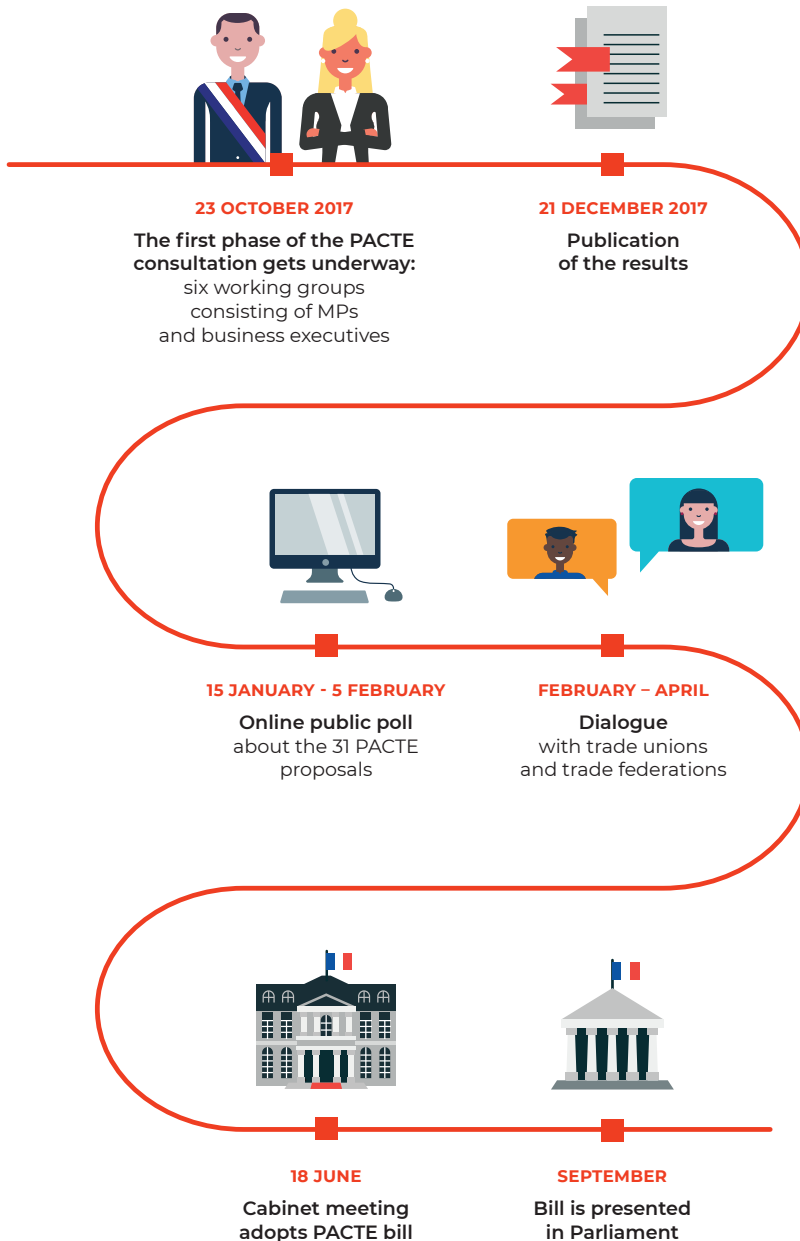
Only 11% of private savings are used to finance companies' equity.



Employees of SMEs do not benefit enough from incentive and profit-sharing schemes.

Only 16% of employees in companies with fewer than 50 employees are covered by an employee savings scheme.

An action plan designed with businesses



626
meetings with companies and institutions



38
organisations consulted (trade unions, trade federations)



63,000
votes collected during the online poll

An action plan designed for companies



Companies freed from complex rules

Whether they are just starting up or changing hands, French companies have to cope with too much red tape at every stage of their development. The PACTE will help clear the way, making it easier to start a business and reducing the number of workforce thresholds. The PACTE will help SMEs to grow, conquer export markets and create jobs.



Better-financed and more innovative companies

Companies are not just about profit. The PACTE will make it easier to find diversified financing (IPOs, private equity, crowdfunding and ICOs). It will also channel private savings towards companies' equity to finance innovation and growth.

The PACTE will give companies the tools to innovate, make it easier for researchers to set up their own company and simplify patent filing procedures for SMEs.

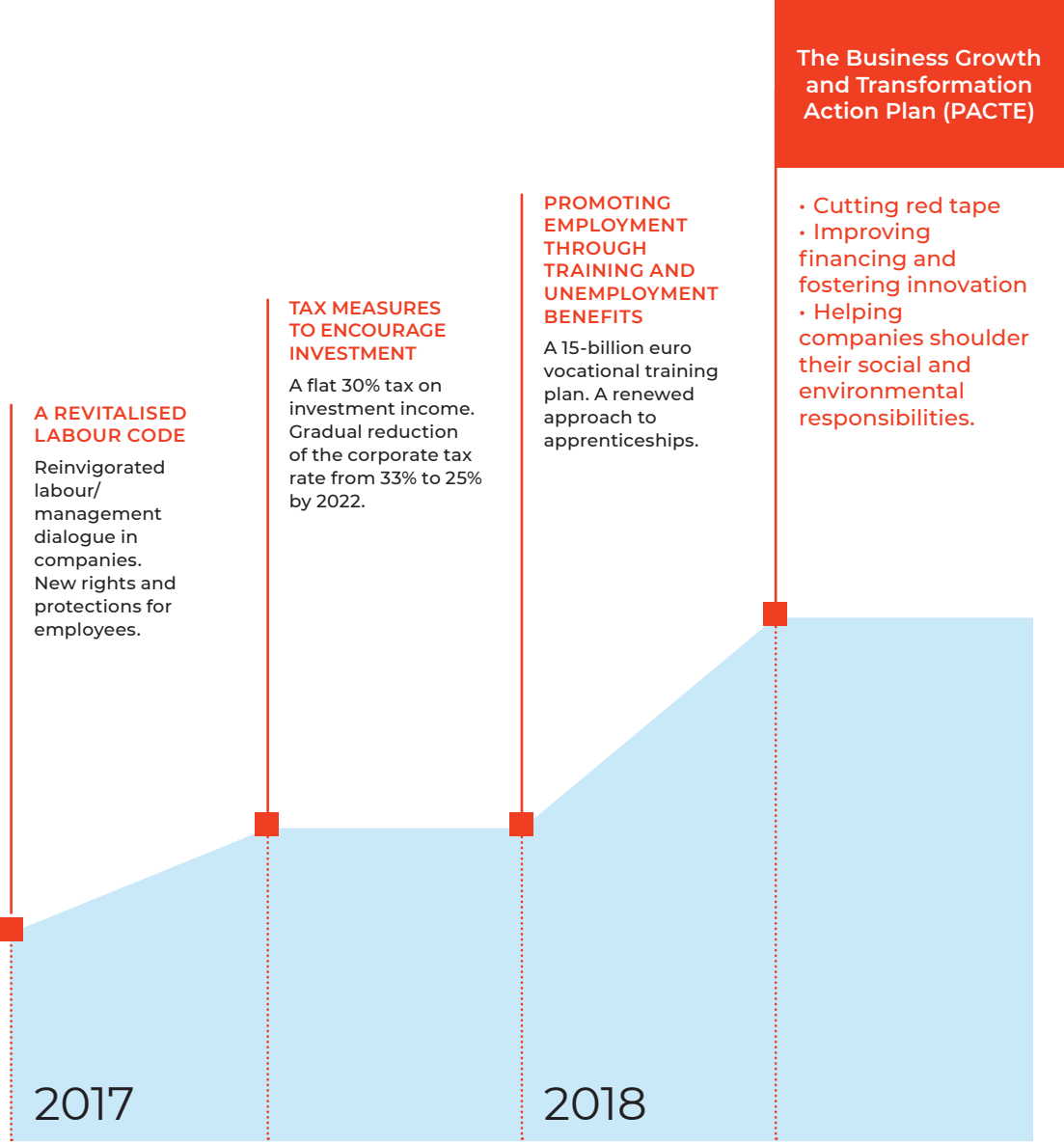


Fairer companies

Companies will focus on more than the search for profits. The PACTE will amend the Civil Code to reflect their expanded social and environmental role and allow them to develop a corporate rationale.

A company should be about creating and sharing value. By eliminating existing employers' contributions to incentive schemes (for companies with fewer than 250 employees) and profit-sharing schemes (for companies with fewer than 50 employees), employees will receive better compensation.

The PACTE: a new stage in France's economic transformation



The PACTE in 10 measures

1. Streamlining workforce thresholds for SMEs
2. Eliminating employers' contributions to profit-sharing schemes
3. Rethinking the company's role in society
4. Creating companies online
5. Helping business owners start over
6. Bringing public research closer to the private sector
7. Making it easier to pass on companies
8. Streamlining retirement savings schemes and ensuring their portability
9. Support exporting SMEs
10. Protection for strategic companies

These ten measures are part of the PACTE, which has 70 measures. The plan also includes regulatory and non-regulatory as well as tax measures that will be included in the 2019 Budget Bill.

1. Streamlining workforce thresholds for SMEs

Obligations linked to workforce thresholds will be lightened and streamlined to create a new legal environment that is more supportive of SMEs growth.

THE PROBLEM

There are 199 different thresholds

grouped into 49 categories for SMEs.

Multiple calculation methods:

- Labour Code
- Social Security Code
- Tax legislation
- Commercial Code

An obstacle to hiring.

Large numbers of workforce thresholds and short compliance deadlines deter SMEs from hiring.

THE SOLUTION

Three levels of thresholds: 11, 50 and 250 employees.

The 20-employee threshold will be eliminated, except for the obligation to employ workers with disabilities. Thresholds of 10, 25, 100, 150 and 200 employees will also be eliminated.

A five-year compliance period.

Obligations will be enforceable only if a company passes a given threshold for five consecutive years.


A harmonised method for counting employees.

To make companies' life easier, the calculation method given in the Social Security Code will become the standard method.

The legal threshold at which a company's accounts must be certified will be increased to match the European level.

What really changes?

<p>A fast-growing company increases its staff from 18 to 53 employees.</p>	<p>Today A range of compliance deadlines. Various methods for counting employees.</p>	<p>With the PACTE A 5-year compliance period. A single workforce calculation method based on the Social Security Code.</p>
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2. Eliminating employers' contributions to profit-sharing schemes

Profit-sharing agreements will be eased for companies employing less than 250 employees by removing the mandatory employers' contribution.

THE PROBLEM

Only 16%

of staff in companies with fewer than 50 employees are covered by at least one employee savings scheme.

Only 20% of staff in companies with between 50 and 99 employees and 35% of those in companies with between 100 and 249 employees benefit from a profit-sharing scheme.

THE SOLUTION

Elimination of the mandatory employer contribution.

The employer contribution will be eliminated in profit-sharing schemes for SMEs.

Simplified profit-sharing agreements.

Implementing profit-sharing agreements as well as employee savings schemes at sector level will encourage more frequent use of these schemes, particularly for SMEs. SMEs will have online access to standardised agreements and will be able to implement them immediately.

What really changes?

Leila runs a business employing 160 people. She wants to set up a profit-sharing agreement that would distribute **€120,000** amongst her employees.

Today She would have to add a **€24,000** employer contribution, meaning the scheme would cost a total of **€144,000**. This extra amount discourages her from implementing a profit-sharing agreement in her company.

With the PACTE **The employer contribution will be eliminated. The profit-sharing agreement will now cost Leila €120,000.**

3. Rethinking the company's role in society

Both the Civil and the Commercial Code will be amended so that companies will give greater consideration to social and environmental issues as part of their strategy and activity.

THE PROBLEM

51% of French people believe a company must be useful for society, with respect to its customers (34%), its partners (12%) and its shareholders (3%).

Nevertheless, the legal definition of a company does not include social and environmental issues and does not encourage companies to develop a corporate rationale.

THE SOLUTION

Greater awareness of social and environmental responsibilities.

Article 1833 of the Civil Code will be amended to introduce the legal concept of corporate social interest and to affirm the need for companies to take the social and environmental impact of their activities into consideration.

A rationale to define a company's business activities.

Without contravening its corporate purpose, a company can pursue a project that responds to a collective interest that gives meaning to the work of its employees. Article 1835 of the Civil Code will be amended to allow companies that so wish to include such a purpose in their articles of association.

What really changes?

<p>Today</p> <p>Sandra runs a company selling ready meals. In her advertising campaigns, she is developing a vision of healthy eating through the use of organic produce from farm-to-table schemes.</p>	<p>With the PACTE</p> <p>The company will be able to include the following wording in its articles of association: "To allow as many people as possible to eat healthily, in association with eco-friendly farming methods".</p>	<p>She will also be encouraged to take social and environmental issues into consideration in her management decisions.</p> 
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4. Creating companies online

For those launching a business, a one-stop online platform for all paperwork will make life easier.

THE PROBLEM

Only 39% of all companies were created online in 2016 (excluding microbusinesses).

Costs are too high, with lengthy delays.

For instance, when setting up a craft business, the obligatory training course for starting a company costs an average of €400.

A long and complex process.

Today, entrepreneurs have difficulty knowing how their application is progressing.

THE SOLUTION

Replace the seven existing networks of business registration centres with a new online platform.

The online platform will be the only interface to create a company, whatever its area of activity and legal form. In-person support for completing formalities will still be available.

Reconcile company registers to eliminate duplicates.

Company registers, particularly the trades directories and the trade and companies registers, will be reconciled to avoid unnecessary costs.

To keep the costs of setting up a craft business, the training course will become optional.

What really changes?

Eric, a craftsperson, wants to start his own company by taking over an existing business.

Today
1 month,
€1,000,
2 registers.

With the PACTE
1 week,
€250,
1 register.



5. Helping business owners start over

Court-ordered winding-up proceedings will be shorter, less expensive and have more predictable outcomes.

THE PROBLEM

2.5 years

The average amount of time that a court-ordered winding-up takes. During this period, entrepreneurs cannot start a new company.

69% of French citizens

think that French society does not give enough of a second chance to unsuccessful entrepreneurs.

THE SOLUTION

A second chance for entrepreneurs.

The professional recovery procedure allows companies with no employees and less than €5,000 in assets to write off their debts. The use of this procedure will be facilitated to encourage entrepreneurs to start over.

Simplified winding-up proceedings: making the exception the norm.

Simplified winding-up proceedings are shorter than the standard proceedings. They can be completed within a maximum timeframe of 6 to 9 months for companies with only one employee whose turnover is less than €300,000, and 12 to 15 months for companies with a turnover of under €750,000. Simplified proceedings will become the norm for SMEs with fewer than 5 employees.

What really changes?

Today
For two years, Matthieu has been involved in a court-ordered winding-up of his company that employs four workers and generates €400,000 in turnover.

With the PACTE
With the simplified winding-up proceedings, the process would have taken no more than 12 to 15 months.

The diagram includes a stylized line graph with a blue line that starts at a low point, rises to a peak, dips to a lower peak, and then rises to a final peak under a yellow sun. A small blue oval is on the ground line.

6. Bringing public research closer to the private sector

To strengthen ties between public research and the private sector, the career paths of researchers who wish to set up or work in a company will be simplified.

THE PROBLEM

Although the Allègre Act allows public service researchers to create their own companies, **only 231 have done so** since the Act was introduced in 2000. Each year, these entrepreneurs account for less than 0.01% of researchers working in the public sphere.

Only 0.8% of researchers recruited by companies are from public research institutions.

THE SOLUTION

A simplified authorisation process.

The authorisation process allowing civil service researchers to start a private-sector venture will be streamlined and managed by the researcher's home institution.

Possibility of spending 50% of one's time in the company.

Researchers who want to set up their own company will be able to divide their time between their research work and developing the new company. A researcher working in an executive capacity in a company will now be able to devote 50% of his or her time doing so, compared with 20% today.

The right to retain shares in the company.

Researchers will be allowed to keep a minority share in the firm's capital after returning to their home research institution.

What really changes?

1 Pauline is a civil service researcher and works in a public research institution.

2 She is able to create her own company – in either a full- or part-time capacity – and carry on her public research.

3 She can grow her company and create jobs before handing the entire company on, while keeping a share of the capital.

4 She can return to her public research institution without any effect on her career.



7. Making it easier to pass on companies

The "Dutreil scheme" will be overhauled, making it easier to find financing to take over SMEs and to transfer companies to employees.

THE PROBLEM

48% of heads of SMEs with between 10 and 250 employees are over 65 years old.

25% of heads of SMEs would like to pass on their business in the next two years.

THE SOLUTION

A simplified Dutreil scheme.

To help individuals benefit from tax credits under the Dutreil scheme, the terms of commitment and reporting obligations will be simplified.

An incentive to transfer companies to employees.

The constraints of the tax credit for employee buy-outs will be lightened to encourage their use.

Easier access to financing to take over SMEs.

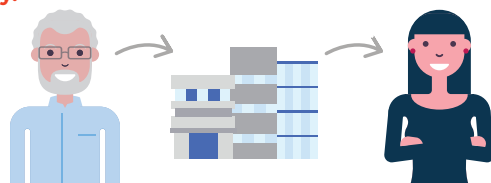
Vendor loans will be encouraged through staggered capital gains levies on small businesses.

What really changes?

Today
Younès runs an SME with **30 workers** and wants to transfer his company to them, but only **six employees** are willing to take it over. This is not enough to benefit from a tax credit.

With the PACTE

His six employees can benefit from a tax credit and can keep expanding the company.



8. Streamlining retirement savings schemes and ensuring their portability

Everyone will be able to maintain their retirement savings account and add to it throughout their professional career. Moreover, lump-sum withdrawals will be facilitated.

THE PROBLEM

220 billion euros in retirement savings accounts

compared with 1.7 trillion euros in life insurance and 400 billion euros in passbook savings accounts.

4 main types of retirement savings schemes

which are subject to complex rules and misunderstood by savers. It is difficult to transfer money between schemes.

THE SOLUTION

Portability of retirement savings and a harmonised tax policy.

Savings will be fully transferable from one scheme to another, more in line with people's career paths.

Savers will now have the right to deduct voluntary contributions from their taxable income (within existing limits).

Freedom to withdraw lump sums and competition between schemes.

Lump sum withdrawals of voluntary payments and payments derived from employee savings plans will be authorised. Savers will be able to change provider more easily.

What really changes?

Catherine worked in various companies and is now self-employed.



Today She has accumulated **3 different retirement savings products** (Article 83, PERCO and "Madelin") but amounts cannot be transferred from one scheme to another. Catherine forgot that she even had an Article 83 scheme.

With the PACTE **Catherine will be allowed to have one single retirement savings scheme. At every change in her professional career, she will be allowed to transfer the amount to the new scheme.**

9. Support exporting SMEs

The export support system will be overhauled by creating a "one-stop shop" in each French region, so that SMEs have the confidence to start exporting.

THE PROBLEM

A 62 billion euro trade deficit in 2017.

Although most economic indicators point to a turnaround, France's trade deficit keeps deepening.

Only 125,000 French SMEs export.

compared to 220,000 in Italy and 310,000 in Germany.



THE SOLUTION

Improved support.

A "one-stop shop" for exports will be created in each region and a digital platform with support solutions will be set up to help SMEs prepare for doing business abroad. Business France's governance will be tightened up to improve its efficacy.

Improved financing.

Bpifrance will be the single public point of contact for financing French companies' international projects. It will provide support to every company, regardless of their size or location. To encourage SMEs to export, the market survey insurance scheme will be bolstered by a cash advance. An export pass – the equivalent of a partnership between the government and a company – will be established with respect to credit insurance.

Developing an export culture.

To meet the needs of SME directors, efforts will be made to help companies prepare for doing business abroad. The idea is to help companies understand the difficulties they face and to establish a diagnosis of the skills needed to break into global markets.

10. Protection for strategic companies

The prior approval procedure for foreign investments in France will be strengthened and expanded in order to better protect strategic sectors.

THE PROBLEM

The mechanisms governing the prior approval procedure for foreign investments in France (in case of takeovers, acquisition of a sector of activity, or if the 33.33% equity threshold is crossed) and sanctions for breaches are not flexible enough and do not represent an adequate deterrent.

Activities subject to this procedure do not sufficiently factor the stakes involved in future technologies.

THE SOLUTION

An expanded list of sectors.

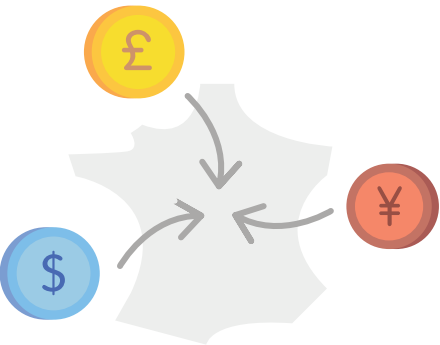
Control will be extended to new strategic sectors, including semiconductor production, aerospace, drones and – if national security is an issue – artificial intelligence, cyber-security, robotics and Big Data storage.

More stringent procedures and sanctions.

The Minister for the Economy and Finance will be given heightened powers of enforcement: modification of the operation in question, reinstatement of the previous situation and divestiture of sensitive activities. Sanctions, in the case of breaches, will be more proportionate.

Better access to information.

To determine whether or not a sale is subject to the prior approval procedure, companies that are the targets of FDI and their investors will be allowed to refer the matter to the administration.



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