



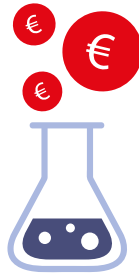
FRANCE:
#1
DESTINATION IN
EUROPE FOR FOREIGN
INVESTMENT

(EY, 2020)

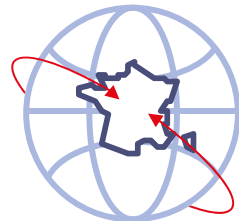


CORPORATE TAX
RATE CUT TO
25%
BY 2022

(GOUVERNEMENT.FR)



FRANCE:
#1
OECD COUNTRY FOR
PUBLIC R&D FUNDING



FRANCE ATTRACTED
MORE THAN
11%
OF FOREIGN
INVESTMENTS IN 2019

(BUSINESS FRANCE, 2020)

Choose
France™

FRANCE: **A COMPETITIVE** **TAX SYSTEM**

FRANCE'S KEY STRENGTHS

JULY 2020

1

AN ATTRACTIVE RESEARCH SECTOR

Thanks to its research tax credit (CIR), France has a highly competitive R&D tax treatment and it is the leading OECD country for public R&D funding. The tax credit amounts to 30% of R&D expenditure up to €100 million, and 5% beyond this threshold. It also encompasses innovation spending by SMEs, which can deduct 20% of eligible expenditure (to design prototypes or install pilot equipment) up to a total of €400,000 per year.

2

CORPORATE TAX RATE CUTS

In 2019, the tax rate of 33.33% was lowered to 28% for up to €500,000 in taxable profit and 31% above this threshold, with the exception of companies with revenues higher than or equal to €250 million and for the fraction of taxable profit greater than €500,000. In 2020, the tax rate will drop to 28% for all companies and 31% for those whose revenues are greater than or equal to €250 million and for the fraction of taxable profit greater than €500,000. A rate of 25% for all companies is set to be introduced in 2022.

3

FRANCE INCREASINGLY COMPETITIVE

In 2019, France was the only OECD country to record a decrease in its unit labor costs, - 0.5% year-on-year compared with its German and British neighbors, with + 3.5% respectively. The growth within the Eurozone stood at + 1.9%, and + 2.4% among OECD countries.

4

A CLEAR LEGAL FRAMEWORK FOR FOREIGN INVESTORS

The "Tax4Business" service enables foreign investors to invest in France in a clear and secure legal framework (tax4business@dgfip.finances.gouv.fr). It provides investors with certainty about how taxation will apply in their cases and how tax law should be interpreted.

5

A TAX SYSTEM THAT SUPPORTS THE DIGITAL TRANSFORMATION OF SMEs

The 2019 finance law has introduced an exceptional over-amortization tax system to support the digital transformation of industrial SMEs. This system concerns digital transformation investments made between January 1, 2019 and December 31, 2020 and enables SMEs subject to a real tax regime (income tax or corporate tax) to benefit from a deduction of 40% of the cost price of investments, spread out on a straight-line basis over the life of the acquisitions and within the limits of the intensity ceilings provided for by European regulations.

6

EXEMPTIONS FOR INNOVATIVE NEW COMPANIES

The 'innovative new company' status (*jeune entreprise innovante* – JEI) reduces taxes on earnings and capital gains for SMEs during their first eight years if their R&D expenditure equals 15% of their total costs (100% for the first financial year or the first beneficiary tax period and 50% the following financial year, cumulative with the CIR), and regional economic contribution (CET) and property tax for seven years.

7

ATTRACTIVE TAX RULES FOR EXPATRIATES

Expatriate employees and executives taking up roles in France can receive exemption from income tax worth up to 50% of their total pay from tax relief on 'expatriation bonuses', as well as allowances for business trips outside France. Partial exemption is also available for investment income and on the wealth tax for assets held outside France.

8

BENEFICIAL TAX ARRANGEMENTS FOR HOLDING COMPANIES

Tax arrangements for companies with equity interests in other companies (i.e. holding companies) remain beneficial, as capital gains on disposals of equity interests are tax-exempt and interest on borrowings is tax-deductible.

9

THE TAX SYSTEM ADAPTS TO COVID-19

Firms in difficulty can benefit from a deferral of up to three months or from a staggering of their tax deadlines without incurring a penalty while the most precarious businesses can benefit from a direct tax reduction. What's more, expedited state reimbursement of VAT and refundable tax credits is expected in 2020.

10

UNIQUE MEASURES TO LIMIT CASH FLOW PROBLEMS

Unprecedented measures have been taken to help firms in difficulty. These included state-guaranteed cash loans of up to three months of 2019 revenues and guaranteed by the State, guaranteed overdrafts of either 12 or 18 months granted to SMEs and mid-size companies or on three to seven year loans, temporary suspensions of rents and charges for microenterprises and SMEs of up to three months without incurring a penalty, and exemptions for employees and employers in terms of social security contributions.