



NEW REFORMS BOOSTING TAX ATTRACTIVENESS

Attracting investors from abroad is a major priority for government. An initial range of measures designed to boost the economy was introduced in the summer of 2007. They make France more competitive and attractive. A second set of reforms is now being brought in, affecting businesses and taxpayers.

■ Improving French tax attractiveness

Main measures

	Businesses	Tax payers
Measures already adopted	<p>Tax credits for research (CIR) : 1st year of entry: 50% of R&D expenditure up to 100 M€, 5% above that amount. 2nd year: 40% of R&D expenditure up to 100 M€, 5% above that. After the 3rd year: 30% of R&D expenditure up to 100 M€, 5% above that.</p>	<p>Possible reduction in wealth tax for taxpayers looking to invest in small businesses. It is equal to 75% of the total subscription to the initial capital initial or the increase in capital of a small business or small business funding.</p>
	<p>Tax credits for video games: the European Commission authorised this on 12 December 2007. To date, three French companies feature amongst the world's 10 leading video game producers, with two French firms among the world's leading manufacturers of mobile phone games.</p>	<p>Tax shield: From now on, this is lowered to 50%. As a result, direct, national and local taxes, including CSG and CRDS (income based taxes deducted at source as a contribution to paying off French social security budget deficit), will not be greater than half the annual income of tax residents. Tax payers will therefore be able to ask for repayment of the tax on the remaining 50% of their income.</p>
	<p>Tax relief for the sound recording industry: tax relief ceiling raised from 50,000 € to 700,000 € and 1,10,000 €, for businesses promoting sales of digital music.</p>	<p>Early release of investment: The law on purchasing leverage gives employees the option of releasing sums early (between 1st January and 30 June 2008) to which they are entitled as a result of a share in the profits of their company up to a 10,000 € threshold.</p>
	<p>Stock exchange tax: This tax, which affected all financial traders, will be abolished in 2008. At present, it applies to stock exchange transactions involving amounts greater than 7,668 € and is equal to 3 per 1,000 of the total value of the transaction.</p>	<p>FIP (Fonds d'Investissement de Proximité – Proximity Investment Funds) used to give entitlement to a tax rebate equal to 50% of the investment, up to a threshold of 10,000 €/year. The limit has now been changed to 20,000 €.</p>
Measures announced	<p>Corporation tax: Businesses with less than 50 employees offering a shareholding or profit sharing scheme will have their tax on profits cut by half. This will come into effect in 2009.</p>	
	<p>IFA (Imposition forfaitaire annuelle – annual flat-rate corporation tax): Abolished as of 2009. This measure would affect all companies.</p>	

Example regarding the tax shield: A taxpayer whose income in 2008 is 60,000 € would pay the following tax, on the basis of his income and estate:

- ISF (wealth tax): 13,000 €
- Local taxes (Taxe d'habitation and Taxe foncière): 8,000 €
- CSG/CRDS: 5,000 €
- Income tax: 11,000 €

i.e. a total tax bill of: 37,000 €.

With the tax shield set at 50%, he will qualify for a tax rebate of 7,000 € (37,000 – 60,000 x 50%).

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■ Improving the fluidity of the labour market

Labour contract: In order to combine flexibility of the job market with job security for employees, French-style 'flexicurity' has been the subject of an agreement between Employers and unions.

Both sides signed an agreement on the modernisation of the labour market on 21 January 2008. The agreement will be made into law by the government in the second quarter of 2008:

- Trail period for management : this will last for 3 months, renewable once to 4 months renewable once.
- Introduction of a new form of contract: a CDD (fixed term contract) for a specific job, lasting between 18 and 36 months maximum will be offered to engineers and management on an experimental basis.
- Introduction of a new form of termination of contract, termination by mutual consent.
- In return, doubling of the legal amount of compensation paid for dismissal for personal reasons and disappearance of the New-job contract.

These proposals will bring France into line with European standards.

Sunday working: The Chatel law of 3 January 2008 allows Sunday working in the furnishing sector. Further nouveaux changes should be introduced during 2008.

Overtime: As of 1 October 2007 the use of overtime has been accompanied by an attractive incentive for employees: extra hours (paid at a 25% higher rate) are now exempt from national insurance contributions and income tax. The reduction in contributions deducted from wages may be up to the maximum rate of 21.5% of salaries.

Example for a non managerial worker					
Gross monthly wage	Gross hourly wage	Nof of hours overtime	Gross monthly wage with overtime	Net monthly wage without reduction in contributions	Net monthly wage with reduction in contributions
3,000 €	17.78 €	30	3,741.75 €	2,955.20 €	3,111 €

To find out more: Law of 21/08/2007 n° 2007-1223 - Decree of 24/09/2007 n° 200761380 - Circular of 1st/10/2007 - www.minefe.gouv.fr/tepa/index.htm

For more information on attracting foreign investment to France,
visit the website www.investinfrance.org.