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Tax measures of the French stimulus plan: announced decrease of local production taxes

On 3 September 2020 the French government launched its 2-year Economic Stimulus Plan (known as “*France Relance*”) for EUR 100 Billion. As far as tax measures are concerned, a structural decrease in territorial economic contribution and company property tax was announced.

The new rules aim at improving the competitiveness of French companies and are expected to be included in the Draft Finance Bill for 2021 (applicable to the taxes due for the same year), which should be released later this month.

According to the proposals, the cost of the property tax on built-up properties (“*taxe foncière sur les propriétés bâties*”) should be lowered for industrial facilities. Also, the territorial economic contribution (“*CET*”) should be alleviated for all companies.

Companies engaged in a business in France are liable to the CET, that is composed of two different taxes: the land contribution for enterprises (“*Cotisation foncière des entreprises*”, known as “*CFE*”) and the Contribution on Added Value of Enterprises (“*Cotisation sur la valeur ajoutée des entreprises*”, *CVAE*).

Three essential changes are proposed:

- **As far as the “CVAE” is concerned**, its rate of 1.5% would be lowered at 0.75%.
- **The taxable basis of the property tax on built-up properties would be divided by two as far as industrial facilities are concerned.** As a collateral benefit, the land contribution for enterprises (“CFE”) assessed on the same basis would be reduced.
- **The territorial economic contribution (“CET”) is currently capped at 3% of the added value of the taxpayer. The rate of this general cap would be reduced at 2%.** This reduction should prevent that all or part of the tax cuts achieved by companies thanks to the decrease of CVAE and property taxes on industrial facilities, is neutralized by the upper ceiling on the territorial economic contribution.

As a result, EUR 10 Billion per year would be saved. According to the Government, companies from the industrial and retail sectors would be the main beneficiaries of the announced tax breaks.

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