

# ARTICLE

## PRECISIONS FROM THE FRENCH GOVERNMENT ON THE ECONOMIC SUPPORT PLAN AND TAX MORATORIUM FURTHER TO THE COVID-19

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The economic impact due to the Covid-19 is confirmed for companies obliged to close down their establishments such as restaurants, craftsmen or traders with the exception for food shops or, in the best case, to go on running their business with a massive use of short-time working.

This is why, further to the exceptional measures announced by the French Government and the President of the Republic relating to the containment and closure of most French establishments open to the public, details were provided on March 17, 2020 about these exceptional measures, including tax matters.

To mitigate the economic consequences of this “*economic and financial war*” announced by Bruno Le Maire as expected to be a “*long-term and violent*” war, the Minister of the Economy and Finance announced three pillars of support for companies, all of them being aimed at helping French companies, whatever their size, to get cash flow:

**1- An immediate economic aid of €45 billion**, consisting in the deferral of tax and social security charges for March up to €30 billion euros;

**2- A State guarantee of €300 billion for bank loans taken out by French firms** to enable them to find cash in the absence of turnover during the Covid-19 epidemic or to reschedule their loans. The goal is clear: no small medium size enterprise should face difficulty to find the cash flow it needs. This measure results from a decision taken on March 16th at the European level to grant €1,000 billion guarantees from the Member States of the Euro Zone for bank loans to ensure cash flow for the economy in the Euro Zone.

**3- A measure designed as a “safety net” for those who would not be eligible to the announced measures: the creation of a €1 billion Solidarity Fund for small businesses, the self-employed workers and micro-entrepreneurs** who, having a turnover lower than €1 million, will have lost more than 70% of their turnover in March 2020 compared to March 2019. 600,000 companies are covered by this measure and will therefore receive €1,500 per month during the epidemic. For this purpose, a simple declaration on honour confirming the decrease in turnover should be sufficient in principle, as Bruno Le Maire wishes to make the process “*simple, massive and supportive*”.

**On a more practical basis**, the State Secretary attached to the Minister of the Economy and Finance, Agnès Pannier-Runacher, and the State Secretary attached to the Minister of Public Action and Accounts, Olivier Dussopt, also provided details about the social and tax measures on March 17, 2020, further to the several questions raised by French companies.

**- Confirmation of the granting of deferred payment deadlines regarding all tax and social security payments for all companies that wish to benefit from them, without penalties nor justification.**

This measure providing for the suspension of the short-term deadlines is a key-measure of the French Government as it deals with the current period of tax and declarative deadlines in which the Covid-19 epidemic has occurred. Several actions have been announced in this respect to support French companies:

**1- All companies will benefit from a deferral of the social security and tax debts, without needing any prior approval, the associations being also in the scope of this measure (associations having employees in particular).** However, **it will be not automatically granted**: companies will have to ask the Corporate Tax Service (“Service des Impôts des Entreprises” - SIE) or the URSSAF which they depend on, either the postponement of the payment deadline or the reimbursement of the corresponding charges if they were already paid. For this purpose, the automatic bank transfer may be blocked beforehand or, failing this, a request for reimbursement must be sent to the SIE. No deadline is provided for this postponement or reimbursement.

However, the issue relating to the granting of tax relief or cancellation of charges seems to be delicate to address for the French Government, which evoked a “*case-by-case*” treatment for the companies that would be the most impacted or threatened with bankruptcy. Similarly, the uncertainty of many businesses as to whether they can defer VAT payments is resolved: everything except VAT. As companies are only collectors of this tax, they cannot use it for their own cash-flow needs. Likewise, regarding the pay-as-you-earn (PAYE - *Prélèvement à la source*) tax which is collected by employers. This position is not surprising for the practitioners that we are, but it confirms that the French tax authorities might keep opposing their principles to taxpayers, regardless of their situation...

**2- Possibility to defer the deadline regarding the social security contributions, initially scheduled for March 15th and April 5th:** possibility already announced to postpone all or part of the employee and employer contributions up to 3 months without penalties, by the mere amendment of the amount mentioned on the DSN



declaration, which can be lowered to 0 until March 19th at noon (exceptional deadline);

**3- Abolition of the deadline scheduled for March 20th for self-employed workers:** The recovery will be smoothed over the following deadlines from April to December according to the situation. For the self-employed people, it will also be possible to request payment deferral even in advance, as well as an updated timetable according to the decrease in their income further to the epidemic;

**4- Possibility to defer the Corporate Income Tax (CIT) payment deadline scheduled for March 16th without justification nor any formality:** the automatic bank transfer must be blocked or, failing this, a request for reimbursement must be sent to the SIE;

**5- For self-employed workers: possibility to modulate the rate and the instalments of the PAYE or to defer the instalments** for 3 months if the instalments are paid monthly or for one quarter if the instalments are paid quarterly. Once again, an express request for a rate modulation or a deferred payment will have to be made by the companies;

**6- Possibility to defer the payment of the CFE and property tax:** the amount will be deferred on the balance.

Any tax intervention made before the 22nd of the month will be taken into account as from the following month.

**- Optimisation of the existing procedures to get tax allowances**

Besides, regarding the already existing procedures, the State Secretary attached to the Minister of Public Action and Accounts stated that the usual tools for tax allowance requests will be "applied with flexibility", this covering penalties allowances granted in consideration of a commitment to pay within a reasonable period of time, the "benevolent" examination of the public debts settlement plans by the Heads of Financial Services Commissions as well as the deferral of the March of April 2020 deadlines for the current settlement plans, particularly those resulting from a first plan of the Heads of Financial Services Commissions.

Likewise, the VAT and CICE (*Crédit d'impôt pour la compétitivité et l'emploi*- CICE) credits reimbursement should be accelerated by the French tax authorities, the aim being to reimburse the VAT credits within one month in 80% cases and the CICE within three months in 75% cases.

All these measures are aimed at allowing French companies to keep going for the time being and to help them to cope with the declaratory and payment timetable that was initially scheduled. However, in a more sustainable way, the financial support measures announced simultaneously, will enable the companies to survive. In this respect, the guarantee granted by BPI France up to 90% of the cash credit facilities seems to us a decisive measure and a valuable tool that companies must seize with the assistance of their advisors, especially since it was announced that the State will ensure the active collaboration of banks in this respect. Should not it be the case, the Credit Mediation Department (*Banque de France*) will intervene.

These measures will have to be necessarily followed by actual results and by other measures on a larger scale to complete these emergency measures. In this respect, other measures will probably be provided for by the Finance Amendment Bill for 2020 which will be presented this week to the Council of Ministers. Financing and taxation will be major keys for the recovery of French companies after the tragic phase they are going through, and the tax leniency will have to be not just temporary...

