ECO FLASH

21 October 2019

France: 2020 budget offers more stimulus, less austerity

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- In the 2020 draft budget bill, the government is forecasting a deficit of 3.1% of GDP in 2019 and 2.2% in 2020 (after an observed deficit of 2.5% in 2018).
- The improvement in the 2020 deficit is misleading for the same reason as the widening of the 2019 deficit. Unlike the 2019 figures, 2020 no longer shows any traces of the one-off fiscal cost of the transformation of the CICE tax credit into reduced employers' contributions.
- Excluding exceptional items, the fiscal deficit narrows by 0.1 point each year to 2.1% in 2020.
- The new 2020 deficit target is nearly a point higher than the one proposed last year in the 2019 draft budget bill. The wider deficit can be attributed in equal proportions to the downward revision of growth forecasts and structural adjustment.
- The High Council of Public Finances deems that the government's new growth and deficit forecasts are "plausible" for both 2019 and 2020.
- The 2020 budget is one of continuity and adaptation: it integrates tax cuts planned under the two previous draft budget bills as well as new measures announced following the "yellow vest" (*gilets jaunes*) movement and the Great National Debate.
- Net cumulative tax cuts in 2018-2020 amount to EUR 21 bn for households and EUR 16 bn for companies.
- Compared to the tax cuts, which are substantial and well documented, the proposed financing measures are somewhat smaller and much less specific.
- The 2020 budget focuses on stimulating growth, by boosting the purchasing power of low-income and middle class households, rather than on deficit reduction.

Key figures of the 2020 budget

% and % of GDP	2018	2019	2020	2021	2022	2023
Real growth	1,7	1,4	1,3	1,3	1,4	1,4
Potential growth	1,25	1,25	1,25	1,30	1,35	1,35
Total budget balance (1)	-2,5	-3,1	-2,2	-1,8	-1,5	-1,1
Balance excluding one-offs	*-2,3*	*-2,2*	*-2,1*	*-1,7*	*-1,5*	*-1,1*
Cyclical balance (2)	0,0	0,0	0,1	0,1	0,1	0,1
One-off and temporary measures (3)	-0,2	-0,9	-0,1	-0,1	0,0	0,0
Structural balance (1)-(2)-(3)	-2,3	-2,2	-2,2	-1,8	-1,5	-1,2
Structural adjustment	0,1	0,1	0,0	0,3	0,3	0,3
Of which structural effort	0,1	0,1	0,1			
New revenues (excluding TC) [excluding FC reform]	-0,2	-0,1 [-0,3]	-0,5 [-0,6]			
Spending effort (excluding TC) [excluding FC reform]	0,3	0,1 [0,3]	0,3 [0,4]			
Tax credit key	0,0	0,1	0,3			
Of which non-discretionary component	0,0	0,0	-0,1			
Public debt ratio	98,4	98,8	98,7	98,6	97,7	96,2
Data excluding France Compétences (FC), excluding tax credits (TC)						
Public spending – *Ratio*	54,4	53,8	53,4	52,9	52,3	51,9
Change in value	1,4	1,7	1,7			
Change in volume	-0,3	0,7	0,7	0,5	0,2	0,4
Tax ratio (including social security contributions)	45,0	43,8	44,0	44,0	43,9	43,9
Excluding transformation of CICE tax credit	*45,0*	*44,7*	*44,3*	*44,2*	*44,0*	*43,9*
Data including France Compétences (FC); excluding tax credits (TC)						
Public spending - *Ratio*	54,4	54,0	53,6	53,2	52,6	52,1
Change in value	*1,4*	*2,1*	*1,8*	*1,8*	*1,8*	*2,1*
Change in volume	*-0,3*	*1,1*	*0,8*	*0,5*	*0,2*	*0,4*
Tax ratio (including social security contributions)	45,0	44,0	44,3	44,2	44,1	44,1

Temporary and one-off measures notably include tax litigation and, in 2019, the cost of the transformation of the CICE tax credit into reduced charges. The non-discretionary component takes into account the elasticity effect of revenues when this elasticity differs from the historical unit value. The "tax credit key" corresponds to the difference between cash and accrual-based measures of tax credits (following the switch to SEC 2010). The high 2020 figure can be attributed to the elimination of the CICE tax credit and the quasi-elimination of related financing. The figures excluding the France Compétences reform (created on 1 January 2019) provide a more favorable image (greater spending and tax relief efforts).

Table 1 Sources: French government, BNP Paribas

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All the documents pertaining to the 2020 budget[1] are available, as well as the key figures underlying the government's new fiscal targets for 2019 and 2020 (see table 1). This article reviews these figures as well as the other fiscal points that caught our attention.

Deficit reduction: a secondary target

Unlike the previous budgets, the fiscal equation seems to be less complicated in this draft budget bill. The government has decided to shift the balance more clearly in favour of growth by making deficit reduction a secondary target. Although it is no longer a primary objective, we will start by looking at the deficit, which remains the indicator that best summarizes a budget.

In the 2020 draft budget bill, the government is forecasting a deficit of 3.1% of GDP in 2019 and 2.2% in 2020, after an observed deficit of 2.5% in 2018. The 2020 deficit target is the lowest since 2001 and the improvement compared to 2019 is the largest since 2013. Yet this seemingly good news must be kept in perspective. First, the big improvement in the deficit in 2020 is as misleading as the sharp widening of the 2019 deficit. Unlike the 2019 figures, 2020 no longer shows any traces of the one-off fiscal cost of the transformation of the CICE tax credit into reduced employers' contributions (estimated at nearly 1 point of GDP). In 2019 and 2020, it is best to look at the deficit adjusted for "one-off" exceptional items: the deficit narrows by 0.1 point each year to 2.1% of GDP in 2020.

Second, the 2020 deficit forecast of 2.2% of GDP might be the lowest since 2001, but it is 0.8 point higher than the deficit target of 1.4% set in last year's 2019 draft budget bill. There is also a significant difference between the new 2019 deficit target in the 2020 draft budget bill (3.1% of GDP) and the previous target in the 2019 draft budget bill (2.8%). How can these higher deficits be explained, especially since the observed 2018 deficit, published in the meantime, was a little lower than expected (at 2.5%, according to the INSEE's current estimate, compared to a forecast of 2.6% in the 2019 draft budget bill).

The first explanation lies in the lower than expected growth. The government has revised downwards its 2019 and 2020 growth forecasts by 0.3 point and 0.4 point, respectively. It is now forecasting growth rates of 1.4% this year and 1.3% in 2020, which are closer to the potential growth rate than previous figures. The downward revision results in a smaller improvement in the cyclical component of the deficit[2] (to the tune of 0.2 point in 2019 and 2020). After returning to a balanced position in 2018 (according to government estimates), the cyclical component should remain nil in 2019 and will only improve by 0.1 point in 2020.

The second explanation is the loosening of the structural adjustment. It contributes by 0.2 point to the widening of the 2019 deficit between the two draft budget bills (the adjustment was narrowed from 0.3 point to 0.1 point) and 0.3 point in the 2020 deficit (the adjustment is now zero, leading to a stable structural deficit at 2.2%). This fiscal loosening can be traced back to the budgetary measures adopted in response to the

Headline and structural deficit

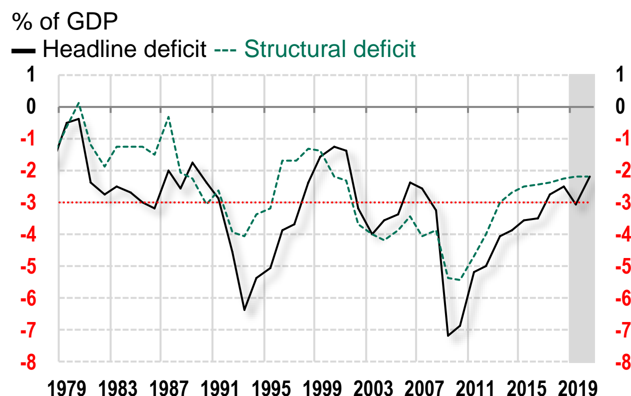

Chart 1 Sources: INSEE, government forecast (grey area), Macrobond, BNP Paribas

Breakdown of the deficit

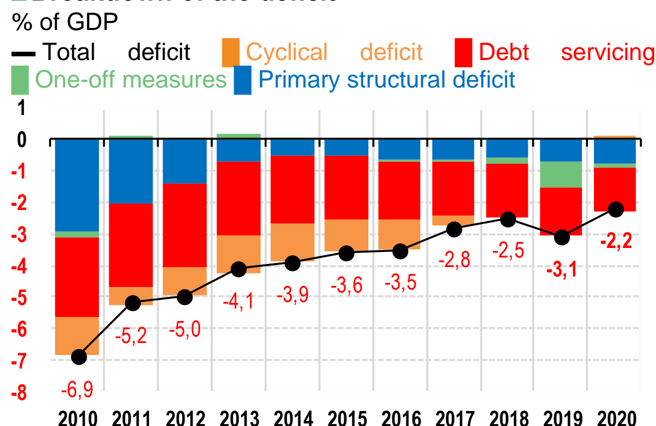

Chart 2 Sources: INSEE, European Commission, government forecasts, Macrobond, BNP Paribas

"yellow vest" (*gilets jaunes*) movement. Emergency economic and social measures (MUES) were approved in late December 2018 and integrated *in extremis* in the initial finance bill for 2019 (LFI 2019)[3]. The 2019 structural adjustment was scaled back at that time. Following the Great National Debate, Emmanuel Macron announced a new series of measures at the April 25th press conference (see below for further details). Although the April 2019 Stability Programme was published before these announcements, the 2020 deficit was already showing signs of deterioration. The structural adjustment was only estimated at 0.1 point in 2020 (instead of 0.3 point as in the 2019 draft budget bill)[4]. The 2020 draft budget bill goes a step further by calling for no structural adjustments in 2020.

The smaller size of the structural adjustment between the 2019 and 2020 draft budget bills is due both to bigger tax cuts and to the loosening of spending savings efforts. If the government still manages to stabilise the structural deficit in 2020 and to avoid reporting a deterioration, it is in part thanks

[1] Draft budget bill (PLF), Draft social security financing bill (PLFSS), Economic, social and financial report (RESF), and Recommendation of the High Council of Public Finances (HCFP).

[2] The cyclical adjustment is calculated as half the spread between real and potential growth rates.

[3] The 2018 and 2019 deficit targets in the initial finance bill (2019 LFI) were modified rather significantly from those in the draft budget bill (PLF 2019): the expected 2018 deficit was raised from 2.6% to 2.7% and the expected 2019 deficit from 2.8% to 3.2%.

[4] The 2019 and 2020 deficit targets were set at 3.1% and 2%, respectively (vs. the observed figure of 2.5% in 2018).

to reductions in the debt servicing charge. The primary structural deficit widens slightly, by 0.1 point, and a similar decline is actually observed in 2019 as well. Measured in terms of the change in the primary structural deficit, the fiscal impulse is now slightly positive in both 2019 and 2020, whereas it was negative in the 2019 draft budget bill (to the tune of 0.2 point). With an estimated output gap that is slightly positive, the fiscal stimulus can be characterised as pro-cyclical (see chart 3).

With a less complicated fiscal equation and the easing of financing measures, the deficit targets in the 2020 draft budget bill seem easier to reach than in previous years. As chart 4 indicates, however, it will still be a difficult year, and the more distant horizons are partially fictive. The chart displays the deficit reduction trajectory of each draft budget bill since 2013. Although the deficit has clearly been reduced, albeit very gradually, the return to balance keeps getting pushed back in time. Looking at the public debt ratio (see chart 5), the conclusion is even more striking as the ratio has not even begun to trend downwards yet. It has just barely levelled off. Yet lowering it seems within reach thanks to deficit reduction and the closing of the gap with the public balance that stabilises the debt ratio.

Other factors will also make deficit targets not that easy to reach, namely the risks of slowing growth[5] and the fact that spending efforts have yet to materialise. Nonetheless, the High Council of Public Finances (HCFP) deems that the government's growth and deficit forecasts are "plausible" for both 2019 and 2020 [6]. In contrast, the High Council is much more critical about the change in the trajectory of the structural deficit compared to the one defined in the January 2018 public finance programming bill (LPFP). There is a gap of 0.1 point in 2018 and 0.3 point in 2019, which is "very close to the triggering threshold of the correction mechanism." [7] It widens even further in 2020 (to -0.6 point), which leads the HCFP to signal "a problem of consistency between the 2020 draft budget bill and the LPFP." The 2020 budget does not comply with European fiscal rules either[8]. Yet the European Commission is likely to be conciliatory considering the reforms underway in France and the general call for fiscal loosening, which France seems to have anticipated to a certain extent.

Stimulating growth via purchasing power

We do not see the 2020 budget as a turning point in the government's economic and fiscal policy, but as a budget of continuity and adaptation: continuity because it pursues the measures and reforms that were previously engaged; adaptation because new measures are taken to respond to

[5] For example, using our growth forecast, which is lower than the government's (1.2% in 2019 and 1% in 2020), and the same assumptions for debt servicing charges and structural adjustment, our deficit forecast is similar at 3.1% in 2019, but slightly more negative at 2.3% in 2020.

[6] To be more precise, based on a central scenario in which a deal is reached for Brexit, HCFP deems that the 2019 growth forecast is "attainable" and the 2020 forecast is "plausible".

[7] A structural gap is considered to be big and to trigger a correction mechanism when it represents at least 0.5 point of GDP in a given year or an average of at least 0.25 point over two consecutive years.

[8] In the "preventive arm" (where France has been situated since it exited the excessive deficit procedure in 2018), the structural adjustment must be strictly higher than 0.5 point of GDP a year as long as the medium-term target for the structural balance has not been reached (-0.4% for France), although an average 0.25-point deviation over two years is authorised.

Fiscal policy direction

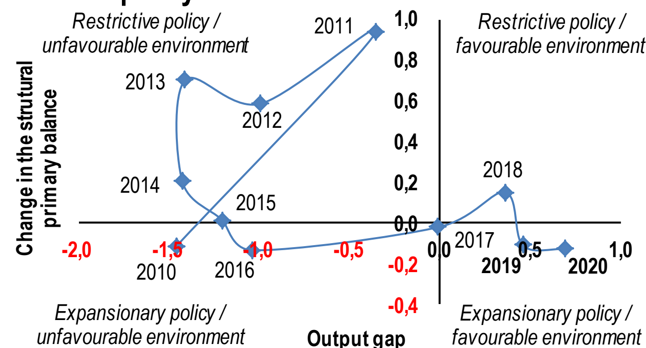

Chart 3 Sources: INSEE, European Commission, government forecasts, Macrobond, BNP Paribas

Elusive fiscal deficit targets

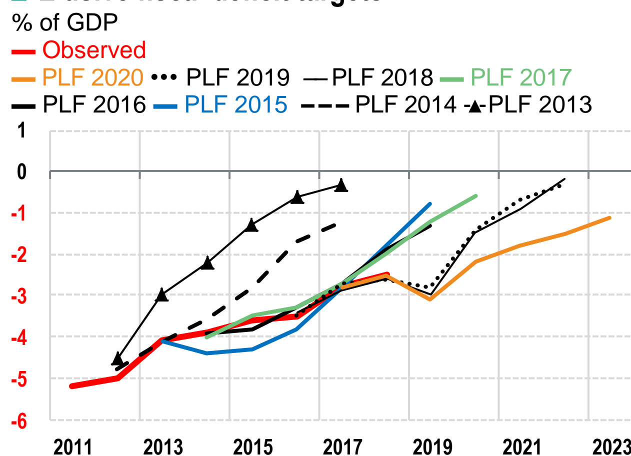

Chart 4 Sources: INSEE, government forecasts, BNP Paribas

Troubles to bring down the public debt ratio

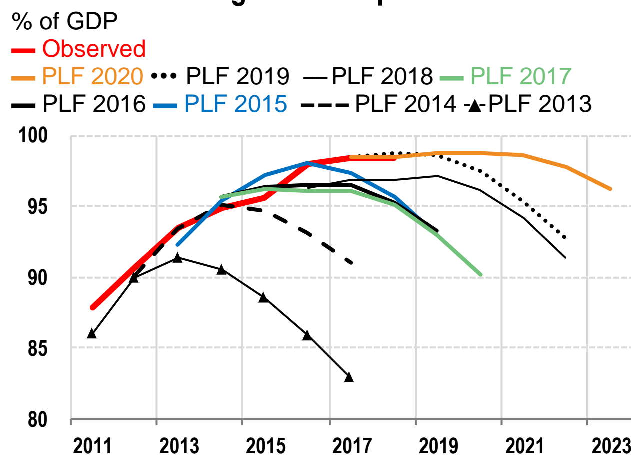

Chart 5 Sources: INSEE, government forecasts, Macrobond, BNP Paribas

unfavourable trends in the economic and social context. There has been a shift in the balance between supply-side and demand-side policies and the priority is now given to stimulating demand rather than supply.

Supply-side initiatives have not been called into question. They were launched first in part because they take longer to

bear fruit. Since then, fiscal adjustments were needed to comply with France's deficit reduction targets, which meant that certain support measures had to be postponed or spread out over time (additional reduction in charges for minimum-wage earners as part of the transformation of the CICE tax credit into reduced employer contributions, downward trajectory of the corporate tax). But there has been no backtracking. Measures to stimulate demand have also been present since the Macron administration's first budget, although they were given secondary importance, and notably efforts to support employment and ensure that it pays better, using an implementation calendar that worked against it[9].

This support of demand has been made the top priority in response to the "yellow vest" protests. A series of measures were taken to boost household purchasing power[10]. The emergency economic and social measures (MUES) and other adjustments announced at the end of the Great National Debate, which have been incorporated in the 2020 draft budget bill, are specifically designed to support the purchasing power of low-income and middle class households. In its latest assessments, the Institute for Public Policy (IPP) points out the significant gains in disposable income in these income categories[11]. Opportunely, these measures also support growth, which has been hampered by a more uncertain, less buoyant external environment. To avoid straining activity any further, financing measures were scaled back in the 2020 budget, which clearly signals the will to encourage growth. In the previous draft budget bills, economic stimulus and deficit reduction measures were given equal priority, and any stimulus measures were offset by financing measures. This is no longer the case in the current budget, with the renouncement of full compensation, including spending savings, and with the relegation of deficit reduction to a lower level of priority.

Considering the spending aspect of the 2020 budget, we do not have much detailed information. The government indicates a slower increase in expenditures, their decline as a share of GDP, and a structural effort estimated at 0.3 point of GDP, but it remains very vague when it comes to savings measures. At the state level, it highlights the ongoing effects of reforms to the labour market, public action, public audio-visual services and housing policy. Controllable expenditures and government spending (ODETE)[12], healthcare spending (Ondam[13]) and local governments spending[14] are still contained by the standards they must operate under (2%, 0.8%, 2.3% and 1.2%, respectively). Another source of savings is the under-indexation of certain social welfare benefits to inflation (revaluation limited to 0.3% for pensions of more than EUR 2000 per month, housing subsidies, family allowances and the in-work bonus). Local public investment is expected to slow sharply in keeping with the local electoral cycle. The government also intends to benefit from the growing importance of savings arising from the unemployment insurance reform (EUR 1.5 bn) and roughly EUR 3 bn in savings on the debt servicing charge. Other expenditures have increased, namely for state prerogatives; the revaluation of monetary benefits for low-income households; and expenditure on the environment, commuter transport, youth, education and human capital.

Key fiscal measures in 2018-2020

EUR bn

	2018	2019	2020
Total household measures	**-1.1**	**-10.3**	**-9.3**
Elimination of the housing tax on primary residences (for 80% of liable households)	-2.9	-3.6	-3.7
Replacement of wealth tax (ISF) by real estate wealth tax (IFI)	-3.2		
Introduction of a flat tax on capital income (PFU)	-1.4	-0.3	-0.1
Increase in Agirc-Arrco supplementary pension fund rates (household share)		1.1	-0.1
Social contributions / CSG switch	4.4	-4.0	-0.3
Tax exemption of overtime work		-3.0	-0.8
Reform of income tax brackets			-5.0
Cancellation of CSG tax increase for low-income pensions		-1.6	0.1
Tobacco tax	0.9	0.4	0.4
Energy tax increase (household share = 66%)	2.4	0.0	0.0
Expansion of tax credit for household employees	-1.0		
Extension of energy transition tax credit (CITE)	-0.3	0.8	0.0
Total corporate measures	**-8.6**	**0.1**	**-1.0**
Corporate tax rate reduced from 33% to 25%	-1.2	-0.8	-2.5
CICE tax credit rate raised from 6% to 7%	-3.3	-0.4	0.0
One-off 3% surtax (to finance the 3% dividends tax litigation)	-4.8	-0.1	
Energy tax increase (corporate share = 34%)	1.3	-0.1	0.0
Increase in Agirc-Arrco rates (corporate share)		0.7	
Gross long-term capital gains tax reform (Copé tax exemption)		0.4	0.2
Digital services tax (GAFA tax)		0.4	0.1
Creation of a tax credit for payroll taxes	-0.6	0.0	0.6
Elimination of the tax exemption for non-road diesel fuel (TICPE)			0.2
Limitation of specific flat rate deduction (DFS) benefit in calculating the reductions in employers' contributions			0.4
TOTAL excluding transformation of CICE tax credit*	**-9.4**	**-8.8**	**-10.2**
Temporary impact of transformation of CICE tax credit (impact on mandatory levies)		-20.0	13.5
TOTAL*	**-9.4**	**-28.9**	**3.3**

* Excluding measures that fall under the France Compétences reform.

Table 2 Source: 2020 draft budget bill

As for revenues, the government provided more detailed information, notably on tax cuts. The key measure of the 2020 draft budget bill is a EUR 5 bn income tax cut effective on the 1st of January 2020. Taxes were reduced for the first two tax brackets by modifying the table as follows:

- The tax rate for the first bracket will be lowered from 14% to 11%;
- The entry threshold of the second tax bracket will be lowered from EUR 27,519 to EUR 25,405 and the exit threshold will be lowered from EUR 73,779 to EUR 72,643.

Low-income households in the first tax bracket are the biggest beneficiaries of this income tax cut. For households in the

[9] The General Social Contribution (CSG) rate was raised once in January 2018, while the elimination of employee contributions for unemployment and health insurance was conducted in two phases (in January and October) and the housing tax was eliminated in three phases (2018, 2019 and 2020, in October of each year).

[10] For further details, see EcoFlash n°11, "France: household purchasing power, the big gain", 13 May 2019

[11] https://www.ipp.eu/actualites/resultats-les-impacts-du-budget-2020-sur-les-menages-et-les-entreprises-ipp-cepremap/

[12] ODETE: total government spending target

[13] Ondam: national health insurance spending target

[14] Operational expenditure framework via accountability contracts signed with the government.

second tax bracket, the gains are moderated by the lowering of the entry threshold. Households in the higher tax brackets (imposed at 41% and 45% respectively) will not benefit from the income tax cut, as the second bracket thresholds are designed to neutralise the effects. As a result, this will strengthen the progressive nature of the income tax.

The government also announced the renewal of one of the emergency economic and social measures (MUES), an exceptional year-end bonus exempt from both income tax and social welfare contributions (up to EUR 1000). The in-work bonus is once again revalued, by +0.3%. Lastly, the 2020 budget incorporates inflation indexing of small pensions (less than EUR 2000 a month) as well as the third and final phase of the suppression of the housing tax for 80% of liable households[15]. All in all, EUR 9.3 billion in tax cuts (net of tax increases) were announced in favour of households in 2020, after EUR 10.3 bn in 2019 (see table 2).

For companies, the main measure in their favour is a new step in the trajectory of reducing the statutory corporate tax rate, which represents EUR 2.5 bn. The corporate tax rate for major companies (turnover of more than EUR 250 million) is lowered to 31% beyond the first EUR 500,000 of earnings. The normal corporate tax rate for SMEs is lowered to 28% for all earnings. The final target is still the same: to reduce the statutory corporate tax rate for all companies to 25% by 2022 (see chart 6). A series of measures partly offset these corporate tax cuts, for a total of EUR 1.5 bn (GAFA tax; reform and elimination of certain fiscal and social loopholes)[16].

Lastly, the 2020 budget is also characterised by a certain number of green or ecological measures. After failing to raise the carbon tax, the government decided to place greater emphasis on corporate contributions to the ecological transition, via the elimination of environmentally harmful tax deductions. The tax exemption for non-road diesel fuel (reduced TICPE rates[17]) should be eliminated by January 2022 (expected savings of about EUR 200 million in 2020, and EUR 870 million as of 2023). The government also plans to reduce the partial re-imbursement of the TICPE tax on diesel used for merchandise road transport (EUR 70 million in savings in 2020, EUR 140 million in 2021). Air transport will also contribute through an increase in the solidarity tax on airplane tickets (EUR 180 million). The government is also exceptionally allocating EUR 380 million in TICPE revenues to the French transport infrastructure financing agency (AFITF) in 2020.

As for environmental measures applied to individuals, the same reasoning of boosting lower income households' purchasing power is applied to the transformation of the energy transition tax credit (CITE) into a premium paid the year refurbishment is carried out. This premium will be offered to the 40% of households with the lowest income while the next 40% will continue to benefit from the CITE tax credit through 2021. The wealthiest 20% of households will no longer benefit from the CITE tax credit nor from the new premium, but an amendment was passed making them eligible only for certain types of work. The government is also pursuing its green automobile promotion policy by increasing the bonus for purchases of electric vehicles and a conversion premium for low-income households.

Downward trajectory of the corporate tax

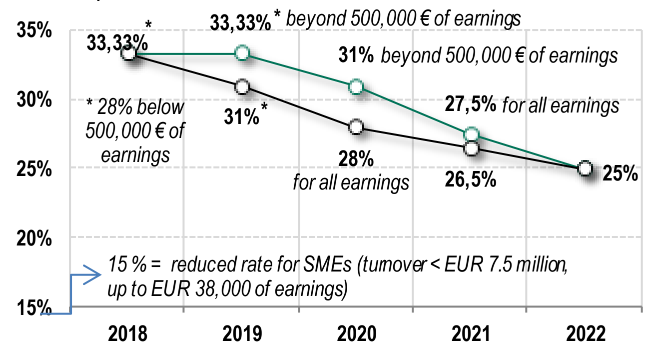

Chart 6 Sources: 2020 budget, BNP Paribas

Although the government emphasizes its ambition to change practices through premiums for households, the elimination of anti-ecological niches for companies, and the first attempts at green budgeting (see box below), the impact remains limited due to the symbolic nature (small amounts) of these measures.

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[15] This budget also paves the way for the elimination of the housing tax on the remaining 20% in 2023.

[16] The research tax credit and tax incentives for major corporate sponsorships were also tightened slightly, with expected savings of EUR 230 million and EUR 130 million, respectively, as of 2021.

[17] Domestic energy consumption tax

Greener government spending and revenues

Governments can use their fiscal budgets to push through their ecological transition goals. A "green budget" analyses government spending and revenues in the light of their impact on the environment. The General Inspectorate of Finance (IGF) and the General Council on the Environment and Sustainable Development (CGEDD) submitted a report on the matter to the government in September 2019. It develops a spending classification methodology that relies on 6 environmental criteria:

- *Fighting climate change;*
- *Adapting to climate change;*
- *Sustainable management of water resources;*
- *Transition to a circular economy and risk prevention;*
- *Prevention of pollution;*
- *Preservation of biodiversity and the sustainable management of natural spaces, farmland and forests.*

A classification system was also elaborated, and each spending category was given a grade ranging from -1 to 3 based on the following six criteria:

- *-1: spending that is directly or indirectly unfavourable for the environment;*
- *0: spending that is neutral or unavailable information;*
- *1: spending that has a favourable short-term impact but presents a risk of technological lock-in in the long term;*
- *2: spending with a favourable indirect impact;*
- *3: spending with a favourable direct impact.*

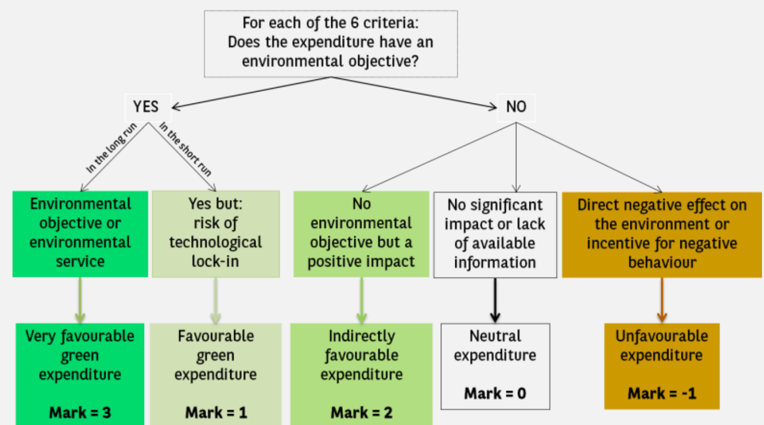
An expenditure can be favourable with regard to one criteria and unfavourable for another. The asymmetry of the classification scale implies a more detailed analysis of favourable spending measures than unfavourable ones. Moreover, the use of white as a colour code for both neutral spending measures and ones for which information is unavailable lumps two types of spending with potentially very different environmental impacts into the same category.

The IGF and the CGEDD applied their methodology to four missions from the 2019 draft budget bill (for a total of EUR 340 bn). Of this, EUR 55bn was found to have an impact. Between EUR 33 bn and 36 bn in spending was scored as being favourable for the environment for at least one of the six criteria, and EUR 25 bn was scored as being unfavourable for at least one of the criteria. Nearly half of the spending that was unfavourable for the environment for at least one criteria (EUR 12 bn) consisted of tax exemptions, namely from the domestic energy consumption tax on petrol (TICPE).*

For example, "railway" expenditures in the "Ecology, development and sustainable mobilities" mission obtained a 2 rating for the criteria "fighting climate change", as it has a favourable indirect impact. This reflects the fact that rail transport promotes an alternative to road usage, although that is not its primary target. Expenditure is neutral in terms of adapting to climate change. In contrast, it is unfavourable for the four remaining criteria, due notably to its negative impact on biodiversity and its role in the artificialisation of soil. These results provide a more complete vision of how a same spending might have several different environmental effects.

The government will present a green budget based on this format in 2021, in association with the High Council for the Climate.

While the IGF-CGEDD report covered the green budgeting of government spending, the September 2019 report by the Conseil des Prélèvements Obligatoires (CPO) focused on green revenues and made proposals for green taxation.



Decision tree for spending classification

According to the CPO report, in 2018 France had 46 environmental tax instruments for a total revenue of EUR 56 bn, or less than 5% of mandatory levies and 2.4% of GDP. These instruments comprise a myriad of fiscal measures that rarely have an explicit environmental end goal. The CPO also identified a total of 38 tax exemptions for more than EUR 13 bn, of which 23 are exemptions from the TICPE domestic energy consumption tax. Granted to boost competitiveness, they nonetheless support fossil fuel consumption and weaken the disincentive effects of the TICPE.

The CPO recommends the reintroduction of an upward trajectory for the carbon tax. The increase announced in 2018 featured characteristics of a yield tax (broad tax base, low tax rate, revenues affected to the state budget) rather than of a behavioural tax. The CPO recommends that the revenues be affected to households hit the hardest in order to strengthen their consent to the tax, and that tax exemptions be largely limited so that the tax can be imposed on all fossil fuel consumers. Eliminating these imbalances would improve the equity and efficiency of green taxes.

** The mission failed to reach a unanimous decision on the classification of spending pertaining to the shutdown of the Fessenheim nuclear power plant, and settled on a price range for the total value of favourable expenditure for the environment.*

Box *Sources: French government, IGF-CGEDD, CPO*

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Publisher: Jean Lemierre. Editor: William De Vijlder

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