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FRANCE 2021 BUDGET: BUDGETING FOR CRISIS AND RECOVERY

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In the draft 2021 budget, the French government predicts budget deficits of 10.2% of GDP in 2020 followed by 6.7% in 2021 (from a deficit of 3% in 2019). The government debt to GDP ratio is expected to rise by nearly 20 points, to 117.5%, in 2020, before dropping slightly, to 116.2%, in 2021.

These unusual figures bear the traces of the massive recessionary shock in the first half of 2020 caused by the Covid-19 pandemic, and the similarly massive fiscal response as the government has sought both to lessen the impact of the crisis and to support the recovery. And the numbers are still climbing, as a result of the second wave of the epidemic this autumn.

When it comes to supporting the recovery, the France Relance plan makes EUR100 billion available over the next two years. The Finance Ministry estimates that this plan will add 1.1 points to growth in 2021 and a further 1 point in 2022. Some 75% of this support will come from the plan's demand-side measures.

With this support, the government expects growth to rebound to 8% in annual average terms in 2021, after having contracted by an expected 10% in 2020.

The Haut Conseil des Finances Publiques considers the government's estimate of growth for 2020 as 'prudent' and that for 2021 as 'voluntarist'. As far as fiscal deficit forecasts are concerned, it believes these are 'achievable' both in 2020 and 2021 but that they are surrounded by huge uncertainty.

The Economic, Social and Financial Report (ESFR) provides first indications for the public finances trajectory through to 2025, with the most notable item being a return of the deficit to just under the 3% threshold by this date.

This budget marked another first with the presentation of a "green budget", which accounts for public spending on the basis of its environmental impact.

NOMINAL AND STRUCTURAL DEFICITS

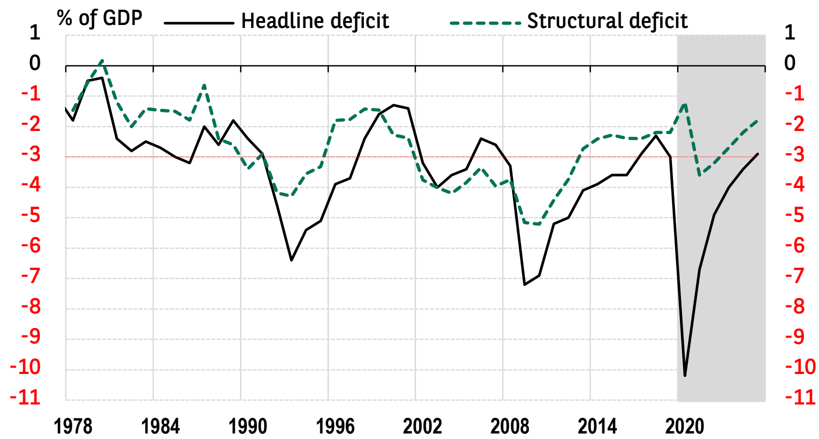

CHART 1

SOURCE: INSEE, EUROPEAN COMMISSION, GOVERNMENT'S FORECASTS (GREY AREA), BNP PARIBAS

PUBLIC DEBT RATIO

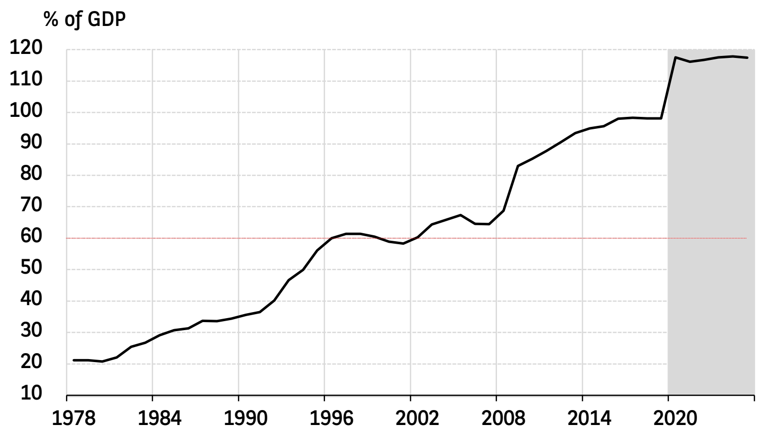

CHART 2

SOURCE: INSEE, EUROPEAN COMMISSION, GOVERNMENT'S FORECASTS (GREY AREA), BNP PARIBAS

ECONOMIC RESEARCH

BNP PARIBAS

The bank for a changing world

Following on from the presentation of the France Relance plan on 3 September, the 2021 budget was published on 28 September[1]. The former is now an integral part of the latter, albeit with its own dedicated remit (in order to manage execution risk). Although the recovery plan has grabbed most of the attention, the budget goes further than this plan. It also contains the usual raft of new fiscal and budgetary measures, which are far from insignificant, such as continued cuts in business tax and housing taxes (see Table 3 in the appendix for a summary of fiscal measures from 2018 to 2021). It supplies a degree of previously missing details, particularly regarding the breakdown of the budget balance between cyclical and structural elements. It also marks a first, with the presentation of a "green budget", which accounts for public spending on the basis of its environmental impact. This was a 3-in-1 budget.

The completion of the 2021 budget, as with the 2020 version, is less complicated than in previous years, but the comparison stops there, so different is the context. Last year, the government opted to solve the budget equation by acting more clearly in favour of growth and pushing deficit reduction into the background (instead of equal footing with growth support). Background or not, however, this was still identified as a target. This year, circumstances mean that there is only one priority: the support of growth and employment. This has completely overshadowed the issue of deficit reduction, which has been put firmly on the backburner and is an issue in 2020, nor will it be in 2021. Although the challenges for the 2021 budget do not lie in reaching the deficit targets, this does not make them any easier: the crucial point is its effectiveness in absorbing the crisis and supporting the recovery.

A CRISIS BUDGET: THE FIGURES

In the draft 2021 budget, the government predicts a budget deficit of 10.2% of GDP in 2020, followed by 6.7% in 2021. The government debt to GDP ratio is expected to rise by nearly 20 points, to 117.5%, in 2020, from 98.1% in 2019, before dropping slightly, to 116.2%, in 2021. These figures give a good first idea of the exceptional nature of the 2021 budget, which bears the traces of the massive recessionary shock caused by the Covid-19 pandemic, and the similarly massive fiscal response in a bid both to lessen the impact of the crisis and to support the recovery.

Behind these eye-catching headline numbers there are also some important details (see Table 1). The 7.2 point widening of the deficit in 2020 consists of a 6.7 point effect from the drop in economic activity and a 1.6 point effect from emergency measures, with a 1.1 point improvement in the structural deficit pulling in the opposite direction. In 2021, the 3.5 point reduction in the nominal deficit comes from a 3.7 point improvement in the cyclical deficit, in the wake of the expected rebound in growth, whilst the reduction in one-off measures (+2.4 points) and the widening of the structural deficit (-2.5 points) more or less cancel each other out.

The bumps in the structural deficit come in part from the government's choices to account the emergency measures as one-offs in 2020 (see Table 2 in the appendix for a summary), on the one hand, and the recovery plan as structural measures in 2021, on the other. In 2020, the improvement in the structural deficit and the ensuing apparent tightening of fiscal policy needs to be seen in the context of the impetus given by the one-offs). Conversely in 2021, what is lost on one side (the temporary support of emergency measures) is gained on the other (the structural support of the recovery plan).

BUDGET 2021 AND MULTI-YEAR TRAJECTORY

%, % of GDP and potential GDP	2017	2018	2019	2020	2021	2022	2023	2024	2025
Real GDP growth	2.3	1.8	1.5	**-10.0**	**8.0**	3.5	2.0	1.4	1.4
Potential growth	1.25	1.25	1.25	**-0.3**	**0.6**	1.35	1.35	1.35	1.35
Budget balance	-3.0	-2.3	-3.0	**-10.2**	**-6.7**	-4.9	-4.0	-3.4	-2.9
Cyclical balance	-0.3	0.0	0.2	**-6.5**	**-2.8**	-1.6	-1.2	-1.2	-1.2
One-off measures	-0.2	-0.1	-1.0	**-2.6**	**-0.2**	-0.2	-0.1	0.0	0.0
Structural balance	-2.4	-2.2	-2.2	**-1.2**	**-3.6**	-3.2	-2.7	-2.2	-1.8
Structural adjustment	0.3	0.2	0.0	**1.1**	**-2.5**	0.5	0.5	0.5	0.5
Of which structural effort			*-0.2*	***0.8***	***-2.7***				
New revenues (excluding tax credits)			-0.1	**-0.6**	**-0.4**				
Spending effort (excluding tax credits)			-0.1	**1.1**	**-2.3**				
Tax credit key			0.0	**0.4**	**0.0**				
Of which non-discretionary component			*0.2*	***0.2***	***0.3***				
Revenues excluding mandatory levies (PO)			-0.1	**-0.4**	**1.0**				
Fiscal elasticity effect			0.3	**0.6**	**-0.7**				
Public debt ratio	98.3	98.1	98.1	**117.5**	**116.2**	116.8	117.5	117.8	117.4
excluding eurozone support	*95.4*	*95.3*	*95.4*	***114.6***	***113.5***	*114.3*	*115.1*	*115.4*	*115.2*
Data at current scope, including France Compétences, excluding tax credits									
Public expenditure - *Ratio*	55.1	54.0	54.0	**62.8**	**58.5**	56.3	55.0	54.4	53.7
Change in nominal terms			*2.7*	***6.5***	***1.0***				
Change in real terms			*1.8*	***6.3***	***0.4***				
PO rate	45.1	44.8	44.1	**44.8**	**43,8**	43.7	43.8	43.9	43.9
Cyclical balance with revised potential GDP			0.2	**-5.7**	**-1.6**				
Structural balance with revised potential GDP			-2.2	**-1.9**	**-4.8**				

One-off measures include in particular tax disputes and, in 2019, the cost of switching CICE into a cut in employers' contributions.

The non-discretionary component includes notably elasticity effects on receipts when elasticity is other than 1. The majority of receipts excluding PO in 2021 will come from European financing under the recovery plan and, for this reason, the positive effect of the non-discretionary component of the structural adjustment and the negative effect of the structural effort should be considered together.

The tax credit key measures the difference between the cost in the budget and that in national accounts of tax credits to be paid and which can be carried forward. Its high level in 2020 relates to the removal of the CICE credit and the sizeable gap between continued substantial payments against previous years and the virtual disappearance of new credits.

The breakdown of the budget balance is based on potential growth estimates in the long-term public finance act (LPFP), namely 1.25% in 2020 and 1.3% in 2021.

TABLE 1

SOURCE: GOVERNMENT (BUDGET AND ESFR 2021)

1 The draft 2021 budget was presented on 28 September, followed the next day by the draft Social Security funding bill. The ESFR was published on 2 October. The term "2021 budget" covers all of these documents.

These switches make it difficult to calculate and interpret the fiscal stance[2] and its change from one year to the next. This stance can be measured in two ways: as the variation in the cyclically-adjusted primary balance including one-offs, or as the variation in the structural primary balance excluding one-offs. This double calculation method follows the transformation of the CICE tax credit into a reduction in employers' contributions in 2019 and the disruptive effect of its substantial fiscal cost, accounted for as a one-off, on the normal understanding of budget deficit figures. Including one-offs, the fiscal impetus was clearly positive in 2019 (1.2 points) and will be a bit less so in 2020 (0.7) and still less in 2021 (0.2). Excluding one-offs, the impetus in 2019 was lower (0.3 points), and becomes negative in 2020 (-0.9) and then very positive in 2021 (2.6)[3]. So which approach is best? Is there greater fiscal stimulus in 2021 than in 2020 or not? We find it hard to settle the matter, as each approach contains a grain of truth[4].

The positive structural adjustment in 2020, meanwhile, is attributable to one-off technical factors:

- The spending effort (1.1 point) is illusory. It is due to the strength of the GDP deflator, which in part results from the accounting convention used by Eurostat (and followed by INSEE) concerning the volume-prices split of added value in non-market branches (with a compensatory movement in 2021)[5].
- The high level of the tax credit key (0.4 of a point) relates to the removal of the CICE tax credit and the sizeable gap between continued substantial payments against previous years and the virtual disappearance of new credits.
- The fiscal elasticity effect (0.6 of a point) results in the resistance of mandatory levies (PO) in the face of plunging economic activity (the former not adjusting instantaneously to the latter). This effect reverses in 2021 (-0.7 of a point).
- The positive structural adjustment also masks a negative contribution of new revenues (-0.6 of a point).

The structural adjustment for 2021 could have been more negative still, and with it the budget deficit, but for the positive contribution of 1 point from non-PO revenues, most of which coming from the grants part of the European recovery fund. We had wondered how this European financing would be accounted for and how it would reduce the French budget deficit; we now have the answer.

Another important point to note is that the breakdown of the budget balance is based on potential growth estimates in the LPFP (which remains in force), namely 1.25% in 2020 and 1.3% in 2021. Under the updated assumptions supplied by the government in the ESFR, potential GDP will fall by 0.3% in 2020 and increase by 0.6% in 2021. The revised structural deficit is larger and the cyclical deficit is smaller (see bottom lines of Table 1). When corrected in this way, the government expects the structural deficit in 2021 (at around 5% of GDP) to be similar to its level following the 2008-09 financial crisis (this was around 6% in 2009, and widened still further to 6.5% in 2010). The recovery efforts made in recent years have nevertheless created a more solid fiscal position than existed in 2007, with an estimated structural deficit of 2% of GDP in 2019, compared to 3.5% in 2007.

DEFICIT BREAKDOWN

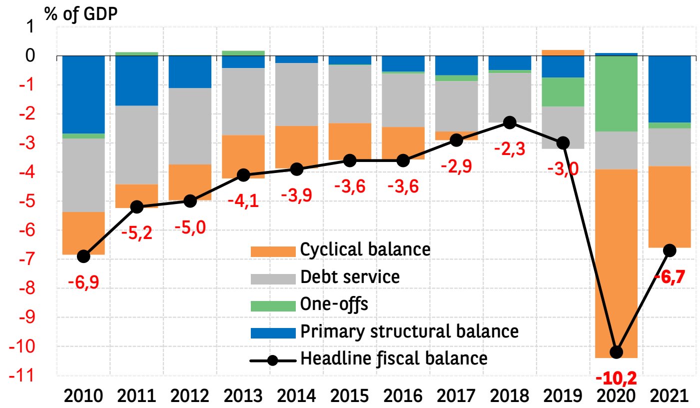

CHART 3

SOURCE: INSEE, EUROPEAN COMMISSION, GOVERNMENT FORECASTS, BNP PARIBAS

Although the challenge for the 2021 budget does not lie in whether or not it meets deficit targets, it is worth noting that these are considered "achievable" by the Haut Conseil des Finances Publiques (HCFP), albeit surrounded by considerable uncertainty relating to health conditions and macroeconomic trends. Estimates of mandatory levies are considered to be "in line with the macroeconomic scenario used" by the government, and spending forecasts are described as "plausible".

The last figures to catch our eye were the long-term projections included in the ESFR, pending the next LPFP, which has been promised for early 2021. These have given us first indications on the expected trajectory for reducing the fiscal imbalances by 2025. Although no discretionary deficit reduction is planned for 2020 or 2021, it cannot be postponed indefinitely. The question, therefore, is when and how? In the ESFR, the reduction in the structural deficit (re)starts in 2022 and continues to 2025 in steps of half a point per year (the minimum required by European fiscal rules). In our view, this is more of a technical assumption than a real forecast or government commitment. What it does do, however, is give an idea of the scale of the effort that will be needed, particularly given that according to the current government, the adjustment will come not through higher taxes but from spending savings. Combined with the improvement in the cyclical balance, this reduction in the structural deficit could bring the nominal deficit just below the threshold of 3% of GDP by 2025.

As far as government debt is concerned, there is little difference between the trajectories before and after the Covid-19 crisis, with stabilisation having only just begun beforehand and expected afterwards. But there is a huge difference in level, as the public debt ratio has climbed by nearly 20 points of GDP between 2019 and 2020 (10 points due to the wider deficit – the numerator – and 10 points due to the collapse in GDP – the denominator). The deterioration is similar to the one that followed the 2008-2009 crisis (18.5 points). The debt to GDP ratio for 2020 is clearly at a very high level. A forecast showing a fall by

2 A positive (negative) figure indicates an expansionary (restrictive) fiscal policy.
3 These calculations of fiscal impetus are based on the government estimates of cyclical and structural balances.
4 To muddy the waters still further, a third calculation is possible. By accounting for emergency measures in the structural balance in 2020, as the European Commission has done, and incorporating the structural adjustment estimated by the government in the forecast for 2021 (the EC assumes an unchanged policy, by construction), the fiscal impetus would be 0.3 points in 2019, 2 points in 2020 and 0.3 points in 2021
5 "In the context where public sector employees were unoccupied during the lockdown, but without loss of wages thus with added value as a given in nominal terms, the national accountant considers that there is a drop in non-market production in volume and hence a corresponding increase in its price" (page 93, ESFR 2021).

2025, rather than just stabilising, would have sent a positive signal, but at least it is not expected to rise. Moreover, there are no particular concerns regarding its sustainability (no difficulties in either financing or repayment), notably due to the positive difference between nominal growth rates and the average interest rate on the stock of debt (the former being supported by the increased resilience of the economy as a result of the structural reforms of recent years and the positive effects to come from France Relance, whilst the second has been held down by the monetary support of the ECB and French debt's status as a safe haven).

RECOVERY BUDGET: THE MEASURES

The challenges for the France Relance programme are substantial, as it will not only have to support growth in the short term (with a target of getting GDP back to pre-crisis levels by 2022), but also strengthen prospects for the long term, or "build the France of 2030 today". Although it is clear that the plan will have a positive effect, the scale and speed of this effect are less clear[6].

We set out the government's estimates below. We will begin with its growth forecast for 2021, of 8%, which the HCFP has described as "voluntarist". This figure is indeed at the top end of the range of estimates from other official bodies, whilst the estimate of GDP contraction in 2020 (-10%) is at the bottom end of this range. The one perhaps explains the other (the bigger the fall, the bigger the recovery). We can also see that the government's expectations of the effect of the recovery plan are higher than those of other forecasters, which is understandable.

In the government's growth forecast this effect takes the form of the strong recovery expected in the margins of non-financial companies (from 29% in 2020 to 32.5% in 2021, a high level from a historical perspective) and in their investment rate (from 23.6% in 2020 to 25.1% in 2021, which would be a new record). Employment forecasts, which the HCFP calls "plausible", also bear the traces of the recovery plan: total employment is expected to grow by 435,000 jobs year-on-year in 2021, after a 920,000 fall in 2020[7]. Nearly half of the losses will thus be won back[8]. As far as households are concerned, the government's forecast is "cautious", with the savings rate in 2021 losing only 3 of the 6 points by which it increased in 2020. It is expected to be around 18%, or 3 points higher than in 2019, which corresponds also to its trend level.

Turning to estimates of the plan's impact on growth, the headline figure is that it will add 1.1 points to growth in 2021 and a further 1 point in 2022 (Figure 4). To calculate this, the government has divided its plan into six pillars, based on the macroeconomic channels of transmission (Figure 5). Under this analysis, the demand-side and supply-side parts of the plan are balanced. Over the period from 2020 to 2025, the measures evaluated represent 5 points of GDP (3 points for 2020-2022, with nearly half of expenditure relating to demand-side actions[9]; and 2 points for 2023-2025, with 85% supply-side measures). These 5 points of GDP are expected to boost the economy by a total of 4 points: the global fiscal multiplier is estimated at 0.8 (1 for demand-side measures and 0.5 for the supply side). Between 2020 and 2022, the demand side is expected to produce 75% of total additional growth. Supply-side measures will then pick up the running in supporting the economy.

IMPACT ON GROWTH OF THE RECOVERY PLAN

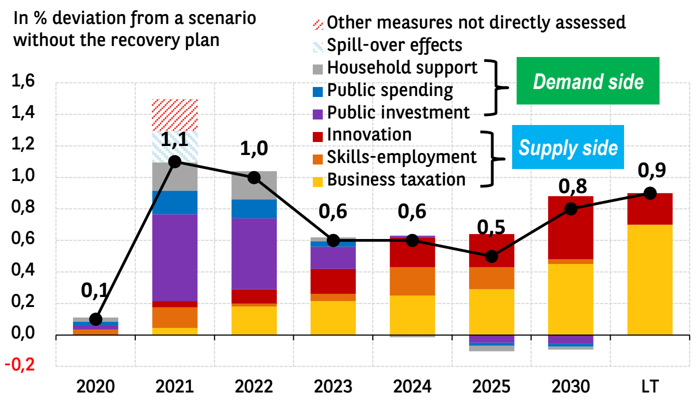

CHART 4 SOURCE: DG TRÉSOR, ESFR 2021, BNP PARIBAS

NB: The positive spill-overs from the European recovery plans and the effects of other measures that are not evaluated directly (microeconomic measures not included in the macroeconomic Mésange model, including measures to support company finances) are only presented for 2021, but will continue in subsequent years.

BREAKDOWN OF THE RECOVERY PLAN BY MACROECONOMIC CHANNEL

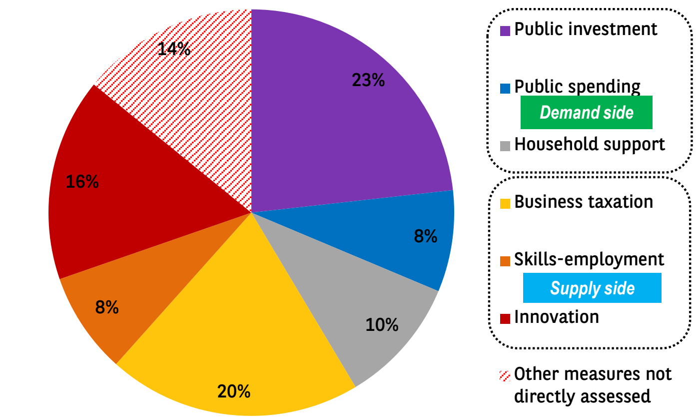

CHART 5 SOURCE: DG TRÉSOR, ESFR 2021, BNP PARIBAS

NB: The 'public investment' pillar includes investment in improving the thermal performance of buildings and green infrastructure and mobility schemes. The 'public expenditure' pillar includes digitisation of public services and companies. The 'support to households' pillar includes support for demand for clean vehicles and an increase in the benefit paid at the beginning of each school year. The 'company tax' pillar covers cuts in production taxes. The 'skills & employment' pillar includes most notably the "1 Jeune, 1 solution" programme. The 'innovation' pillar includes PIA 4 (future investment programme 4). Under the Finance Ministry's classification the first three pillars represent the plan's demand-side measures and the latter three its supply-side component.

6 France: From fast, the return to normal is becoming more asymptotic", EcoPerspectives, 4th quarter 2020
7 In annual average terms, employment growth will still remain in negative territory in 2021 (down 120,000), hampered by the sharp fall in 2020 (480,000).
8 The improvements in employment and in NFC margin rates are interlinked: in the government's scenario for 2021, the scale of the latter limits the size of the former.
9 The government puts the cost of recovery measures at EUR4.5 billion in 2020 and EUR37.4 billion in 2021 (EUR27 billion in spending, EUR10 billion in revenues).

The expected benefits are substantial, and would allow not only the return of GDP to pre-crisis levels in 2022, but also, from that year, a return of potential growth to its pre-crisis rate of 1.35%. The output gap, estimated at 9.4 points of potential GDP in 2020, will close rapidly in 2021 (to 2.7 points) and will be almost entirely eliminated by 2023 (0.1 points). A comparison with the latest forecasts from the IMF, which also run to 2025, provides further illustration of the government's optimism (and/or the IMF's pessimism). In 2025, French GDP will be 106 (2019=100) under the government's scenario and 104 on IMF figures. It is worth noting that the government is more positive on the early part of this period (2021 and 2022) and the IMF is more bullish for 2023-2025. But, however big the expected benefits of the recovery plan may be, and however necessary and appropriate it is, they will not be sufficient to put the country back on its pre-crisis growth track. If wetake, for example, the IMF's October 2019 forecasts, again taking 2019 as 100, French GDP was expected to reach 109 in 2025, representing a 3 point difference with its post-crisis level under the government's scenario. The gap is 2% if one compares the trajectories of potential GDP before and after the crisis. Reducing, if not entirely closing, this gap is something to be added to the list of challenges faced.

The government's analysis also shows the element of political communication and the ambivalence of a number of measures, notably job-retention schemes and energy renovation, which act on both the supply side and demand side, support for business and households, and are long-term and short-term measures. This analysis and the estimated impact on growth also allow the government to respond to the criticism that its plan was focused too heavily on supply and not enough on demand over the 2021-2022 period.

But no sooner was the ink dry on the 2021 budget than the landscape changed once again, during September, with a resurgence of the Covid-19 epidemic and the need for additional, and more immediate, support for growth. This support is already taking shape: the extension and expansion of a number of measures introduced in the spring to address the shock of lockdown[10] ; support to the poorest citizens through an exceptional payment of EUR150 (plus EUR100 per child) for recipients of the RSA and APL benefits, young people under 25 and students in receipt of financial support, to be paid at the end of November. These measures are likely to be included in the fourth emergency budget (PLFR 4) for 2020, that had already been announced some time ago for the end of this year, precisely for the purpose of fine-tuning and increasing support to the economy. Other measures will be added into the recovery plan too[11]. One should therefore expect adjustments to the budget forecasts analysed here.

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GREEN BUDGET: THE FIRST DRAFT IS UNVEILED

Announced a year ago, the first ever 'Green Budget' from the French government has now been published. The term refers to a budget which analyses government spending and revenues by their environmental impact (favourable, unfavourable or neutral), on six criteria: tackling climate change; adapting to climate change; sustainable management of water resources; transition to a circular economy; tackling pollution; and protecting biodiversity*.

Any given item of expenditure can be favourable on one criterion but unfavourable on another. Expenditure is identified as 'green' if it is favourable to the environment on at least one criterion and unfavourable on none. In particular, the exercise serves to assess the compatibility of the budget relative to France's undertakings under the Paris Accord.

This year, for the 2021 budget, the classification methodology was applied to all government budget and fiscal expenditure as well as the measures included in the recovery plan and was produced as a dedicated report**. The results are as follows: of a total of EUR488.4 billion, EUR38.1 billion of 'green' spending has been identified. 'Brown' spending totals EUR10 billion and 'mixed' spending EUR4.7 billion. Of the EUR100 billion in the recovery plan, EUR32 billion meet at least one environmental criterion; of this figure, EUR5.2 billion is classified as 'mixed'.

This analysis has the appearance of simplicity and the merit of legibility. But the complexity of the task is considerable. Faced with the difficulty of evaluation, some items have been neutralised at this stage. The results are based on methodological approaches that are likely to change over time. This first green budget is not, therefore, the finished article, but it is a world first and a step in the right direction.

* See "France : 2020 budget offers more stimulus, less austerity – box: Greener government spending and revenues", EcoFlash n°21, 22 October 2019

**Report on the environmental impact of the government budget, September 2020

SOURCE : GOVERNMENT, PRESS, BNP PARIBAS

10 Exemption from social security contributions and expanded access to solidarity funds for vulnerable sectors and businesses; 6-month extension of government guarantees (to 30 June 2021); examination of the repayment delay on government-guaranteed loans and a tax incentive for landlords to reduce rents for companies in difficulty.
11 Such as the enlargement of the number of SMEs qualifying for reduced tax rates.

APPENDIX 1: SUMMARY OF EMERGENCY MEASURES

EUR billion	2020
Total measures with an impact on the budget balance	**64.5 (2.9% of GDP)**
Job-retention scheme	30.8*
Solidarity fund (excluding insurer share = EUR0.4 billion)	8.5**
Exceptional healthcare (Ondam) spending	9.8
Compensation for social security contribution exemption	5.2
Prolongation of unemployment benefits and delay of application of unemployment benefit reform	1.6
Exceptional support to the self-employed (CPSTI)	0.9
Social inclusion and protection of the vulnerable	0.9
Repayable advances to companies	0.5
Carry-back of prior year deficits	0.4
Purchases of non-surgical masks	0.3
Losses on guaranteed loans (net of premiums)	0.0
EIB losses	0.1
Miscellaneous credits on government spending (additional emergency credits, other LFR III (emergency budget 3) credits)	5.6
Total cash measures not affecting the budget balance	**76 (3.4% of GDP)**
Deferral of payment of certain mandatory levies	38
Early repayment of tax credits	14
Economic and social development fund (FDES)	1
Intervention in struggling companies	20
Advances and compensation to local government bodies	3
Total guaranteed measures	**327.5 (14.7% of GDP)**
Government guaranteed loans scheme	300***
Activation of public reinsurance of outstanding loan insurance	10
Introduction of short-term export credit reinsurance	5
SURE (European Support to mitigate Unemployment Risks in an Emergency fund)	4.5
EIB (Pan-European Guarantee Fund)	4.5
Loan to IMF	2.5
Increase in ceiling on authorised IMF loan	0.5
French Development Agency loan	0.5
TOTAL	**468 (21% of GDP)**

* EUR21.8 billion of the allocation used by 20 September 2020.

* EUR6.2 billion of the allocation used by 25 September 2020.

* 40% of the allocation used by 4 September 2020 (equivalent to EUR119.7 billion of loans made).

TABLE 2 SOURCE: ESFR 2021

APPENDIX 2: SUMMARY OF FISCAL MEASURES 2018-2021

EUR billion	2018	2019	2020	2021
Total household measures	**-1.0**	**-10.3**	**-10.2**	**-0.4**
Elimination of housing tax on primary residences	-2.9	-3.6	-3.8	-2.4
Replacement of wealth tax (ISF) by real estate wealth tax (IFI)	-3.2			
Introduction of 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	-0.0
Social contributions / CSG switch	4.4	-4.0	-0.3	0.6
Cancellation of CSG tax increase for low-income pensions		-1.6	0.1	0.0
Tobacco tax (net effect)	0.9	0.4	0.4	0.3
Energy tax increase (household share=66%)	2.5	0.0	-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	0.6
Tax exemption of overtime work		-3.0	-0.8	-0.2
Reform of income tax brackets			-5.0	
Exemption from social security contributions for freelance workers affected by the health crisis			-0.8	0.8
Total corporate measures	**-8.6**	**0.1**	**-5.7**	**-9.0**
Corporate tax rate reduced from 33% to 25%	-1.2	-0.8	-2.5	-3.7
CICE tax credit – increase in scope and rate raised from 6% to 7%	-3.4	-0.5	-0.1	-1.3
One-off corporate tax surcharge	-4.8	-0.0	-0.0	
Energy tax increase (company share=34%)	1.3	-0.1	0.0	0.0
Increase in Agirc-Arrco supplementary pension fund rates (corporate share)		0.7		
Gross long-term capital gains tax reform		0.4	0.2	-0.2
Digital services tax		0.3	0.1	
Creation of tax credit for payroll taxes	-0.6	-0.0	0.6	
Elimination of tax exemption for non-road diesel fuel				0.3
Limitation of specific flat rate deduction (DFS) benefit in calculating the reduction in employers' contributions			0.4	
Exemption from social security contributions for sectors affected by the health crisis			-4.4	4.4
Cuts in production taxes				-10.0
Corporate tax clawback on production tax cuts				1.4
Resources allocated to France Compétences contributing to financing skills investment programme (PIC)	*0.3*	*1.3*		
Total excluding transformation of CICE tax credit (excluding France Compétences)	**-9.3**	**-9.0**	**-15.9**	**-9.4**
Temporary impact of transformation of CICE tax credit (impact on mandatory levies)		-20.0	14.9	0.5
Total including transformation of CICE tax credit (excluding France Compétences)	**-9.3**	**-29.0**	**-1.0**	**-8.9**

TABLE 3 SOURCE: ESFR 2021

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