

## NON-FINANCIAL CORPORATIONS: PRODUCTION TAXES STILL ACCOUNT FOR 2.6% OF FRENCH GDP

Stéphane Colliac

Since 2022, the French government has reduced several types of production tax. This is the case for tax based on corporate value added (CVAE), which was reduced gradually in 2021 and 2023, and will continue to be phased out in 2024, this process coming to an end in 2027.

Nevertheless, the burden of production taxes on non-financial corporations (NFCs) on GDP was just as great in 2023 as it was in 2017 (2.6% of GDP). This can be explained by favourable economic momentum, as the base of these taxes (primarily including labour, wages or property) is increasing faster than value added.

Production taxes (net of subsidies) reached 9% of the gross operating surplus (GOS) of NFCs in 2023, a record figure that could rise further in 2024 with the fall in GOS growth (2.6% according to our forecasts, compared to 10.8% in 2023) and the slow phasing out of CVAE.

FRANCE: PRODUCTION TAXES IN % OF GDP (GROSS AND NET OF SUBSIDIES)

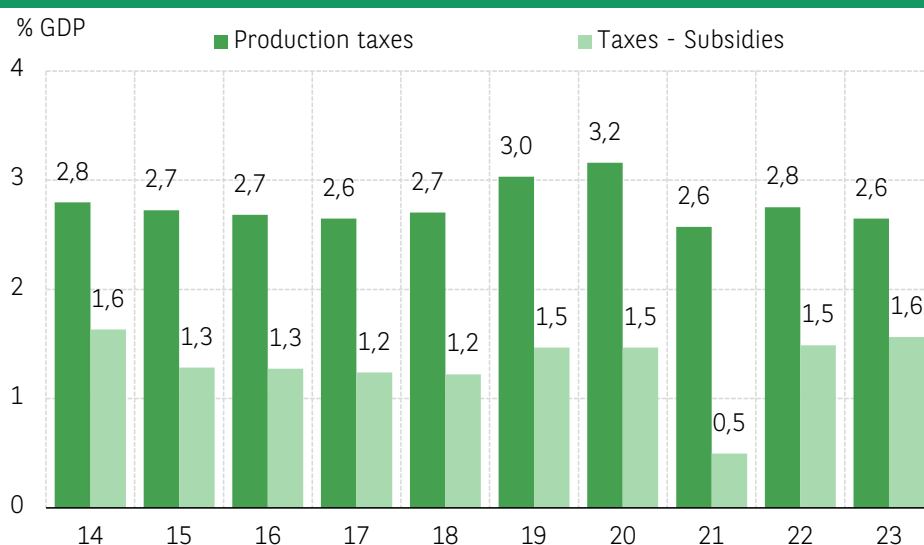


CHART 1

SOURCE: INSEE, BNP PARIBAS CALCULATIONS

In the history of taxation, it is not unusual for the proceeds from a tax to remain unchanged, despite the reduction in its tax rate, as the increase in the base of this tax progresses more rapidly. As a result, in the United States, despite the tax cuts implemented by the Trump administration, the ratio between personal income tax and GDP still stood at 8.2% in 2020 (as in 2017, before the tax cuts).

In France, production taxes are currently affected by this phenomenon. These taxes, which are not based on profit or income (unlike corporate tax or social security contributions), are often criticised because of their disconnection from companies' gross operating surplus (GOS). Companies have to pay these taxes even when they post lower profitability or see a drop in activity (which led the French government to increase operating subsidies during the Covid-19 period). France is therefore the second European country, after Sweden, to levy such a high level of production tax in relation to its GDP<sup>1</sup>.

Aware of this issue, particularly in terms of competitiveness for companies (referred to as "NFCs" or "non-financial corporations" hereinafter in our analysis), the French government initiated a reduction in these taxes in 2021. However, their burden in terms of GDP in 2023 reached a level comparable to that recorded in 2017 (*chart 1*). Net of subsidies, these taxes had an even greater impact on GDP in 2023 than in 2017 (after a lower level during Covid-19, when these subsidies increased significantly).

<sup>1</sup> Please refer, in particular, to the comparison made by the Institut Montaigne ([Barometre europeen des impots de production troisieme-edition.pdf \(institutmontaigne.org\)](https://www.institutmontaigne.org/publications/barometre-europeen-des-impots-de-production-troisieme-edition)), in which the chart represents all production taxes (those relating to NFCs, but also those paid by households, including property tax).

ECONOMIC RESEARCH



BNP PARIBAS

The bank  
for a changing  
world

## REDUCTION IN PRODUCTION TAXES LEVIED ON NFCS

The high level of taxation applied to French companies is often criticised. However, the burden of these levies was not much reduced between 2017 and 2023. This taxation, which relates to employer's social contributions, corporate tax (IS in the French acronym) and production taxes (excluding operating subsidies), represented 63.5% of companies' GOS in 2023, compared to 65% in 2017 (*chart 2*)<sup>2</sup>. This drop remains marginal and benefited from a marked increase in GOS in 2023 (+10.8% compared to 2022). By 2024, the burden of levies could be greater. In fact, tax cuts will be smaller (against a backdrop of budgetary consolidation). We are also expecting a much lower increase in GOS (+2.6% in 2024).

Nevertheless, several tax reductions have been implemented since 2017, particularly with regard to production taxes. NFCs have benefited from the reduction in property tax and corporate property contributions, i.e., nearly EUR 3.2 billion in 2021. CVAE was also reduced, first in 2021 (EUR 7 billion) and then in 2023 (EUR 4 billion), and it will be phased out by 2027 (- EUR 1 billion on average per year between 2024 and 2027).

Nevertheless, production taxes on NFCs (EUR 74 billion in 2023) reached 2.6% in % of GDP just as much in 2017 (see *chart 1*), i.e., before the introduction of these tax reductions. In addition, in 2023, their weight - net of operating subsidies - in GOS (*chart 2*) reached the highest level seen since 2014 (year in which profits had stagnated).

This unpleasant surprise can be explained by the following phenomenon: the base rose faster than GDP. The weight of these taxes in GDP was stable between 2017 and 2023 because tax cuts merely neutralised the effect of the increase in tax base. Budgetary revenues from CVAE did fall from EUR 12.6 billion in 2020 to 5.7 billion in 2021 (a difference close to the 7 billion tax cut) but were 6.9 billion in 2022 (up 21% on 2021, compared with +5.6% for nominal GDP).

Although in 2023, the fall in CVAE limited the increase in production taxes to +2.4% (compared to 6.4% for nominal GDP growth), production subsidies fell by almost 9%. Furthermore, taxes that have not been reduced, particularly those on wages and labour, have seen their proceeds increase, due to favourable developments in the labour market (significant job creation).

With the staggering of the reduction in CVAE, it is expected that its proceeds will decrease by just EUR 1 billion in 2024. According to our forecasts, this pace might not prevent production taxes from rising again (by 5%) more quickly than nominal GDP growth (3.3%).

**Stéphane Colliac**

[stephane.colliac@bnpparibas.com](mailto:stephane.colliac@bnpparibas.com)

FRANCE: TOTAL TAXES ON CORPORATES  
IN % OF GROSS OPERATING SURPLUS

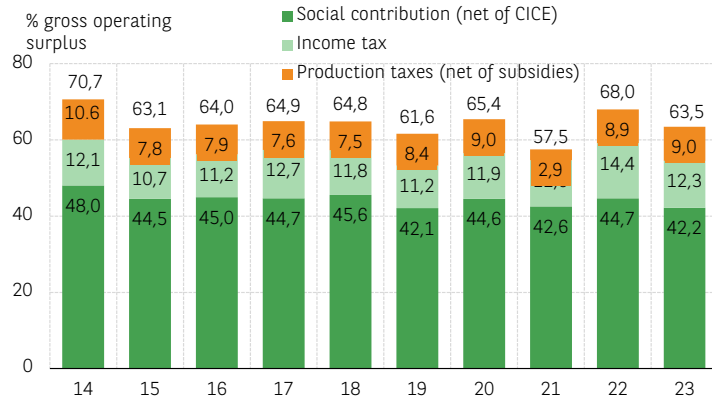


CHART 2

SOURCE: INSEE, BNP PARIBAS CALCULATIONS

<sup>2</sup> In chart 2, the impact of the shift of the CICE towards a 6-point reduction in employer's social contributions from 2019 onwards is neutralised, since this operation is neutral from a budgetary point of view (and from the point of view of NFCs). Just as operating subsidies are deducted from production taxes, the CICE (which can be considered as a subsidy that companies receive to cover the cost of their wage bill) is therefore deducted from our calculation of employer social contributions from 2014 to 2018.



William De Vijlder  
Chief Economist

+33 1 55 77 47 31

william.devijlder@bnpparibas.com

## OECD ECONOMIES AND STATISTICS

Hélène Baudchon  
Deputy chief economist, Head - United States

+33 1 58 16 03 63

helene.baudchon@bnpparibas.com

Stéphane Colliac  
France, Germany

+33 1 42 98 43 86

stephane.colliac@bnpparibas.com

Guillaume Derrien  
Eurozone, Southern Europe, Japan, United Kingdom - Global trade

+33 1 55 77 71 89

guillaume.a.derrien@bnpparibas.com

Anis Bensaidani  
United States, Japan

+33 1 87 74 01 51

anis.bensaidani@bnpparibas.com

Lucie Barette  
Southern Europe

+33 1 87 74 02 08

lucie.barette@bnpparibas.com

Veary Bou, Tarik Rharrab  
Statistics

## ECONOMIC PROJECTIONS, RELATIONSHIP WITH THE FRENCH NETWORK

Jean-Luc Proutat  
Head

+33 1 58 16 73 32

jean-luc.proutat@bnpparibas.com

## BANKING ECONOMICS

Laurent Quignon  
Head

+33 1 42 98 56 54

laurent.quignon@bnpparibas.com

Céline Choulet

+33 1 43 16 95 54

celine.choulet@bnpparibas.com

Thomas Humblot

+33 1 40 14 30 77

thomas.humblot@bnpparibas.com

Marianne Mueller

+33 1 40 14 48 11

marianne.mueller@bnpparibas.com

## EMERGING ECONOMIES AND COUNTRY RISK

François Faure  
Head – Argentina, Turkey – Methodology, Modelling

+33 1 42 98 79 82

francois.faure@bnpparibas.com

Christine Peltier  
Deputy Head – Greater China, Vietnam – Methodology

+33 1 42 98 56 27

christine.peltier@bnpparibas.com

Stéphane Alby  
Africa (French-speaking countries)

+33 1 42 98 02 04

stephane.alby@bnpparibas.com

Pascal Devaux  
Middle East, Balkan countries

+33 1 43 16 95 51

pascal.devaux@bnpparibas.com

Hélène Drouot  
South Korea, Philippines, Thailand, Andean countries

+33 1 42 98 33 00

helene.drouot@bnpparibas.com

Salim Hammad  
Latin America

+33 1 42 98 74 26

salim.hammad@bnpparibas.com

Cynthia Kalasopatan Antoine  
Ukraine, Central European countries

+33 1 53 31 59 32

cynthia.kalasopatan.antoine@bnpparibas.com

Johanna Melka  
India, South Asia, Russia, Kazakhstan

+33 1 58 16 05 84

johanna.melka@bnpparibas.com

Lucas Plé  
Africa (Portuguese & English-speaking countries)

+33 1 40 14 50 18

lucas.ple@bnpparibas.com

## CONTACT MEDIA

Mickaëlle Fils Marie-Luce

+33 1 42 98 48 59

mickaëlle.filsmarie-luce@bnpparibas.com



## ECOCONJONCTURE

Structural or thematic topics.

## ECOEMERGING

Analyses and forecasts for a selection of emerging economies.

## ECOPERSPECTIVES

Analyses and forecasts with a focus on developed countries.

## ECOFLASH

Data releases, major economic events.

## ECOWEEK

Recent economic and policy developments, data comments, economic calendar, forecasts.

## ECOCHARTS

Easy-to-read monthly overview of inflation dynamics in the main developed economies.

## ECOPULSE

Monthly barometer of key economic indicators of the main OECD countries.

## MACROWAVES

Our economic podcast.

The information and opinions contained in this document have been obtained from, or are based on, public sources believed to be reliable, but there is no guarantee of the accuracy, completeness or fitness for any particular purpose of such information and such information may not have been independently verified by BNPP or by any person. None of BNPP, any of its subsidiary undertakings or affiliates or its members, directors, officers, agents or employees accepts any responsibility or liability whatsoever or makes any representation or warranty, express or implied, as to the accuracy and completeness of the information or any opinions based thereon and contained in this document and it should not be relied upon as such. This document does not constitute research, as defined under MIFID II, or form any part of any offer to sell or issue and is not a solicitation of any offer to purchase any financial instrument, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on, in connection with any contract or investment decision. Information and opinions contained in this document are published for the information of recipients, but are not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient, are subject to change without notice. In providing this document, BNPP does not offer investment, financial, legal, tax or any other type of advice to, nor has any fiduciary duties towards, recipients. Any reference to past performance is not indicative of future performance, which may be better or worse than prior results. Any hypothetical, past performance simulations are the result of estimates made by BNPP, as of a given moment, on the basis of parameters, market conditions, and historical data selected by BNPP, and should not be used as guidance, in any way, of future performance. To the fullest extent permitted by law, no BNPP group company accepts any liability whatsoever (including in negligence) for any direct or consequential loss arising from any use of or reliance on material contained in this document even when advised of the possibility of such losses. All estimates and opinions included in this document are made as of the date of this document. Unless otherwise indicated in this document there is no intention to update this document. BNPP may make a market in, or may, as principal or agent, buy or sell securities of any issuer or person mentioned in this document or derivatives thereon. Prices, yields and other similar information included in this document are included for information purposes however numerous factors will affect market pricing at any particular time, such information may be subject to rapid change and there is no certainty that transactions could be executed at any specified price. BNPP may have a financial interest in any issuer or person mentioned in this document, including a long or short position in their securities and/or options, futures or other derivative instruments based thereon, or vice versa. BNPP, including its officers and employees may serve or have served as an officer, director or in an advisory capacity for any person mentioned in this document. BNPP may, from time to time, solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) within the last 12 months for any person referred to in this document. BNPP may be a party to an agreement with any person relating to the production of this document. BNPP may to the extent permitted by law, have acted upon or used the information contained herein or in the document, or the analysis on which it was based, before the document was published. BNPP may receive or intend to seek compensation for investment banking services in the next three months from or in relation to any person mentioned in this document. Any person mentioned in this document may have been provided with relevant sections of this document prior to its publication in order to verify its factual accuracy.

This document was produced by a BNPP group company. This document is for the use of intended recipients and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without the prior written consent of BNPP. By accepting or accessing this document you agree to this.

BNP Paribas is a société anonyme incorporated in France, licensed and supervised as a credit institution by the European Central Bank (ECB) and as an investment services provider by the Autorité de contrôle prudentiel et de résolution (ACPR) and Autorité des marchés financiers (AMF), and having its registered office at 16, boulevard des Italiens, 75009 Paris, France.

Some or all of the information contained in this document may already have been published on <https://globalmarkets.bnpparibas.com>.

For country-specific disclaimers (United States, Canada, United Kingdom, Germany, Belgium, Ireland, Italy, Netherlands, Portugal, Spain, Switzerland, Brazil, Turkey, Israel, Bahrain, South Africa, Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan, Thailand, Vietnam) please type the following URL to access the applicable legal notices: [https://globalmarkets.bnpparibas.com/gm/home/Markets\\_360\\_Country\\_Specific\\_Notices.pdf](https://globalmarkets.bnpparibas.com/gm/home/Markets_360_Country_Specific_Notices.pdf)

© BNP Paribas (2023). All rights reserved.

HOW TO RECEIVE OUR PUBLICATIONS

**SUBSCRIBE ON OUR WEBSITE**  
see the Economic Research website

&

**FOLLOW US ON LINKEDIN**  
see the Economic Research linkedin page

**OR TWITTER**  
see the Economic Research Twitter page



Published by BNP PARIBAS Economic Research

Head office: 16 boulevard des Italiens - 75009 Paris France / Phone : +33 (0) 1.42.98.12.34

Internet: group.bnpparibas - [www.economic-research.bnpparibas.com](http://www.economic-research.bnpparibas.com)

Head of publication : Jean Lemierre / Chief editor: William De Vijlder

Copyright: Copyright:Aha-Soft



**BNP PARIBAS**

The bank  
for a changing  
world