

French Government Measures to Support the Economy

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Please note that the measures presented at the date of this summary are likely to be modified or clarified in the coming days according to the evolution of the health crisis. In particular, a number of provisions of the Emergency Bill to tackle the consequences of the COVID-19 epidemic must be implemented by means of an ordinance.

Due to the health situation in France arising from the COVID-19 pandemic and its consequences on French economy, the French government has recently announced various measures for companies amounting to approximately EUR 45 billion. In addition to these measures, French government has also announced a state guarantee of up to EUR 300 billion for new bank loans provided to companies based in France.

1. Various state entities are going to participate in this initiative and take implement these various measures:

- **Tax administration (“DGFiP”)**: will allow the postponement of the payment of the coming direct tax instalments (corporate tax, payroll taxes), without any penalty. This measure concerns amounts about EUR 12 billion for corporation tax and EUR one billion for payroll tax.

However, the above measures do not relate to VAT and personal income tax, which are withheld.

- **Social security administration (“URSSAF”)**: this entity, which collect the social security contributions, will allow the employers to defer payment of all or part of next social contributions instalments for up to three months, without any penalty. These postponements represent approximately EUR 21 billion.
- **BPI France (the French public investment bank)**: will grant the "BPI France" guarantee for liquidity loans granted by private sector banks. Furthermore, it will allow the restructuring of medium and long-term loans for its clients, as well as the extension of guarantees securing investment loans.

BPI France will also create two new unsecured loans, (i) "Atout", with a term of three to five years, for an amount of up to EUR 5 million for small companies and up to EUR 30 million for medium-sized companies, with a grace period, and (ii) "Rebond", in partnership with the regions, subsidized over a period of 7 years with a 2-year grace period, from EUR 10,000 to EUR 300,000.

2. The French government also announced, inter alia the following measures:

- acknowledgment by the French State and local authorities of COVID-19 as a case of *force majeure* for contracts with the state and local authorities (and, subsequently, waiver of late penalties);
- postponement of payment of rents, water, gas and electricity bills for very small businesses (“*micro-entreprises*”) within the meaning of the decree of 18 December 2008 (i.e. companies that (i) employ fewer than 10 people, and (ii) have an annual turnover or balance sheet total not exceeding EUR 2 million);
- negotiation with banks of the rescheduling of loans with the support of the State and the French Central Bank;

3. Following these various announcements, the “draft Emergency Bill to tackle the consequences of the COVID-19” has been approved by the French Parliament on March, 22 2020. This bill enacts some of the economic measures set out above, but includes additional emergency measures to combat the COVID-19 epidemic.

Under this bill, the government is allowed to rule by ordinance, within three months of the publication of the law on, inter alia, the following areas:

- The French government will be able to take any measure to restrict the termination of employment contracts, by facilitating and strengthening the use of short-time work (please see below point 4 for more details). It should be noted that the bill does not include any prohibition to terminate employment contracts.
- It may allow derogations to working time regulations. However, the scope of such measures will be restricted to “companies in sectors particularly necessary for the security of the Nation or the continuity of economic and social life”.
- An ordinance may also be issued to amend the conditions for the accumulation of holiday entitlements and to allow the employer to impose or unilaterally modify the dates on which part of such holiday entitlements may be taken, within the limit of six working-days, provided however that such measure is authorized under the applicable company or sector collective agreement.
- The government has also been authorized under the bill to amend French bankruptcy law in order to facilitate the preventive treatment of financial difficulties arising from the current crisis.

4. Concerning more specifically short work, a draft decree should be issued in the coming days to provide that the allowance borne by the State will be set at 70% of the gross salary of the employee concerned, up to a limit of 70% of 4.5 Minimum Wage (“*Salair Minimum de Croissance*” or “*SMIC*”), whereas it is currently a flat-rate (EUR 7.74 per hour of unemployment per employee for companies with fewer than 250 employees, and EUR 7.23 for those with more than 250 employees).

Foley Hoag has formed a firm-wide, multi-disciplinary task force dedicated to client matters related to the novel coronavirus (COVID-19). For more guidance on your COVID-19 issues, visit our [Resource Page](#) or contact your Foley Hoag attorney.

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