

## French Parliament approves draft bill on partial freeze of corporate income tax rate decrease

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On 11 July 2019, following the approval of the French National Assembly on 4 July 2019, the French Senate approved the partial freeze of the French corporate income tax (CIT) rate decrease.

Except for the constitutionality review by the Conseil Constitutionnel (French Constitutional Council), this bill is final and expected to be published soon.

This provision, included in the same bill as that proposing a tax on digital services (GAFA Tax),<sup>1</sup> aims at putting partially on hold, for fiscal years (FYs) starting from 1 January 2019 to 31 December 2019 (and closing after 6 March 2019), the progressive decrease of the standard CIT rate for companies with a revenue equal to, or higher than €250 million.

Instead of benefiting from a 31% CIT rate on their taxable income exceeding €500,000, as stated by the Finance Bill for 2018,<sup>2</sup> these "large" companies will still be taxed at the former 33.1/3% rate for the 2019 timeframe noted above. However, the 28% CIT rate will still apply on the first €500,000 of their taxable income.

For FYs starting on or after 1 January 2020 and onwards, the progressive decrease of the French CIT rate (down to 25%, by 2022), as stated by the Finance Bill for 2018,<sup>3</sup> should remain unchanged. Yet, according to a recent

statement made by the French Economy and Finance Minister, Mr. Bruno Le Maire, for 2020, companies with revenue equal to, or higher than €250 million, may be taxed at a rate of 31% instead of 28%, as initially announced (for 2020, all other companies would still benefit from the 28% CIT rate). This remains to be confirmed by the next Finance Bill.

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## Endnotes

1. See EY Global Tax Alerts, [French Government submits draft bill on digital services tax to Council of Ministers](#), dated 8 March 2019 and [France's Parliamentary Commission agrees on Digital Services Tax](#), dated 3 July 2019.
2. See EY Global Tax Alert, [French Parliament approves Finance Bill for 2018 and second Amending Finance Bill for 2017](#), dated 22 December 2017.
3. Ibid.

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