



Finance bill for 2021 – Tax measures for corporations at a glance

11 January 2021

The finance law for 2021 was promulgated on December 29th, 2020. It provides for certain technical measures for taxation of corporation and includes numerous provisions designed to support companies affected by the sanitary crisis.

Corporate Taxation

• CIT reduced rate adjustment for SMEs

As from January 1st, 2021, for SMEs, the turnover's threshold to benefit from the 15% reduced rate has been increased to €10m.

As a reminder, for fiscal year ended as from January 1st, 2021, the standard CIT rate is 26.5% for companies with a turnover amounting to €250m and 27.5% beyond.

• Step up of assets: deferral of taxation of the gain

For step up of assets free revaluations carried out during a fiscal year ending on or after December 31st, 2020 until December 31st, 2022, companies have the option of (i) spreading over the taxation of the step up gain for depreciable assets and (ii) deferring taxation, until the date of disposal of the asset, for non-depreciable assets.

• Spread of the capital gain on sale and lease back of real property

The capital gain realized on the sale and leaseback of a Real estate companies are therefore excluded. property to a credit institution may be spread, on option, over the term of the contract, without exceeding 15 years.

This mechanism only concerns companies that own buildings used for their business or that lease the building to a related entity that uses the building for its business.

The purpose of this temporary measure (disposals

made between January 1st 2021 and June 30th, 2023) is to enable companies to improve their cash flow while avoiding immediate taxation.

• Adjustments to R&D tax credit and Innovation tax credit

The rules for taking into account outsourced expenses are harmonized: the doubling of the base and the €2m increase in the €10m ceiling for expenses outsourced to public research organizations are suppressed.

According to procedures yet to be specified, all research organizations will have to be approved.

These provisions apply to research expenses incurred as of January 1st, 2022.

Finally, requests for ruling or expert opinions must henceforth be sent to the ministry in charge of research alone.

Measures for lessors

• A tax credit for lessors who waive rents for the month of November 2020

Lessors who have waived rent before December 31st 2021, for rent due in November 2020, may benefit, under certain conditions, from a tax credit up to 50% of the total amount of rent waivers granted.

Capped at €800k per lessee, this tax credit will be deductible from the corporate income tax due for 2020 or 2021, depending the fiscal year during which the waiver is granted, and the excess will be refundable immediately.



- **Extension of the deductibility of rent waivers**

Lessors who have waived rent between April 15th, 2020 and December 31st, 2020, or who agree to waive rent before June 30th, 2021, will be able to deduct these rent waivers from their taxable result without having to justify the commercial interest for tax purposes.

If the lessor and the lessee are related parties, the waiver will only be deductible if its commercial nature can be demonstrated.

At the same time, the income related to the waiver will be taxable at the lessee's level but will increase the ceiling of €1m for the computation of the tax losses carry-forward.

Supporting measures for companies in difficulty

- Possibility to obtain early repayment of the carry-back claim to companies in conciliation proceedings.
- Possibility of unconditional deduction of debt waivers realized in favour of companies in conciliation proceedings.
- Extension of the temporary exemption from corporate income tax in favour of companies created for the takeover of companies in difficulty.
- Tax regime applicable to contributions into a company of a debt repurchased at a discounted value: the condition of absence of related party link between the initial creditor and the debtor company when the capital increase is carried out in the context of a conciliation, safeguard or recovery plan has been removed (applicable as from the financial year ending December 31st 2020).

Other tax measures

- The reduced rate applicable to late interest has been maintained (0.2% per month).
- Repeal of the obligation to register certain company deeds (capital increase (in cash, by incorporation of profits or reserves etc.), capital reduction, capital depreciation and setting up of EIGs).

Value Added Tax

- **Creation of the "VAT group regime"**

This optional regime, currently implemented in 19 EU Member States, consists in treating two or more eligible persons presenting financial, economic and organisational links, as a single VAT-taxable person. Transactions realized between VAT group members will be disregarded for VAT purposes, meaning that VAT will not be charged on such supplies of goods and services. The group's representative member will be responsible for preparing and filing the VAT returns and paying the VAT amount due on behalf of the group. The VAT group will be effective on January 1st, 2023. The scope of Article 261 B of the FTC will in parallel be modified.

- **Postponement of the entry into force of the e-commerce directive**

The date of entry into force of the reform of the VAT rules on e-commerce is postponed by 6 months. It will be effective on July 1st, 2021.

- **Introduction into the French Tax Code of the case law principles governing composite transactions**

The case-law principles governing composite transactions (services consisting in several elements governed by different VAT regimes) are included in a new Article of the FTC (Article 257 *ter* of the FTC): each operation must be analysed independently, without being artificially split. A single offer including non-ancillary components with different VAT rates must have the highest VAT rate applied to the whole offer. Exceptions to this principle are specified and detailed in the Law.

- **Gradual introduction of e-invoicing between 2023 and 2025**

The Government is empowered to take measures to gradually generalise the use of e-invoicing: an obligation to accept electronic purchase invoices as from 2023 and an obligation to issue electronic invoices between 2023 and 2025 (according to a timetable taking into account the size of companies).

Local taxes

- **Rate of the contribution for value added (CVAE)**

The CVAE rate is reduced by 50%: the rate applicable to companies realizing turnover of more than 50 million € is therefore reduced to 0.75% and the proportional and progressive tax rate applicable to companies realizing turnover between 500k € and 50 million € is also reduced by half.

- **Capping of the territorial economic contribution (CET)**

The CET cap, based on added value, is lowered from 3% to 2%.

- **Accounting valuation of industrial premises**

The interest rates used to determine the accounting rental will take place according to a new *pro rata*. Value of industrial premises are reduced by 50% from 2021 onwards. Their annual revaluation

- **Land contribution (CFE) exemption**

The creation and extension of establishments can benefit, as of 2021, from a CFE exemption for 3 years.

Contacts



Stéphanie Brevost

Attorney-at-law – Partner
Corporate tax
E: sbrevost@avocats-gt.com
T: +33 (0) 1 41 16 27 02



Elvire Tardivon-Lorizon

Attorney-at-law – Partner
Indirect tax
E: etardivon-lorizon@avocats-gt.com
T: +33 (0) 1 41 16 27 32



Alexis Martin

Attorney-at-law – Partner
Corporate tax
E: amartin@avocats-gt.com
T: +33 (0) 1 41 16 27 22



Ronan Journoud

Attorney-at-law – Manager
Corporate tax
E: rjournoud@avocats-gt.com
T: +33 (0) 1 41 16 27 18



Ivan Gay

Attorney-at-law – Senior
Indirect tax
E: igay@avocats-gt.com
T: +33 (0) 1 41 16 27 13



Grant Thornton Société d'Avocats
29, rue du Pont
92200 – Neuilly-sur-Seine, France
www.avocats-gt.com



About Grant Thornton Société d'Avocats

Grant Thornton Société d'Avocats supports its clients in all their strategic operations, whether in national or international context through multidisciplinary expertise in all areas of business law. The firm offers national and international customers all required services for the legal, tax and business management of companies. We deal in all business law matters: legal, tax, labour and contractual due diligences, mergers and acquisitions, tax law, VAT and international trade, global mobility, commercial law, employment law and finally business litigation

NOTE: This memorandum is of a general nature and no decisions should be taken without further advice. Grant Thornton Société d'Avocats shall not accept any legal liability relating to the consequences of any decision or any action taken as a result of the information above. You are encouraged to seek professional advice. We would be happy to discuss the application of any of these changes to your situation.

© 2021 Grant Thornton Société d'Avocats, All rights reserved. Grant Thornton Société d'Avocats is a law firm related to Grant Thornton in France, which SAS Grant Thornton is a member firm of Grant Thornton International Ltd (GTIL). "Grant Thornton" is the brand under which the member firms of Grant Thornton provide Audit, Tax and Advisory services to their clients and / or designates, depending on the context, one or more member firms. GTIL and the member firms do not constitute a global partnership. GTIL and each of the member firms are independent legal entities. Professional services are provided by member firms. GTIL does not provide any service to customers. GTIL and its member firms are not agents. There is no obligation between them.

