

R&D Tax Incentives¹: France, 2017

Design features

France provides R&D tax relief through a volume-based tax credit - Cr dit d'Imp t Recherche (CIR) - and an exemption from social security contributions (SSC) for young and innovative firms (JEI/JEU).

- The headline rate of the R&D tax credit is 30% but it falls to 5% for R&D expenditure above the threshold of EUR 100 million.
- Unused tax credits are refunded in the case of SMEs; a three-year carry-forward is available to large firms whereby any remaining tax credit is refundable after three years.
- Different ceilings apply to subcontracted R&D, depending on the type of R&D service provider.

Table 1. Main design features of R&D tax incentives in France, 2017[†]

	Cr�dit d'Imp�t Recherche (CIR)	Le r�gime de la jeune entreprise innovante (J.E.I.) ou universitaire (J.E.U.)
Tax incentive*	R&D tax credit	SSC exemption
Type of instrument	Volume based	Volume based
Eligible expenditures[†]	Current, depreciation	Labour
Headline rates (%)	30** (5 above EUR 100 million)	100 (only JEI/JEU)
Refund and Carry-over (years)	Immediate (SMEs); after 3 years if any remaining tax credit (large firms)	Redeemable against payroll and related taxes. No carry-over.
Thresholds	EUR 100 million (R&D expenditure)	-
Ceilings	R&D tax relief	- Employee level: 4.5 times the minimum salary - Company level: 5 times the annual social security ceiling
	Subcontracted R&D	- EUR 10 million (EUR 12 if PRO)*** - EUR 2 million if related parties

JEI: Young Innovative Firm; JEU: Young University Firm; PRO: Public Research Organization; SSC: Social Security contributions. *France also offers an accelerated depreciation for R&D capital; **: 50 for firms in French overseas territories; *** Private subcontracted R&D expenses are capped at an amount equal to three times all other qualifying expenses with a limit of EUR 10 million. France also offers income-based tax incentives for outcomes of R&D activities. These are beyond the scope of this note.

[†]For additional information: [OECD R&D Tax Incentive Compendium](#) and [Eligibility of current and capital expenditure for R&D tax relief](#)

Source: OECD, R&D Tax Incentive Indicators, <http://oe.cd/rdtax>, April 2018.

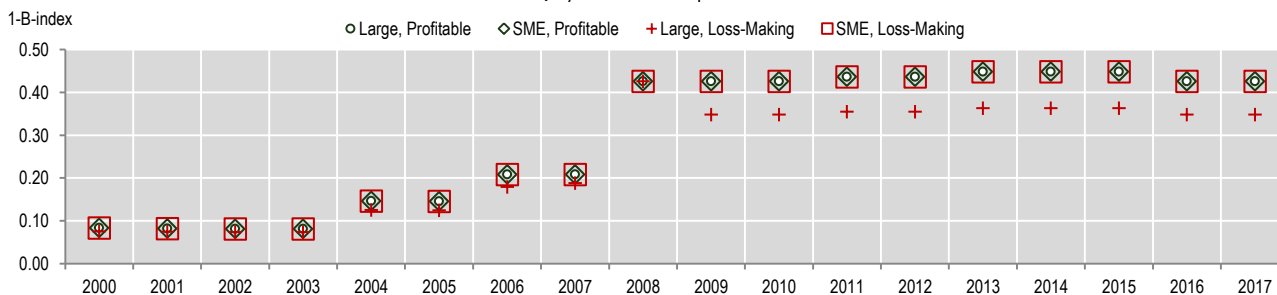
Recent developments and trends

Differences in the design of R&D tax incentives drive a significant variation in the expected generosity of tax relief per additional unit of R&D investment across OECD and partner economies and over time. France offers one of the most generous R&D tax incentives among OECD and partner economies. In 2017, the marginal tax subsidy rate for profit-making (loss-making) SMEs in France is estimated at 0.43 (0.43), significantly above the OECD median of 0.19 (0.15). The tax subsidy rate for large enterprises is equal to 0.26 (0.22) in the profit (loss)-making scenario, well above the OECD median of 0.11 (0.10). These estimates focus on modelling provisions of the R&D tax credit (CIR).

The generosity of R&D tax incentives has increased significantly in France over the 2000-17 period. In 2004, the incremental R&D tax credit was extended to include a volume-based component. While the rate of the incremental tax credit was successively lowered over the 2000-2006 period, the rate of the volume-based credit was doubled from 5% to 10% in 2006. In 2008, the French tax credit became entirely volume-based and the tax credit rate was raised to 30% for eligible R&D expenditure up to EUR 100 million, leading to a substantial increase in the implied marginal tax subsidy rates estimated for firms in the profit (loss)-making scenario. Tax subsidy rates are identical for all types of firms in 2008 due to a temporary relief measure.²

Figure 1. Implied tax subsidy rates on R&D expenditures: France, 2000-17

1-B-Index, by firm size and profit scenario



Source: OECD, R&D Tax Incentive Indicators, <http://oe.cd/rdtax>, April 2018.

Note: Implied marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated based on headline tax credit/allowance rates. Headline tax credit/allowance rates provide an upper bound value of the generosity of R&D tax incentives, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of R&D tax relief. For more information on the calculation of implied tax subsidy rates, see <http://www.oecd.org/sti/rd-tax-stats-bindex-methodology.pdf>; and for notes regarding the modelling of the country-specific time series, see <http://www.oecd.org/sti/rd-tax-stats-bindex-ts-notes.pdf>.

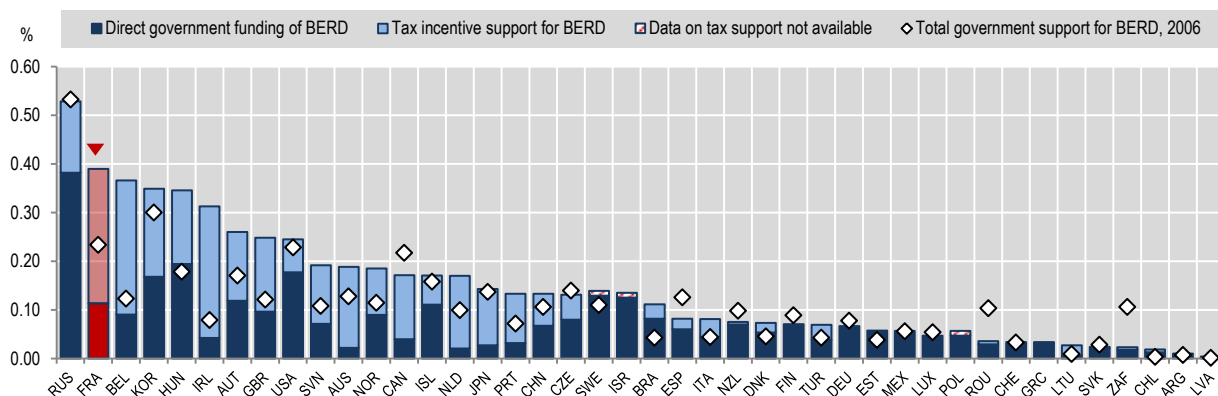
¹ Disclaimer: <http://oe.cd/disclaimer>

² As a temporary relief measure, SMEs and larger firms are both allowed an immediate refund of all unused credits related to the 2008 and residual claims from 2007, 2006 and 2005, instead of a 3 year waiting period. As a result, identical marginal tax subsidy rates are estimated for profitable and loss-making.

Public support for business R&D: the policy mix

Governments adopt various instruments to incentivise R&D by business. In addition to direct support such as grants and buying R&D services, 30 out of the 35 OECD countries provided fiscal incentives in 2017.

Figure 2. Direct government funding of business R&D and tax incentives for R&D, 2015 (nearest year)
As a percentage of GDP



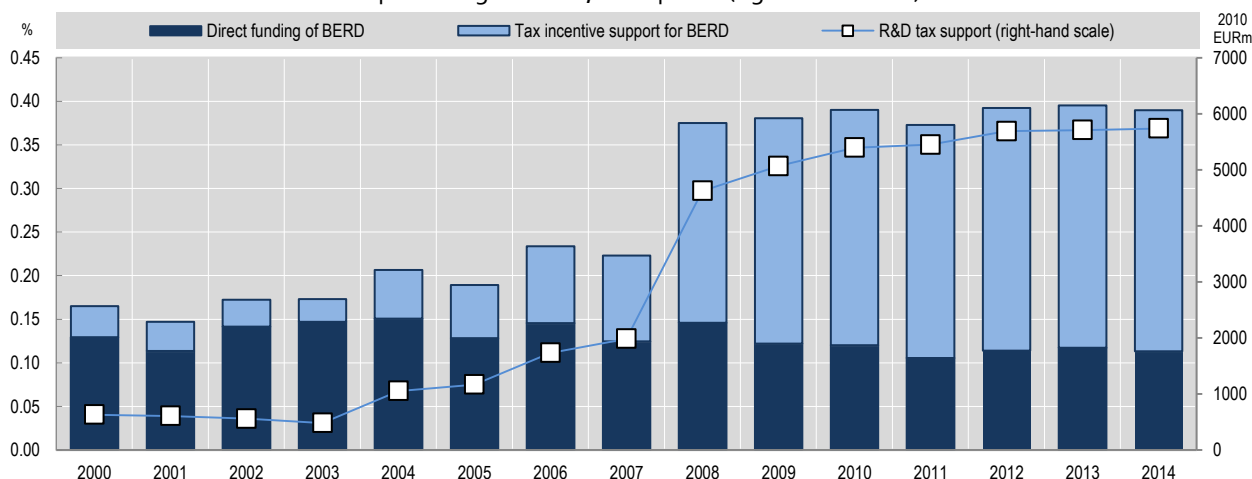
Source: OECD, R&D Tax Incentive Indicators, <http://oe.cd/rdtax>, April 2018.

- France ranks second among OECD and partner economies in terms of total government support to business R&D as a percentage of GDP, equivalent to 0.39% of GDP in 2014.
- From 2006 to 2014, government support for BERD as a percentage of GDP increased in France by 0.16 percentage points, while the OECD median increased by 0.02 percentage points.
- In 2014, R&D tax incentives accounted for 71% of total government support for BERD in France.

Trends in government support for business R&D

Over the last decade, a general trend towards non-discretionary instruments such as R&D tax incentives has been observed. This trend is far from uniform and the policy mix can vary by country and over time.

Figure 3. Direct funding of business R&D and tax incentives for R&D, France, 2000-14
As a percentage of GDP, 2010 prices (right-hand scale)



Source: OECD, R&D Tax Incentive Indicators, <http://oe.cd/rdtax>, April 2018.

- Between 2000 and 2014, the importance of R&D tax support has increased significantly in France, both in absolute and relative terms.
- The cost of tax support rose (in 2010 prices) from 631 million in 2000 to 5 735 million in 2014.
- As percentage of GDP, R&D tax support increased from 0.04% to 0.28% of GDP during this period.
- Direct funding of BERD, on the contrary, slowly declined over the time period, representing 0.13% of GDP in 2000 and 0.11% of GDP in 2014.
- The share of R&D tax incentives in total government support similarly increased significantly over this period, amounting to 22% in 2000, 32% in 2005 and around 71% in 2014.

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