

COVID-19 Response: France

GOVERNMENT MEASURES FOR BUSINESSES

ELIGIBILITY

WHEN?

Cutting Costs

Assumption by the French State of the cost of temporary unemployment

- ▶ Companies will be compensated by the State for indemnities they have to pay to employees requested to go on temporary unemployment. There will be no cost to employers for salaries up to 4.5 times the minimum wage (approx. €7k per month).

All companies requesting employees in France go on temporary leave

Applicable from March 2020 (Decree expected)

Enhancing Liquidity

Deferral of direct taxes and social security contributions

- ▶ The possibility to postpone all or part of employer and employee social security contributions that was initially applicable to contributions due in March 2020 has been extended to contributions due on 5 April 2020. Payment can be postponed for up to three months without any penalty. Corresponding returns however still need to be filed.
- ▶ Possibility to postpone for up to 3 months without any penalty direct taxes next due (in particular, corporate income tax instalment and salary tax due in March) and possibility to obtain a refund for those who have already paid those taxes in March.
- ▶ Possibility to suspend monthly prepayments of local taxes (CFE and property tax) which would then be payable at the same time as the balance.
- ▶ Taxes can be waived by the tax authorities on a case by case basis.
- ▶ Repayment of refundable tax credits can be accelerated.

All companies liable to pay the relevant taxes

No specific requirement to be met although the French government is asking companies who are able to pay not to postpone.

Deferrals do not apply at present to VAT or income tax withheld at source.

From 13 March

COVID-19 Response: France (Continued)

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Enhancing Liquidity (continued)

Guarantees (up to €300 billion) provided by the French State for one-year liquidity loans (as per government order dated 23 March 2020):

- ▶ The loan amount which may benefit from the guarantee is capped at (i) 25% of the 2019 turnover for enterprises created prior to 1 January 2019 (or for innovating companies meeting certain criteria, two times the amount of total employee gross remuneration paid in France in 2019, if higher) and (ii) the estimated amount of total employee gross remuneration over the first two years of activity for those created on or after 1 January 2019.
- ▶ The portion of the loan amount covered by the guarantee depends on the size of the borrower:
 - 90% for companies with fewer than 5000 employees in France and turnover below €1.5 billion;
 - 80% for companies with a turnover between €1.5 billion and €5 billion;
 - 70% for other companies.
- ▶ The remuneration of the guarantee varies depending on the size of the borrower and the maturity of the loan. For borrowers above certain thresholds (more than 250 employees or turnover above €50 million or total assets on balance sheet above €43 million), the premium is 50bps for the first year and, if the borrower extends, 100bps for each of the first and second annual extensions, 200 bps for each additional extension after that). The premium is divided by two for smaller borrowers. The first portion of the premium (the initial 50 bps or 25 bps) is payable when the guarantee is granted and the additional portion is due if and when the borrower exercises the possibility to extend the maturity of the loan.
- ▶ The guarantee does not apply in case of default during the first two months following drawdown of the loan.

All French enterprises (whether or not incorporated) other than financial institutions (*établissements de crédit* or *sociétés de financement*), certain real estate companies (*sociétés civiles immobilières*), and those under insolvency proceedings (safeguard, judicial reorganization or liquidation)

- ▶ Eligible loans are those granted between 16 March 2020 and 31 December 2020, which are not otherwise guaranteed or secured and which have the following characteristics:
 - an amortization deferral of at least 12 months, i.e., no repayment required the first year;
 - a provision giving borrowers the possibility, at the end of the first year, to extend the amortization period by 1, 2, 3, 4 or 5 years;
 - the lender will need to be able to demonstrate, if the guarantee is called, that post-grant of the guaranteed loan, total amounts lent by that lender to the borrower were higher than those existing prior to 16 March 2020 (save for ordinary repayments resulting from amortization schedule agreed prior to 16 March 2010 or voluntary repayments by the borrower).
- ▶ Guarantee is automatic for companies with fewer than 5000 employees or turnover below €1.5 billion in France; government order required for companies exceeding these thresholds.

16 March

COVID-19 Response: France (Continued)

GOVERNMENT MEASURES FOR BUSINESSES	ELIGIBILITY	WHEN?
Enhancing Liquidity (continued)		
Deferral of payment of rents and utility bills	Intended to benefit to the “smallest enterprises facing difficulty” - encouraged to request a deferral from landlords and utility providers — it has been announced that an agreement had been reached between a professional organization of landlords and the ministry of finance to defer rents from 1 April 2020 until activity resumes.	16 March
€1,500 immediate cash grant from solidarity fund financed by the French State and Regions	Enterprises in France with annual turnover below €1 million which have had to close as a result of administrative measures or undergoing a 70% drop in turnover in March 2020 compared to March 2019.	31 March

Note:

- ▶ This document only summarizes key measures implemented to benefit businesses operating in France.
- ▶ The measures described above as of **24 March 2020**. Updates and additional government measures are expected. An emergency law was adopted on 22 March 2020, empowering the French government to take a number of measures that normally require legislation to be voted in Parliament. These measures are those needed to implement the above and also cover a number of exceptions that could be implemented to existing law (e.g., exceptions to maximum work duration and minimum time-off, adjustments to rules regarding payment deadlines, insolvency procedures, annual shareholders’ meeting, etc.).