

FACING COVID-19 IN FRANCE & THE UNITED-STATES ECONOMIC POLICY COMPARISON

❖ OVERVIEW

In response to the COVID-19 outbreak, **the U.S. government** implemented a series of economic measures. On March 6th, a **\$8.3 billion spending bill** was signed by President Trump, followed on March 13th, by the **Emergency disaster declaration**, freeing \$40 additional billions in funding. On March 18th, President Trump signed **the Families First Coronavirus Response Act** followed on March 27th by **the Coronavirus Aid, Relief, and Economic Security (CARES) Act providing a rescue plan of the U.S. economy amounting to \$2.000 billion** (€1.842 billion) to support industries, small businesses and citizens.

Early March, the **Federal Reserve** cut interest rates by 0.5% and committed to purchasing \$1.5t in short-term Treasury debt from banks. On March 15th, Fed **dropped interest rates to zero** and bought \$700b in government bonds. On March 23rd, Fed **announced unlimited bond purchases**.

In total, **France** announced it will deploy a **€45 billion relief package with an additional €300 billion in loan guarantees for businesses**. On March 23rd a [law](#) was published, allowing the government to take action by way of order in the context of the health crisis. On March 25th, **25 ordinances** were presented to the Council of Ministers. On April 1st, the Labor Minister presented [5 additional ordinances](#) related to employment, training and social dialogue.

The government is supposed to **update its budgetary trajectory by mid-April**, with the presentation of its European Stability Program. But the Ministry of Economy, asked the European Commission for a delay, given the context. The French government expects a **3,9% deficit and a 1% recession** this year as a result of the crisis.

❖ SOURCES

- [Les Echos](#)
- [EY Tax Covid-19 response tracker](#)
- [The Washington Post](#)
- [US Department of Labor](#)
- [coronavirus.gov](#)
- [H.R.748 CARES Act, March 27 2020](#)
- [H.R. 6201 Families First Coronavirus Response Act, March 18 2020](#)
- [French Government press release on €4 billion emergency plan to support startups](#)

❖ MEASURES FOR BUSINESSES

UNITED STATES	FRANCE
TAX REBATES & DEFERRAL	
<ul style="list-style-type: none"> • Corporate Tax payment deferral: Corporate taxpayers with calendar year ends can defer payments that would otherwise be due April 15 for 90 days interest and penalty-free (IRS Notice 2020-18). The payment and filing deadline now has been further extended to July 15. The extension also applies to GST tax returns and associated payments. • Employment and payroll tax: ✓ Payroll tax credit: employers with fewer than 500 employees are entitled to a <u>100% refundable payroll tax credit on wages required to be paid due to paid family/sick leave</u> related to Covid-19 and additional health benefit. ✓ Employee retention credit: for employers subject to closure due to Covid-19: Eligible employers will receive a <u>50% credit on qualified wages against their employment taxes for each quarter</u>, with any excess credits eligible for refunds. ✓ Deferred payment of employer share of the Social Security tax (6.2% of employee wages) from the date of enactment through 31 December 2020. • Temporary increase in the amount of the interest expense deduction by increasing the 30% limitation to 50% of EBITA for 2019 and 2020. • Temporary allowance of net operating loss (NOL) carrybacks: a loss from 2018, 2019, or 2020 can be carried back five years. • Acceleration of corporate alternative minimum tax credit refunds. 	<ul style="list-style-type: none"> • Corporate Tax payment deferral: deferral upon request and without penalty of the upcoming corporate tax payment. If the March payment has already been made, companies still have the option to oppose the direct debit from their bank account or to request reimbursement to the authorities. Companies can obtain rebates for corporate tax, penalties or interest on arrears on outstanding tax debts. Outright cancellations are not excluded for the companies in greatest difficulty. • Employment and payroll tax: The employer social contributions payments (“URSSAF”) due on the 15 March 2020 can be postponed upon request, in whole or in part, for up to 3 months. Outright cancellations are not excluded for the companies in greatest difficulty. • No measures related to interest expense deduction, carrybacks or corporate alternative minimum tax credit. • Property Tax: deferral of the monthly payment of the corporate property tax (<i>cotisation foncière des entreprises</i>) or the property tax (<i>taxe foncière</i>), can be suspended without penalty. Outright cancellations are not excluded for the companies in greatest difficulty. • Faster refund of existing tax credits: The government committed of <u>rapid refund of tax credit for competitiveness and employment</u> ("CICE") (within 3 months in 75% of cases). • VAT: The government committed of a rapid refund of excess input VAT to the companies (within 1 month in 80% of cases).
LOANS	
<ul style="list-style-type: none"> • \$500 billion Loans and guarantees to businesses. ✓ \$17 billion for “businesses critical to maintaining national security,” \$25 billion for passenger air carriers and \$4 billion for cargo air carriers. ✓ \$454 billion to provide liquidity to the financial system to supports “eligible businesses, States or municipalities.” (“Eligible businesses” are US businesses that have not yet received adequate economic relief in the form of loans or loans guarantees provided under the CARES Act): purchasing obligations or other interests directly from issuers of such obligations or other interests; purchasing obligations or other interests in secondary markets or otherwise; making loans, including loans or other advances secured by collateral. • Limit the amount of annualized interest for mid-sized businesses: for mid-sized businesses (500-10 000 employees, including non-profits), the Secretary of Treasury will seek to implement a program or facility so that direct loans made by banks and lenders to mid-sized businesses are subject to an annualized interest rate that is not higher than 2% per annum. For at least 6 months after any such direct loan is made, no principal or interest shall be due and payable. 	<ul style="list-style-type: none"> • No direct State loans for businesses. • State guarantees up to 300 billion euros for all businesses’ bank loans. • Postponement of bank instalments: Support from the State and the <i>Banque de France</i> to help businesses negotiate rescheduling their bank loans (credit mediation).

TAX CREDITS & LOANS EXCEPTIONS

<ul style="list-style-type: none"> • Companies accepting loans: ✓ May not repurchase outstanding stock or pay dividends; ✓ Shall retain at least 90% of their workforce (as of March 24 until September 30th 2020); ✓ Mustn't raise executives earning over \$425,000 annually for two years and must cap officers and employees' compensation for those making more than \$3 million in 2019. Their compensation is capped at \$3 million, plus 50% of the amount in excess of \$3 million that the individual received in 2019. Companies are not eligible if top administration officials, members of Congress or their families have 20% control. ✓ The duration of the loan does not exceed 5 years. 	<ul style="list-style-type: none"> • Companies benefiting from Tax Credits: ✓ Mustn't pay dividends or else they will be required to repay, with penalties, the sums (taxes and social security charges) that have been deferred. At present, no legislation has been passed on this subject, but it was announced by the Prime Minister's Office.
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SMALL BUSINESSES & ENTREPRENEURS

<ul style="list-style-type: none"> • \$350 billion in forgivable loans for small businesses. ✓ Companies with 500 employees or fewer, including nonprofits, self-employed and hotels and restaurants chains with no more than 500 workers per location can benefit from loans. Companies can use loan proceeds for payroll support (including paid leave and costs related to group healthcare benefits continuation), mortgage payments, rent, utilities, and any other debt obligations that were previously incurred. Loans may be forgiven if company retains workers. ✓ \$17 billion in subsidies to help small businesses repay existing loans and \$10 billion for Emergency Economic Injury Disaster Loan Grants of up to \$10,000 to pay operating costs. ✓ Paycheck Protection Program (PPP): cover payroll costs for small Businesses from February 15 to June 30, 2020. Thousands of banks, credit unions, and other lenders will be delegated the authority to make these loans. • Self-employed, gig economy workers are eligible to emergency unemployment insurance measures. Up to \$600 per week for 39 weeks under pandemic Unemployment Assistance Program. 	<ul style="list-style-type: none"> • A €1,7 billion Solidarity fund for very small businesses (entrepreneurs, merchants, artisans). ✓ Companies with fewer than 10 employees, whose annual turnover is less than 1 million euros, which have fully or partially closed, or which have undergone very significant drop in their turnover (50%) are eligible. Beneficiaries will receive an aid payment of 1,500 euros early April. ✓ Additional assistance of 2,000 euros may be paid on a case-by-case basis for these very small businesses that risk bankruptcy, but only those with at least one employee. • For the small companies, eligible to the solidarity fund, deferral of the payment of taxes, social security contributions, or various invoices (e.g., water, gas or electricity and rents), for as long as the current situation will last.
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SUPPORT EMPLOYEMENT WHILE OFFSETING THE LOSSES DUE TO THE DECREASE IN WORKING TIME

<ul style="list-style-type: none"> • No additional measures to the ones listed under "TAX CREDIT AND DEFERALS- employment and payroll tax"; under SMALL BUSINESSES – Paycheck Protection Program and under MEASURES TARGETTED AT SPECIFIC SECTORS "Airlines & Cargo". 	<ul style="list-style-type: none"> • A simplified and reinforced use of the partial activity system: This system, also called partial unemployment, enables companies to receive financial aid to offset the loss of income caused by the reduction in the working time of the concerned employees. Partial unemployment is fully supported by the government, up to 4.5 times the minimum wage. Employees will receive up to 70% of gross salary and 84% of net salary. Employees paid at minimum wage will receive an 100% compensation. <i>The cost of partial unemployment is now estimated at €11.15 billion over the course of 3 months. On April 1, 2020, 337.000 companies had asked for partial unemployment for 3,6 billion employees. – 1 in 5 employees in France is partially unemployed.</i> • Employers can impose paid leaves up to their employees to a limit of six working days. This measure is subjected to a company or branch agreement. In certain economic sectors, changes can also be implemented regarding working hours, weekly rest and Sunday rest.
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PUBLIC PROCUREMENT	
<ul style="list-style-type: none"> • No public procurement measure announced by the U.S. Government. 	<ul style="list-style-type: none"> • Late penalties will not be applied for State contracts. • The government affirmed the objective of quick payment of suppliers (i.e., on average 20 days).
MEASURES TARGETED AT SPECIFIC SECTORS	
<ul style="list-style-type: none"> • Airlines & Cargo: a \$25 billion loan for passenger airlines and a \$4 billion loan for cargo air carriers (within the \$500 billion loans and guarantees to businesses), plus a financial assistance for employee wages, salaries, and benefits of up to \$25 billion for passenger airlines and \$4 billion for cargo air carriers • Charities: Temporary expansion of limitations on charitable contribution deduction (increasing taxable income limitation from 10% to 25% for 2020). • Custom duties exemptions: <ul style="list-style-type: none"> ✓ Suspension of certain aviation excise taxes through the creation of an excise tax holiday through December 31, 2020 ✓ Temporary exception from excise tax for alcohol used to produce hand sanitizer provided by CARES Act for 2020. ✓ Possible removal of customs duties for medical-care products needed to address the COVID-19 pandemic: The Office of the U.S. Trade Representative released for publication in the Federal Register a notice and request for comments on possible changes to the Section 301 investigation on China and 	<ul style="list-style-type: none"> • Travel companies will be able to reimburse clients with coupons for canceled services. • Telecommunications network operators: adaptation of deadlines and procedures applicable to the establishment or modification of an electronic communications facility in order to ensure the functioning of electronic communications services and networks • French Tech: The Secretary of State for Digital, announced a € 4 billion emergency plan to support startups. <ul style="list-style-type: none"> ✓ An €80 million package to finance bridges between two fund-raising rounds. ✓ State-guaranteed treasury loans of up to twice the 2019 wage bill for France or, if higher, 25% of the annual revenue, as for other companies (backed by the €300 billion state guarantee adopted in the dedicated finance bill). ✓ An accelerated payment of the PIA innovation support grants already allocated but not yet released, for an estimated total amount of €250 million. ✓ €1.3 billion support for innovative companies planned for 2020 through Bpifrance. • EU Custom duties exemptions. <ul style="list-style-type: none"> ✓ Masks may be imported without CE label provided that the importer complies with European standards or certain equivalent foreign standards. ✓ Custom duties exemptions and VAT exemptions on imports of medical devices: goods intended for the immediate needs of Covid-19 infected patients, medical workers and rescue units.

❖ **MEASURES FOR CITIZENS & EMPLOYEES**

UNITED STATES	FRANCE
HEALTH BENEFITS	
<ul style="list-style-type: none"> • Employer paid leave requirements: Families First Coronavirus Response Act (FFCRA Act) requires private and public employers with fewer than 500 employees to provide their employees with paid sick leave or expanded family and medical leave for specified reasons related to COVID-19. Up to 10 weeks of paid leave and up to 80 hours of paid sick-time. Employer will receive dollar-for-dollar reimbursement through payroll tax reduction. • Independent workers entitled to 100% of their revenue during sick leave and 76% of their revenue if they are taking care of a sick relative in the form of tax credits under Families First Coronavirus Response Act. 	<ul style="list-style-type: none"> • Widening the scope of employees' eligibility to additional health benefits paid by the employer in the event of sick leave. • €2 billion social spending on benefits for single parents caring for their children, or people caring for a dependent relative.

TAX REBATES & DEFERRAL

<ul style="list-style-type: none"> • Individual taxpayers can defer tax payments that would otherwise be due April 15 for 90 days interest and penalty free (IRS Notice 2020-18). The payment due date is now July 15. The postponed payment amount is the same for single individuals and those married filing jointly. • CARES Act provides key tax measures for individuals: <ul style="list-style-type: none"> ✓ 2020 recovery rebates of \$1,200 for individuals, \$2,400 in the case of eligible individuals filing a joint return, phasing out at certain thresholds based on the taxpayer's previous taxable income. Rebate increases by \$500 for every child. <i>Over 90% of households would benefit from this measure, according to the Tax Policy Center.</i> ✓ Waiver of 10% early withdrawal penalty for retirement plan distributions up to \$100,000 for coronavirus-related purposes, subject to tax over three years. Taxpayer may recontribute the funds within three years without regard to yearly cap on retirement plan contributions. ✓ Expansion of deduction for charitable contributions. ✓ Income tax exclusion for individuals who are receiving student loan repayment assistance from their employer. 	<ul style="list-style-type: none"> • Individual taxpayers cannot defer tax payments and no additional tax credit were implemented for individuals so far. However, income taxes are automatically adjusted for people subjected to partial unemployment. • Self-employed can defer income tax payment by adjusting the rate and the down payments at source of income tax and or by deferring the payment of the personal income tax down payments from one month to another up to three times (if monthly installments), or from one quarter to the next (if quarterly installments).
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BONUSES

<ul style="list-style-type: none"> • No specific measures announced to offer businesses with liquidity to pay bonuses. The Paycheck Protection Program loan covers payroll costs including payment of cash tip or equivalent. 	<ul style="list-style-type: none"> • Tax-free Bonus of an amount of 1,000 euros maximum. The government encourages companies that want to reward their employees who continue to work despite the coronavirus to pay them a premium. The amount of this bonus can be doubled in companies that have signed a profit-sharing agreement. It can be adjusted according to the working conditions linked to the epidemic.
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UNEMPLOYMENT ALLOWANCES & OTHER BENEFITS

<ul style="list-style-type: none"> • Pandemic Unemployment Assistance (projected cost of \$260 billion): <ul style="list-style-type: none"> ✓ Provides unemployment benefits to those who are unemployed, partially unemployed or unable to work because of the virus and do not qualify for traditional benefits, including an individual who has exhausted all rights to regular unemployment or extended benefits. Includes an extra 13 weeks of coverage for people who have exhausted existing benefits. Families First Coronavirus Response Act (FFCRA) provides for an additional 26 weeks of unemployment benefits that are fully funded by federal government for states with at least 10% increase in unemployment rate. Individuals that have exhausted their rights can therefore receive a maximum of 39 additional weeks of assistance. ✓ Covers part-time, self-employed, gig economy workers, workers that cannot access their workplace due to sanitary reasons (as previously mentioned in MEASURES FOR BUSINESS - SMALL BUSINESSES & ENTREPRENEURS) ✓ Includes a Federal Pandemic Unemployment Compensation: a \$600 per week payment, in addition to regular unemployment benefits up until July 31, 2020 	<ul style="list-style-type: none"> • Pre-existing unemployment regulation in France states that former employees are entitled to unemployment benefits for up-to two years. On average, benefits amount to 60% of their former salaries. • Extension of unemployment coverage: for those whose unemployment coverage were coming to term, their coverage will be extended until the end of the quarantine. • Extension of rights open for minimal social benefits. • Part-time, self-employed, gig economy workers: and additional onus of 2 500 is currently being discussed. • Partial activity system: Workers that cannot access their workplace or are not working due to the crisis are compensated through partial activity system (as described in MEASURES FOR BUSINESS - SUPPORT EMPLOYEMENT WHILE OFFSETING THE LOSSES DUE TO THE DECREASE IN WORKING TIME).
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