

France - Draft Finance Bill for 2027 – Key tax measures

Here below is a summary of the key measures of the Draft Finance Bill for 2027 published on Thursday 1 October 2026 (the *Bill*).

Presented by the Government as a budget of “tax stability”, the Bill targets a public deficit of 5.0% of GDP in 2027. Alongside the indexation of the personal income tax brackets and new incentives supporting investment and business transfers, it includes several new tax measures, some of which would apply as early as 1 October 2026.

Unless otherwise provided, the tax measures would enter into force on 1 January 2027, or on 31 December 2026 for taxes whose chargeable event is the end of the calendar year or the close of the financial year (Article 33 of the Bill). The measures summarised below are draft for discussion so that they may be amended (or even removed) during the parliamentary debates.

Key measures for businesses

Extension of the exceptional contribution on the profits of large companies (Article 15 of the Bill)

The Bill extends for a third financial year the exceptional contribution on the profits of large companies introduced by Article 48 of Finance Law No. 2025-127 of 14 February 2025 for 2025. For this third financial year, only companies subject to corporate income tax with a turnover of at least €1.5 billion for that financial year or the preceding one would be liable. The tax is computed on the gross amount of the corporate income tax charge. The rates would be reduced to 15.7% (turnover between €1.5 billion and €3 billion) and 31.4% (turnover of at least €3 billion), with smoothing mechanisms between €1.5 billion and €1.6 billion and between €3 billion and €3.1 billion. The expected yield is €5 billion in 2027, €2 billion less than in 2026.

The exceptional contribution on the operating profit of large maritime transport companies (Article 50 of the same Law) would also be reinstated for one financial year, at a rate of 8%, with no advance payment.

New “Industry 4.0” enhanced depreciation allowance and extension of the C3IV (Article 9 of the Bill)

A new Article 39 decies H of the French Tax Code (*FTC*) would grant SMEs and mid-sized companies (*ETIs*) taxed under a real regime an off-book deduction based on the original cost of certain assets used in an industrial activity (robotics, 3D printing, digital twins, generative AI, advanced analytics, etc.). The rate would be 40% for medium-sized companies and ETIs and 80% for small companies, increased to 80% and 120% respectively for SMEs investing in regional aid areas. The incentive

would cover assets acquired new between 1 January 2027 and 31 December 2029 under a firm order placed as from the presentation of the Bill to the Council of Ministers, as well as assets leased under finance leases over the same period.

The green industry investment tax credit (*crédit d’impôt au titre des investissements dans l’industrie verte; C3IV*) would be extended to electricity grids, solar thermal energy, battery pack assembly and permanent magnets for electric motors, subject to authorisation by the European Commission under the State aid rules.

“Pacte Papin” pact for business transfers (Article 10 of the Bill)

Presented as the counterpart of the “*Pacte Dutreil*” for transfers outside the family circle, the “*Pacte Papin*” would apply to disposals made between 1 January 2027 and 31 December 2029.

It first provides for an enhanced depreciation allowance for the acquired business (new Article 39 decies J of the FTC) equal to 60% of the original cost of all assets acquired new after the disposal for very small businesses, and to 30% of certain productive assets for SMEs. It is reserved for businesses that have been operating for at least five years, disposed of for consideration (all the securities held by the seller or more than 50% of the voting rights), whose seller ceases all function, and which continue the same activity for five years.

Where the business is taken over by one or more employees with at least five years’ service during the ten years preceding the disposal (or by a company wholly owned by employees), the fixed allowance under Article 150-0 D ter of the FTC available to retiring managers would be increased to €1,000,000 (v. with

€500,000 currently), and transfers of goodwill and clientele and of partnership shares would benefit from a reduced registration duty rate of 0.1%, subject to five-year holding and operating or management undertakings.

Enhanced depreciation allowance for agricultural investment (Article 13 of the Bill)

A 40% enhanced depreciation allowance (new Article 39 decies I of the FTC) would be introduced for storage, livestock, slaughtering and agri-food processing buildings and facilities provided for in an “agricultural future project” recognised under the Law of 18 August 2026 on emergency measures for agricultural protection and sovereignty, and built, renovated or acquired between 1 January 2027 and 31 December 2030. The Bill also amends the tax credit for farmers’ replacement expenses (Article 200 undecies of the FTC) and extends the “High Environmental Value” tax credit by one year.

Changes to insurance provisions and reinsurance captives (Article 18 of the Bill)

Equalisation provisions of insurance and reinsurance companies (Article 39 quinquies G of the FTC) could be used to offset the technical loss of another risk category, such use triggering their reversal and taxation under ordinary rules (financial years beginning on or after 1 January 2027). Reinsurance captives of industrial groups holding financial subsidiaries could also benefit from the resilience provision, solely for commitments covering the risks of the group’s non-financial entities.

Adjustments to the tax on capital reductions (Article 17 of the Bill)

The exemptions from the tax on capital reductions of large companies (Article 235 ter XB of the FTC) would be adjusted: the exemption for the cancellation of shares bought back under employee shareholding schemes would apply irrespective of the liquidity mechanism used and would be extended to employee savings funds (FCPE) governed by Article L. 214-165 of the French Monetary and Financial Code. The concepts of merger and demerger used for the exemption of buybacks limited to 0.25% of the share capital and intended to settle fractional entitlements would be construed within the meaning of Article 210-0 A of the FTC, including the anti-abuse clauses.

Refocusing of the enhanced depreciation allowance for low-emission heavy vehicles (Article 25 of the Bill)

The end date of the enhanced depreciation allowance for vehicles using clean energy (Article 39 decies A of the FTC) would be brought from 2030 to 2026. A new incentive would apply to vehicles acquired new (or leased under finance leases or leases with a purchase option) between 1 January 2027 and 31 December 2030: the deduction would be based on the additional cost compared with a vehicle of the same category using another energy source, at a rate of 20%, 60% or 40% depending on the gross vehicle weight rating.

Sector-specific measures (Articles 12, 14 and 22 of the Bill)

- The rate of the tax on the operation of long-distance transport infrastructure (Article L. 425-12 of the code on taxes on goods and services; **CIBS**), currently 4.6%, would vary with the operator’s profitability and rise up to 12.2% where profitability reaches 30% (expected additional yield: €800 million).
- The fraction of the advertising revenue of free video-sharing platforms included in the basis of the tax on audiovisual advertising (TSV-G, Article L. 454-22 of the CIBS) would increase from 34% to 67%.
- The schemes supporting the press, SOFICAs (film and audiovisual financing companies), crafts and the music industry would be extended until 2029.
- The rate of the tax on insurance contracts applicable to optional motor vehicle insurance would be increased from 18% to 18.9% for premiums falling due on or after 1 January 2027.

Key VAT measures

Television services (Article 16 of the Bill)

The Bill abolishes the reduced rate applicable to television services, in order to end the distinction between television services and electronically supplied services, which creates legal uncertainty for bundled offers. All such services would be subject to a single rate of 20%.

Real estate transactions and ratification of the VAT recodification (Article 19 of the Bill)

The Bill ratifies Ordinances No. 2025-1247 of 17 December 2025 and No. 2026-671 of 27 July 2026, which recodified VAT within the CIBS, and makes several adjustments relevant to real estate transactions: an option to subject leases of undeveloped land to VAT, the option being conditional, where the lessee is not a taxable person, on its express agreement in the contract (Article L. 231-28 of the CIBS); an exemption, with a transaction-by-transaction option, for rentals under leases granting a right in rem, such as building leases, emphyteutic leases, real property leases (*bail réel immobilier*) and solidarity leases (*bail réel solidaire*) (new Article L. 231-35-1 of the CIBS); and VAT becoming chargeable on receipt of payment for supplies of buildings to be constructed, in particular off-plan sales (VEFA) (new Article L. 231-36-1 of the CIBS).

Vehicles made available to employees and managers (Article 25 of the Bill)

In order to neutralise arrangements in which the VAT deducted on the acquisition or lease of a vehicle exceeds the VAT charged on a low rent paid by the employee, the taxable amount of a means of transport made available to a manager or employee would, where lower, be increased to the open market value of the service (new Article L. 213-58-1 of the CIBS).

Key measures for individuals

Contribution and sale of shares (*apport-cession*): end of the cancellation of the tax deferral upon donation or death (Article 5 of the Bill)

In Article 150-0 B ter of the FTC, the Bill replaces the concept of “transfer for consideration” with that of “transfer” of the securities received in exchange for the contribution, and repeals Section II of that Article. A gift or succession of these securities would thus terminate the tax deferral and make the income tax and social security surcharges on the contribution gain immediately payable. A corresponding treatment is provided for taxpayers subject to exit tax (Article 167 bis of the FTC). Upon request, the tax could be paid in instalments over five years, subject to conditions (new Article 1681 G of the FTC).

The measure would apply to transfers made on or after 1 October 2026, i.e., as from the filing of the Bill. Pending transfers of holding company securities that have benefited from the regime will therefore need to be reviewed.

Life insurance: conditions for the tax regime (Article 6 of the Bill)

The life insurance tax regime, for income tax purposes (Articles 122 and 125-0 A of the FTC) as well as for duties payable upon death (Article 757 B of the FTC), would be reserved for contracts meeting three conditions: (i) premiums paid in cash as from 1 October 2026; (ii) unit-linked assets with characteristics similar to those on the list in Article L. 131-1 of the French Insurance Code; and (iii) no assets in dedicated funds issued, guaranteed or owed by the policyholder, the insured, the beneficiary, their family circle or the entities they control (new Article L. 131-1-3 of the French Insurance Code). The explanatory memorandum of the Bill states that foreign contracts will have to present similar characteristics.

Failing this, the sums paid upon death would be subject to inheritance tax according to the degree of kinship (new Section II bis of Article 757 B of the FTC) for deaths occurring on or after 1 July 2027. For income tax purposes, the new conditions would apply to contracts taken out on or after 1 October 2026 and, for earlier contracts, to income derived from premiums paid on or after that date.

Indexation of the personal income tax brackets (Article 2 of the Bill)

The personal income tax brackets and related thresholds would be indexed by 2.1%, in line with the forecast change in prices excluding tobacco for 2026. The bracket limits would be raised to €11,844, €30,200, €86,353 and €185,737 (Article 197 of the FTC) and the cap on the benefit of each family quotient half-share to €1,845. The default withholding tax rate schedules would be adjusted for income received on or after 1 January 2027.

Cap on the exemption of termination payments (Article 2 of the Bill)

The payments listed in Section 1 of Article 80 duodecies of the CGI (including, in particular, conciliation indemnity, dismissal and mutually agreed termination payments) would only be exempt up to a single cap equal to the annual social security ceiling (PASS) (€48,060 in 2026), replacing the current criteria. The reference to “three times” that ceiling would also be removed for payments made to corporate officers. According to the explanatory memorandum, the measure would affect the 5% highest-paid employees.

As the text does not provide for a specific entry-into-force date, the general rule in Article 33 of the Bill could result in it applying as early as the taxation of 2026 income, a point that will need to be confirmed during the debates.

Daily allowances, CSG (Article 2 of the Bill)

Daily sickness allowances paid for a long-term illness would become taxable on 50% of their amount, and the partial exemption of daily allowances paid to victims of occupational accidents and diseases would be abolished (Articles 80 quinquies and 81, 8° of the FTC). The reduced rate of CSG (general social contribution) applicable to these daily allowances would be abolished for income paid on or after 1 January 2027 (Article L. 136-8 of the French Social Security Code).

Temporary relief on gifts of cash (Article 4 of the Bill)

Gifts of cash made in full ownership between 1 January and 30 June 2027 to a child, grandchild, great-grandchild or, in the absence of descendants, a nephew or niece aged 18 to 50, would be subject to gift tax at a single rate of 6%, up to €100,000 per donor and per donee. This rate would be reduced to 5% where the donee passes on at least 1.1% of the sums received to an organisation assisting people in difficulty. These gifts, to be declared within one month, would not be subject to the 15-year look-back rule (Article 784 of the FTC) and, over the same period, the exemption limit under Article 790 G of the FTC would be raised to €50,000 (v. €31,865 currently).

Non-professional furnished rentals: cap on depreciation (Article 7 of the Bill)

The Bill caps the depreciation deductible by non-professional furnished landlords (LMNP, Article 39 C of the FTC) at a rate of 2.5%, up to €7,000 per year and per tax household (1.5% and €5,000 for furnished tourist accommodation), with the exception of certain residences (students, young people in training, elderly people), medico-social establishments and long-term care establishments. For financial years ending on or after 1 January 2027, depreciation not deducted because of this cap could no longer be carried forward; the stock of depreciation carried forward could only be offset until 2036, up to half of the taxable profit.

Tax audits, procedures and litigation

“Silence means consent” procedure for tax rulings (Article 29 of the Bill)

As a trial until 31 December 2028, the guarantee under Article L. 80 A of the French tax procedure code (**FTPC**) would apply, upon election, to formal ruling requests from companies in a partnership with the Large Business Directorate and from SMEs benefiting from tax support, where the tax authorities have not given a reasoned reply within three months of a written, precise, complete and good-faith request. The mechanism would not apply where the request has been submitted to the Tax Legislation Directorate (*direction de la législation fiscale*) or to the Legal Certainty and Tax Audit Department (*service de la sécurité juridique et du contrôle fiscal*). A decree will set, in particular, the start date of the procedure.

Strengthening the fight against fraud (Article 30 of the Bill)

The Bill makes permanent the automated collection and processing of content published on online platforms (new Article L. 80 S of the FTPC), trialled since 2020. It strengthens the means to combat promoters of fraudulent overseas tax-incentive schemes, creates a fine of €10,000 per request in the event of refusal to

provide information in the course of the review provided for in Article L. 80 R of the FTPC (new Article 1729 C quater of the FTC), triples the fine for reporting failures by platform operators (from €50,000 to €150,000, Article 1736 of the FTC) and extends administrative third-party holder seizure (SATD) to securities accounts, with compulsory sale of the securities (Article L. 262 of the FTPC).

Modernisation of procedures (Article 31 of the Bill)

For audits initiated on or after 1 January 2027, the procedures for providing copies of accounting entry files (FEC) would be set by ministerial order, and the results of the IT processing giving rise to reassessments would be communicated to the taxpayer in electronic form no later than when the proposed reassessment notice is sent (Article L. 47 A of the FTPC).

In addition, royalties paid by a French collective management organisation to an eligible foreign organisation could bear, at source, the withholding tax rate provided for by the applicable tax treaty (Articles 182 B, II bis and 182 C of the FTC).

The DWF tax team remains at your disposal for any questions regarding the Finance Bill or any other tax matter.



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