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GREAT DEBATE 2019

Direct household taxes GONE SKY-HIGH

+ 22% between 2010 and 2017

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Direct household taxes: GONE SKY-HIGH

+ 22% increase between 2010 and 2017

In 2017, we collectively paid 1,038 billion in taxes including 250 billion euros of direct taxation on households. In the same year, Emmanuel Macron promised to lower the tax burden from 44.5% to 43.6% of GDP at the end of 2022 with a net decrease of 20 billion euros, including 10 billion euros of tax relief for households. These objectives will not be achieved because the Government now plans a tax rate of 45% in 2022. Even so, the French bear the highest tax burden in Europe. A painful reminder: the average of compulsory contributions in the Euro area is 40.4%, which is 4 points less than what we currently have.

Where does the problem come from? If the presidential promises in terms of tax cuts are well and truly in place (lower employee contributions and exemption from housing tax), we can see that each of these cuts is financed... by a new tax increase: increase in supplementary social security contributions (CSG), tax on tobacco and even a new tax on geothermal deposits, without forgetting the planned increase in green taxation and carbon tax. The latter increase was cancelled as a result of the demands of the first "gilets jaunes" or "yellow vests" movement.

Households are exasperated with the tax system: between 2010 and 2017, direct taxes on households increased by more than 60 billion euros, of which 27 billion euros were borne by the rise in income tax and 16 billion by the increase in supplementary social security contributions (CSG). However, not all households contribute at the same level as only 43% of them are taxable and households earning more than 4,623 euros per month bear 52% of income tax collection. The squeeze is for real: if this trend continues, a growing number of French people may well be tempted by tax exile.

As part of the Great Debate, the iFRAP Foundation wanted to re-establish accountability on household contribution to the tax burden. What we can see is that the distribution of this burden is borne by an increasingly concentrated fraction of French people, even if all households pay direct taxes thanks to social security contributions (CSG), income is already taxed along a progressively increasing scale and there is no hidden jackpot or wealth to support this.

The actual tax situation of households is:

- In 2017, direct taxes on households amounted to 250 billion euros, up 63 billion in seven years (2010 to 2017), including a 27-billion increase uniquely for income tax.
- While the top 10% of affluent households account for 35% of income, they pay 52% of direct household taxes, i.e. 130 billion euros. And they have borne 38% of the direct tax supplement in seven years (24 of 63 billion euros).
- The 40% of middle-income households account for 47% of income and pay 40% of direct household taxes, amounting to 100 billion euros.
- While the bottom 50% of poorest households accounting for 18% of income, pay 8% of direct household taxes, amounting to 19.8 billion euros.

Compulsory contributions* in 2017 in France according to the OECD

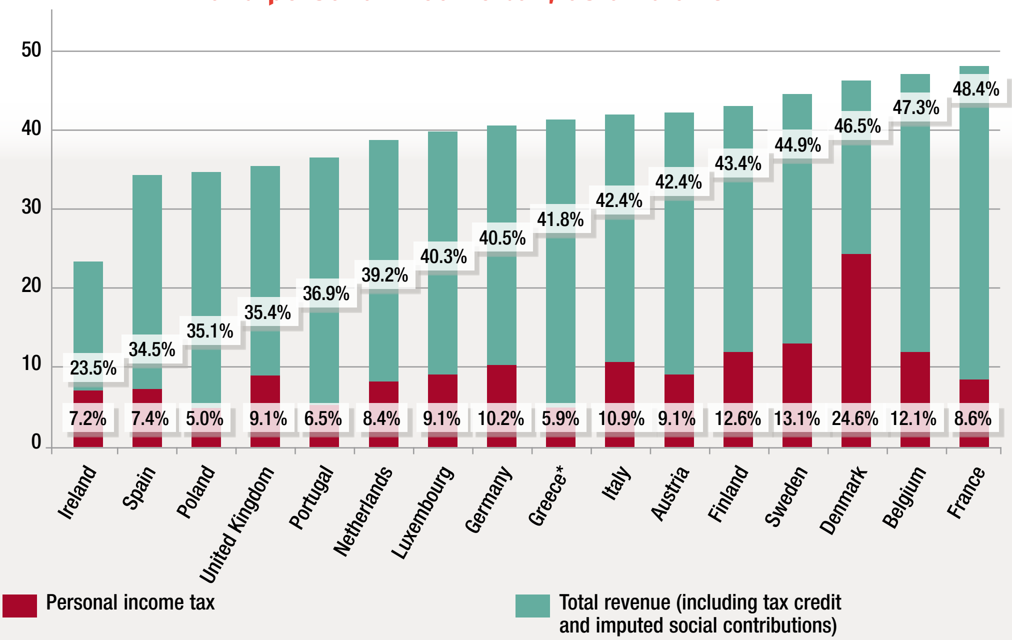
Direct household taxes within the scope of this study are shown in red.

Tax		million euros
Taxes on income, profits and capital gains		**251,801**
including	Personal income tax	76,608
	CSG (generalized social security contribution), FSV (Old Age Solidarity Fund), CRDS (Social debt repayment contribution)	115,427
	Social solidarity contribution	2,623
	Corporate taxes (issuance of tax rolls)	48,038
	Deduction from movable capital	3,062
	Social contribution on corporate profits	1,142
Social security contributions (CSS)		**388,364**
including	Social security contributions payable by employees	100,900
	Social security contributions payable by employers	259,200
	Social security contributions payable by self-employed or unemployed people	28,264
Payroll and labour taxes		**35,739**
including	Payroll tax	13,847
	Corporate social contribution	5,497
	National housing assistance funds	2,683
	Tax for the benefit of transport unions	10,286
	National Solidarity Fund for Autonomy (CNSA)	1,994
Wealth taxes		**100,978**
including	Housing tax	19,310
	Land tax	18,925
	Domestic refuse removal charge	6,803
	Taxes on financial and capital transactions	17,578
	Taxes on the change of ownership of property through inheritance or gifts (including capital transfer tax)	14,208
	Recurrent taxes on net wealth	5,068
Taxes on goods and services		**260,521**
including	Value added taxes	162,835
	Duty on mineral oils	29,594
	Taxes and duties on tobacco and matches	12,475
	Tax on electricity and heating	9,983
	Taxes on betting and gambling	2,290
	Insurance tax	10,523

Tax		million euros
Taxes payable exclusively by companies		**26,696**
including	Corporate property tax	6,656
	Corporate value added tax	13,526
	Flat-rate tax on network businesses	1,328
Customs duties levied for the EU		**1,908**
Total tax revenue		**1,066,035**

Source: OECD, * compulsory contributions, including tax credit.

Total revenue from compulsory contributions, and personal income tax, as a % of GDP



Source: OECD (* For Greece, the share of personal income taxes as a % of GDP dates from 2016).

Compulsory contributions and income tax in France and Europe

In Europe and in the OECD, France is characterized as the State that levies the most taxes and duties… whereas the Euro area is located at 41.4% and the EU is located at 27 to 40.2%. Despite this grim record, the share of taxation (income tax + generalized social security contributions) on French households as a % of GDP is located within the world average, 8.6% as opposed to an average of 8.4% in the OECD (in 2016). The exceptional situation in Denmark should be noted where social protection is funded by income taxes.

I - DIRECT TAXES ON HOUSEHOLDS HAVE INCREASED BY 22% BETWEEN 2010 AND 2017

A total bill of 63.4 billion euros over seven years

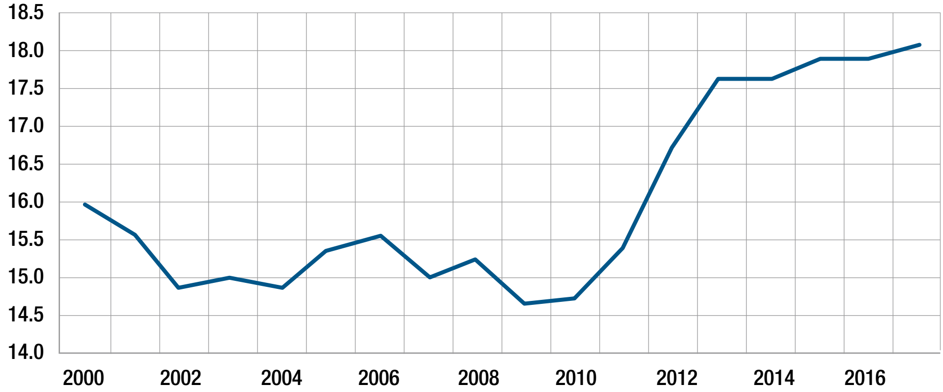
Current political and social events have revived the debate on the tax burden and its impact on households. A subject that the President of the Republic put on the agenda of the Great debate that concludes on March 15.

To be totally clear on this subject, and based on INSEE[1] national accounts, the iFRAP Foundation has pieced together the tax burden on all households and its evolution over the last few years. In 2017, out of the total of 1,066 billion euros of compulsory contributions, we have marked out the tax burden on households for a total of 250 billion euros (slightly less than a quarter of the total) as follows: Generalized social security contributions (CSG), Social debt repayment contributions (CRDS), other social levies, personal income tax (IRPP), PRCM[2], property tax on developed land (part paid by non-sole proprietorship households only), housing tax, wealth tax (ISF), property tax on undeveloped land and capital transfer tax[3].

The graph below shows the sharp increase in these levies[4] as a percentage of the gross disposable income (GDI) of households.

While the burden of these direct taxes on households had stagnated (or even dropped

Burden of direct taxes* on households in gross disposable income (GDI) of households (in %)



*personal income tax (IRPP), generalized social security contributions (CSG), social debt repayment contributions (CRDS), levies on movable capital, property tax, housing tax, wealth tax and capital transfer tax

slightly) in the years 2000, dropping from 16 to 15% of GDI, this burden increased very rapidly between 2010 (14.8%) and 2013 (17.6%) followed by a slightly slower progression since then to reach 18% of GDI in 2017. This amounts to an increase of 22% in these direct levies on households between 2010 and 2017, which represents 3.3 points of GDI for households for a total bill of 63.4 billion euros of additional taxes.

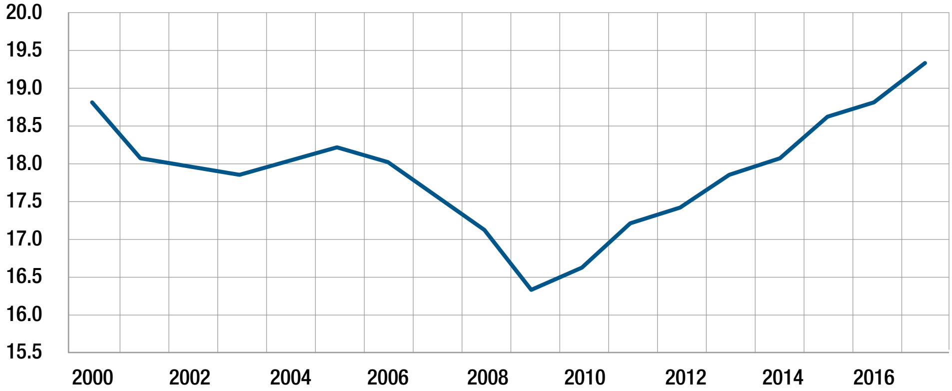
In fact, at least 63.4 billion euros... because, at the same time, it should not be forgotten that the increase in direct taxation was accompanied by an increase in indirect taxation: VAT and taxes on products. However, it is impossible to accurately isolate the "household" share of VAT and the various taxes on products because some of these taxes are also paid by companies. Nonetheless, it can be pointed out that in seven years, the increase

1 File 3.217 “Main taxes by category”.

2 Levies on movable capital.

3 See the appendix for details on how each of these direct taxes on households has evolved between 2000 and 2017, page 27.

Burden of taxes on products and VAT on the GDI of households (in %)



in indirect taxation has followed the same trend as that of household taxation, with an increase of + 2.7 points of GDI, or 57 billion euros. Part of this bill has nonetheless been borne by companies.[5]

27 billion increase in income tax

Income tax (IR), generalized social security contributions (CSG), property tax on developed land and housing tax are the taxes that have had the largest impact on the direct tax burden on households between 2010 and 2017:

- income tax: + 1.6 points of GDI, + 27 billion euros;
- generalized social security contributions (CSG): + 0.6 points of GDI, + 16 billion euros;
- capital transfer tax[6]: + 0.4 points of GDI, + 6 billion euros;
- other social levies: + 0.4 points of GDI, + 5 billion euros;
- property tax on developed land: + 0.2 points of GDI, + 5 billion euros;
- housing tax: + 0.2 points of GDI, + 4 billion euros.

Evolution of the various taxes on households (in points of GDI of households and in billion euros at current value)

	2010	2017	Deviations 2017-2010	2010	2017	Deviations 2017-2010
Generalized social security contribution (CSG)	6.58	7.16	**0.57**	83.4	99.4	**16.0**
Social debt repayment contribution (CRDS)	0.48	0.52	**0.04**	6.0	7.2	**1.2**
Other social levies	0.28	0.65	**0.37**	3.6	9.0	**5.4**
Personal income tax	3.71	5.33	**1.61**	47.0	74.0	**27.0**
Tax on movable capital (PRCM)	0.38	0.22	**-0.16**	4.8	3.1	**-1.7**
Property tax on developed land paid by households	1.14	1.36	**0.22**	14.4	18.9	**4.5**
Housing tax	1.20	1.39	**0.19**	15.3	19.3	**4.0**
Wealth tax (ISF)	0.35	0.37	**0.02**	4.5	5.1	**0.6**
Property tax on undeveloped land (paid by households)	0.01	0.01	**0.00**	0.2	0.2	**0.0**
Capital transfer tax	0.61	1.02	**0.41**	7.7	14.1	**6.4**
All taxes considered	**14.75**	**18.02**	**3.27**	**186.9**	**250.3**	**63.4**

Source: Insee, National accounts, table 3.217 “Major taxes by category”, see appendix 1, page 27.

4 INSEE defines a “direct taxes” category in some of its publications (“Household Income and wealth”, INSEE Reference, Datasheets - Income) that only retain the following levies: generalized social security contributions (CSG), social debt repayment contributions (CRDS), withholding tax (PFL) on securities, social levies on assets, income tax and housing tax. Therefore, in addition to these levies, we retain: property taxes on households (on developed and undeveloped land), wealth tax (ISF) and capital transfer taxes (DMTG). We think that these last three taxes have a significant progressive nature and failing to take them into consideration would strongly bias our appreciation of the progressive scale of direct taxation on households.

Concerning indirect taxation, the TICPE (domestic tax on the consumption of energy products) and the CSPE (public electricity service contribution) each increased by six billion euros between 2010 and 2017. These increases were partially paid by businesses. Regarding this so-called "green" taxation, it should be remembered that without the disgruntlement of the initial French yellow vest movement and the Government backtracking on future increases, the French would have had to pay an additional 14 billion in energy taxes by 2022. VAT has increased by 26 billion euros over the same period (there are some VAT "residuals" for businesses). Meanwhile, “behavioural” taxes on drinks and tobacco rose respectively by 1.3 and 1.5 billion euros between 2010 and 2017.

II - WHICH HOUSEHOLDS BEAR THE DIRECT TAXES?

In addition to the debate on the tax burden, there is the issue of equity. Some of the taxes that have increased the most are taxes that seem to be paid by the wealthiest households.

(Personal income tax due to progressive graduation, property tax due to the multiple real estate ownership of some wealthy households for property revenue, capital transfer tax, which, because of exemptions, focus these duties on the wealthier households, wealth tax, etc.). Is this vision exact?

To answer this question, iFRAP has reconstructed a decile distribution of these main direct taxes in order to assess the targeting of recent increases in these direct taxes.

Direct levies burden 52% of the wealthiest 10%

We chose a tax household approach based on the household reference taxable income (RFR). The baseline data are the tax data provided by the French tax administration, DGFiP (statistical yearbook). This enables the 37.9 million tax households to be classified by household reference taxable income bracket. From this initial breakdown into tax households, it is possible to establish the burden of the various direct taxes per household reference taxable income decile. **First observation: only 16.5 million households are taxable on income tax, which represents only 43% of tax households. However, all households, regardless of the decile, pay direct taxes because of generalized social security contributions (CSG) and social debt repayment contributions (CRDS).**

▮ 5 The domestic tax on the consumption on energy products (TICPE) and the public electricity service contribution (CSPE), which each increased by 6 billion euros between 2010 and 2017, are partially paid by businesses. VAT has increased by 26 billion euros over the same period (there are some VAT "residuals" for businesses). Meanwhile, taxes on drinks and tobacco rose respectively by 1.3 and 1.5 billion euros between 2010 and 2017.

▮ 6 See our study “Taxation des donations/successions : stop à la surenchère” (Gift/Inheritance taxes: halt the escalation), January 2019.

Number of tax households by household reference taxable income

Household reference taxable income by income bracket (in euros)	Number of households	Household reference taxable income	Net tax (total)	Number of taxable households	Household reference taxable income of taxable households
0 to 10,000	8,718,832	36,486,123	-125,682	66,586	294,858
10,001 to 12,000	2,116,809	23,303,605	-51,683	6,099	66,659
12,001 to 15,000	3,408,910	46,401,491	-97,825	202,105	2,988,786
15,001 to 20,000	5,954,707	103,622,468	1,449,604	3,149,449	54,771,310
20,001 to 30,000	6,884,088	169,261,301	5,755,601	4,000,004	98,480,197
30,001 to 50,000	6,645,504	254,150,943	13,077,906	5,176,670	201,110,341
50,001 to 100,000	3,388,432	222,984,039	21,258,759	3,198,523	211,012,181
Over 100,000	771,899	145,716,347	29,060,319	749,105	142,205,926
Total	**37,889,181**	**1,001,926,319**	**70,326,999**	**16,548,541**	**710,930,260**

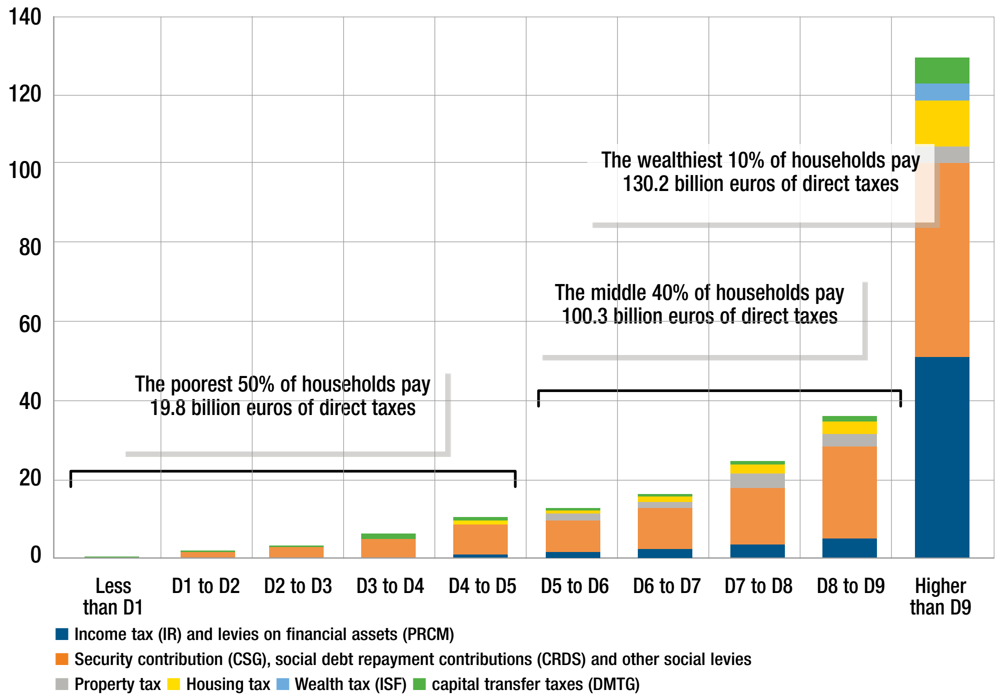
Source: DGFiP (French tax administration), database of personal tax levies

Direct taxes on households in 2017 (in billion euros)

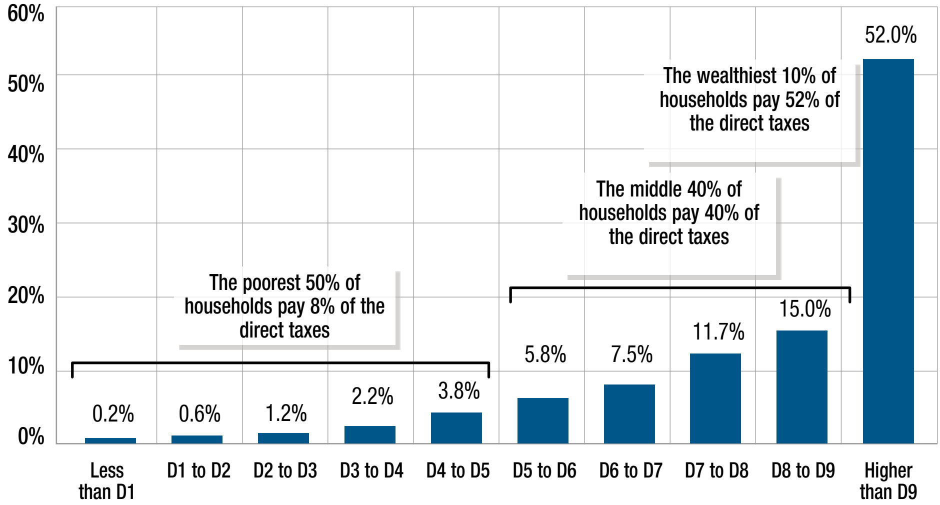
Household reference taxable income decile	Income tax (IR) and levies on financial assets (PRCM)	Generalized social security contribution (CSG), social debt repayment contributions (CRDS) and other social levies	Property tax	Housing tax	Wealth tax (ISF)	Capital transfer taxes (DMTG)	Total direct taxes on households
Less than D1	-0.1	0.4	0.0	0.0	0.0	0.0	**0.4**
D1 to D2	-0.1	1.4	0.0	0.0	0.0	0.1	**1.4**
D2 to D3	-0.1	2.9	0.0	0.0	0.0	0.2	**3.0**
D3 to D4	0.2	4.1	0.7	0.0	0.0	0.4	**5.5**
D4 to D5	1.0	6.4	1.1	0.3	0.0	0.6	**9.5**
D5 to D6	2.6	8.8	1.5	0.7	0.1	0.9	**14.5**
D6 to D7	3.4	11.2	2.1	0.9	0.1	1.2	**18.9**
D7 to D8	7.3	15.1	3.0	1.9	0.3	1.7	**29.3**
D8 to D9	9.7	19.2	3.8	2.5	0.3	2.1	**37.6**
Higher than D9	53.1	46.0	6.7	13.1	4.2	6.9	**130.2**
Overall	**77.1**	**115.6**	**19.1**	**19.3**	**5.1**	**14.1**	**250.2**

For the distribution of the various taxes by household reference taxable income decile, we used information contained in the report by the CPO (French Tax and Social Charges Board) dated May 2011 "Prélèvements obligatoires sur les ménages : progressivité et effets redistributifs" (Compulsory household contributions: progressive graduation and redistributive effects) (for generalized social security contributions (CSG)), and in the report dated January 2018 "Les prélèvements sur le capital des ménages" (Levies on household capital (for property tax)). For the wealth tax (ISF), we have also used valuable information from parliamentary report N° 2172 of 22/07/2014 by V. Rabault. The data from the French tax administration, DGFiP, were used for the income tax distribution. The housing tax distribution is considered as being similar to the income tax distribution. The distribution of capital transfer taxes (DMTG) is a weighted average of the property and wealth distribution.

Direct taxes on households in 2017 (in billion euros)



Distribution of direct taxes on households by household reference taxable income decile



A methodological choice far from being insignificant: a distribution of tax households by household reference taxable income decile or by standard of living decile?

Which distribution (by decile) do we want to use to assess the level of direct levies and if possible, their evolution over the last few years? This simple question influences an important methodological choice.

The distribution by standard of living decile, i.e. average disposable incomes recalculated to take into account the composition of households, is regularly provided by INSEE. We speak in terms of households (approximately 28 million households) and we examine the direct tax burden. Most studies are based on this approach because the data is readily available.

However, a "household" (statistical category that is defined as a group of related or unrelated individuals who live together under the same roof) does not actually pay any tax because the household is a statistical abstraction. Taxes and duties are levied on individuals (generalized social security contributions (CSG)) or on households (income tax, housing tax, property tax, etc.). There are more than 37 million tax households in France. These tax households can be classified by household reference taxable income decile based on data from the DGFiP.

This is another distribution through which the progressive graduation of direct levies can be examined.

From this decile representation, it can be concluded that direct levies on households are concentrated at 52% on the last decile that in 2017, paid 130 billion out of 250 billion euros in total.
The decile below (D8 to D9) paid "merely" 15% of the total, i.e. 37.6 billion euros. Therefore, we can see that there is a huge tax blow on the last decile that bears more than half of the direct levies taken on households. In this case, we are talking about the "wealthiest" 10% of households, but that in fact, it covers households that have reached a monthly income of 4,623 euros.

It should also be noted that in 2017, the last decile paid 53 billion out of the 77 billion grossed by income tax and levies on movable capital. However, out of them, the 1% of wealthiest households pays one third of the income tax.

The progressive graduating scale of direct taxes is already steep

If we now look at the progressive graduation of taxes, we can see that it is already steep as the average rate of direct levies (in % of the household reference taxable income) reaches 37% for households in the last household reference taxable income decile compared with only 5.7% for households in the first household reference taxable income decile. The latter pay mainly the generalized social security contributions (CSG)/social debt repayment contributions (CRDS), because the tax households in the first four deciles are not liable to income tax. Once again, we can see a significant step increase in the levy rate of + 14.1 points when we reach the last decile, which reaches 37% of the levy rate, after a plateau with a slower progression between deciles 5 and 9 in which the levy rate increases from 18.3 to 22.9%, i.e. an increase of only + 4.6 points despite going through four deciles.
Therefore, a high degree of progressive graduations exists in direct tax levies on tax households when considering the levies along the distribution of household reference taxable incomes.

Direct tax rate on households in 2017 (as a % of household reference taxable income in the decile)

Household reference taxable income decile	Income tax (IR) and levies on financial assets (PRCM)	Generalized social security contributions (CSG), social debt repayment contributions (CRDS) and other social levies	Property tax	Housing tax	Wealth tax (ISF)	Capital transfer taxes (DMTG)	Total direct taxes on households
Less than D1	-0.8%	6.2%	0.0%	-0.2%	0.1%	0.4%	**5.7%**
D1 to D2	-0.3%	6.8%	0.0%	-0.1%	0.0%	0.5%	**6.9%**
D2 to D3	-0.2%	7.5%	0.0%	-0.1%	0.0%	0.5%	**7.7%**
D3 to D4	0.3%	8.3%	1.5%	0.1%	0.0%	0.8%	**11.1%**
D4 to D5	1.5%	9.9%	1.7%	0.4%	0.1%	1.0%	**14.5%**
D5 to D6	3.3%	11.1%	1.9%	0.8%	0.1%	1.1%	**18.3%**
D6 to D7	3.5%	11.4%	2.1%	0.9%	0.1%	1.2%	**19.2%**
D7 to D8	5.7%	11.7%	2.3%	1.4%	0.2%	1.3%	**22.6%**
D8 to D9	5.9%	11.7%	2.3%	1.5%	0.2%	1.3%	**22.9%**
Higher than D9	15.1%	13.1%	1.9%	3.7%	1.2%	2.0%	**37.0%**
Overall	**7.7%**	**11.5%**	**1.9%**	**1.9%**	**0.5%**	**1.4%**	**25.0%**

Increase of 14.1 points

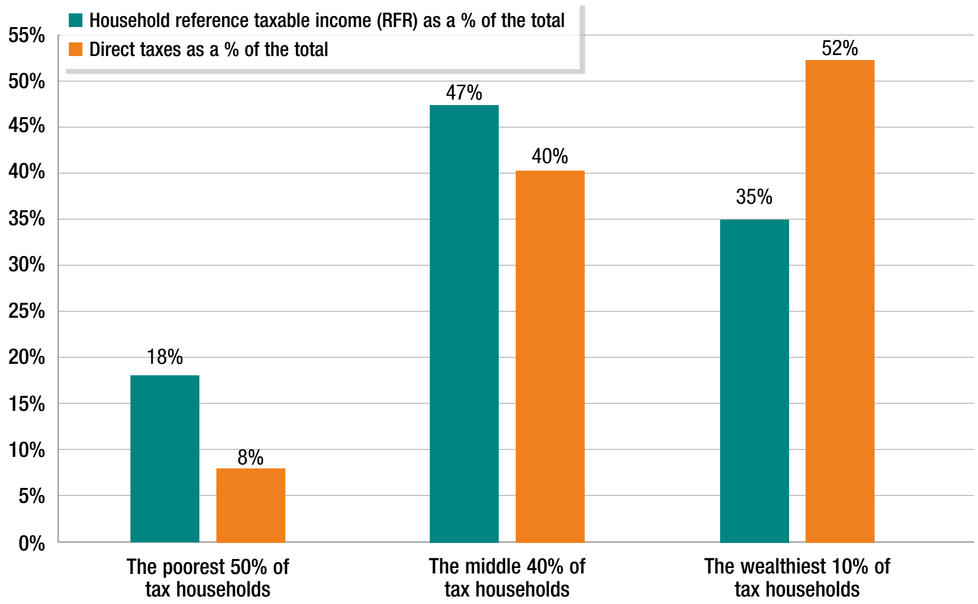
In the end, if the progressive graduation is steep, it makes a huge step increase when the monthly income reaches 4,623 euros per household.
Hence:

- **the poorest 50% of households (i.e. from deciles 1 to 5) account for 18% of income (household reference taxable income), but they pay 8% of the direct taxes on households;**
- **the 40% of intermediate households (i.e. from deciles 5 to 9) account for 47% of income (household reference taxable income), and they pay 40% of the direct taxes on households;**
- **lastly, the wealthiest 10% of households (i.e. deciles 9 and above) account for only 35% of income (household reference taxable income), but they pay 52% of the direct taxes on households;**

The progressive graduation and concentration of direct taxes is already very real

Distribution of income and direct taxes for three major categories of tax households

	Household reference taxable income (RFR)	Household reference taxable income (RFR) as a % of the total	Direct taxes	Direct taxes as a % of the total	Levy rate
The poorest 50% of tax households	181.2	18%	19.8	8%	11%
The middle 40% of tax households	471.2	47%	100.3	40%	21%
The wealthiest 10% of tax households	351.5	35%	130.2	52%	37%



III - WHICH HOUSEHOLDS HAVE EXPERIENCED THE HIGHEST TAX BURDEN SINCE 2010?

In seven years, the last decile has accumulated 38% of the increase in direct taxes

To assess the evolution of direct taxes on households over time, the data of the DGFiP were not enough (see box on page 10) and it was necessary to turn to the data from the INSEE, together with their study “Household income and wealth”, 2018 edition, in order to trace a trend in direct taxes per standard of living decile (and not household reference taxable income, as this representation is too difficult to recreate over time).

This work highlights that between 2010 and 2017, the levy rate of the last decile increased by 5.3 points, from 21 to 26.3% with a marked increase of + 2,6 points between 2011 and 2012. In seven years, the collection of direct taxes from the last decile has therefore increased by 24.3 billion, which includes an increase of 10.1 billion euros between 2011 and 2012: this represents 38% of the total increase (as a reminder: 63.4 billion euros).

As a comparison, over the period from 2010 to 2017, tax collection for the penultimate decile (D8 to D9) increased by “only” 10.2 billion euros between 2010 and 2017 (i.e. 16% of the total effort) with a levy rate that increased by 3.7 points.

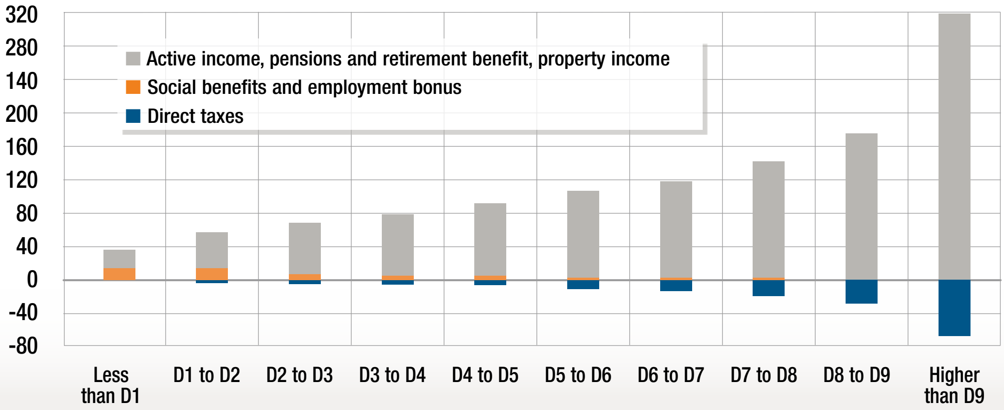
It should also be noted that the levy rate of direct taxes for the first decile between 2012 and 2013 has been catching up with a step increase of + 2.9% before this rate stabilized at 7% from 2015: in total, over seven years, the levy rate on this decile has increased by three points. This is the highest rate of increase among the first deciles, after which, the 7th decile must be reached to find a higher increase. The additional levy accounted for 1.6 billion between 2010 and 2017 (i.e. 3% of the sum of additional direct taxes).

Over the period, households in the last decile experienced the highest tax burden... Despite this, we note that the burden on the last standard of living decile in the distribution of direct taxes fell slightly between 2010 and 2017: 41.6 to 40.8%. This shows that while households in the last decile certainly had a very high direct tax increase, the executive finally failed to increase their contribution. To answer this question, we must seriously consider the possibility that among the households in the last decile, the wealthiest of them have been able to escape the tax burden by choosing tax exile. Indeed, the latter decile, i.e. the top 10% of wealthy households start with a monthly income of 4,623 euros... but among these households, we also find the "1%", i.e. the last mercantile of wealthiest French people.

It should be remembered that this "1%" starts with an annual income of about € 14,000 per month, i.e. € 170,000 per year. A reality that encompasses a broad range of households such as couples of doctors or a father/ mother who runs a small or medium-sized business. And the State taxes revenues that exceed € 156,245 per year at 45%, which is virtually the entry threshold for the "1%": these households alone, numbering 379 000, pay one third of the income tax that is collected. They include the 6,776 households that declare an income of more than one million euros. They account for 0.01% of tax households.

The redistributive effect of the French tax and social system

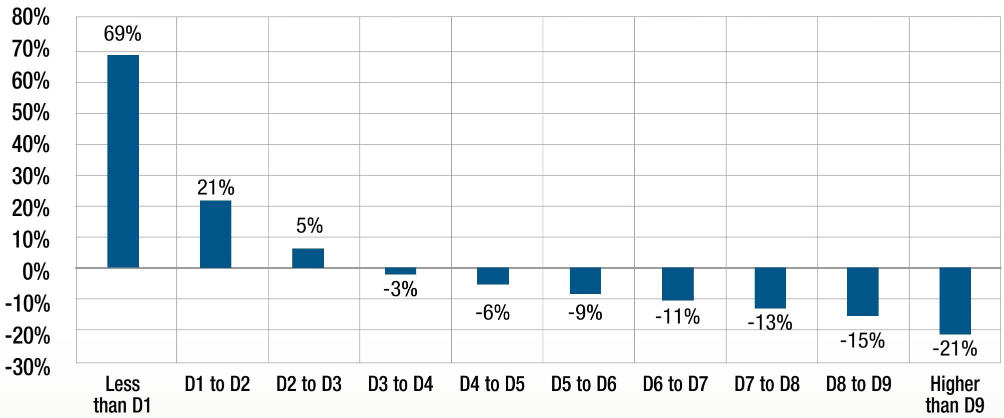
Composition of household disposable income based on the standard of living (in billion euros)



The assessment of the progressive scale of direct taxes must be supplemented by identifying the advantages of the social benefits system, which helps to mitigate primary income inequalities.

As can be seen in these graphs, the first three deciles are the beneficiaries, and even mainly the first decile. Means-testing explains the high concentration of the redistributive effect.

Redistributive effect of the French social and tax system by standard of living decile (Benefits and employment bonus (PPE) - Direct taxes, as a percentage of primary income)



Additional direct taxes on households (in billions of euros at current value)

Standard of living decile	2010	2011	2012	2013	2014	2015	2016	2017	Additional direct taxes 2010-2017 in Billion €	Distribution of the supplement 2010-2017
Less than D1	1.6	1.7	1.9	3.3	3.3	3.1	3.2	3.2	**1.6**	**3%**
D1 to D2	3.1	3.2	3.5	4.7	4.7	4.8	4.9	5.0	**1.9**	**3%**
D2 to D3	5.2	5.4	5.9	6.7	6.8	7.0	7.2	7.4	**2.2**	**3%**
D3 to D4	7.9	8.0	8.6	9.6	9.7	10.1	10.3	10.7	**2.8**	**4%**
D4 to D5	10.6	11.0	11.8	13.1	13.2	13.1	13.4	13.9	**3.3**	**5%**
D5 to D6	13.4	14.0	15.0	16.1	16.3	16.7	17.1	17.6	**4.2**	**7%**
D6 to D7	16.8	17.5	18.9	20.3	20.6	21.0	21.5	22.2	**5.4**	**8%**
D7 to D8	21.4	22.3	24.1	26.3	26.5	27.6	28.2	29.0	**7.7**	**12%**
D8 to D9	29.0	30.6	33.1	35.9	36.2	37.2	38.0	39.2	**10.1**	**16%**
Higher than D9	77.8	85.6	95.7	92.5	94.5	97.5	98.8	102.1	**24.3**	**38%**
Overall	**186.9**	**199.4**	**218.4**	**228.3**	**231.9**	**238.2**	**242.5**	**250.3**	**63.4**	**100%**

Source: INSEE and DGFiP data. Here, the direct taxes are personal income tax (IRPP), generalized social security contributions (CSG), social debt repayment contributions (CRDS), housing tax, levies on income from assets, property tax, wealth tax (ISF) and capital transfer tax (estate, inheritance and gift taxes).

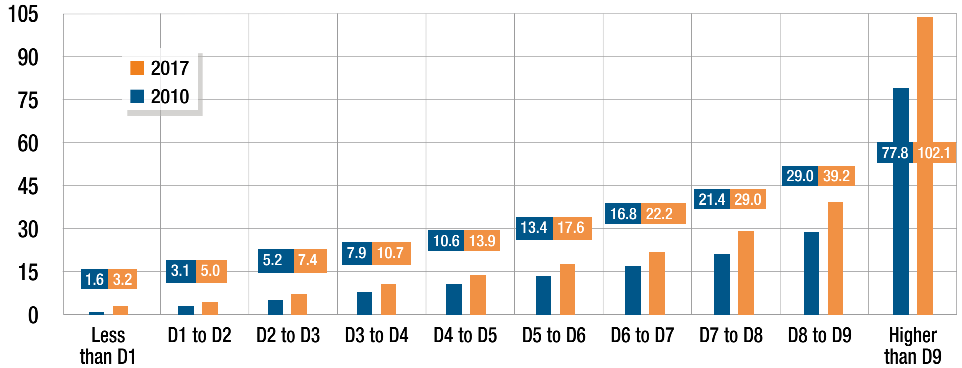
Levy rate of direct taxes on households (as a percentage of GDI and evolution in points)

Standard of living decile	2010	2011	2012	2013	2014	2015	2016	2017	Evolution 2010-2017
Less than D1	4.1	4.2	**4.6**	**7.5**	7.4	7.0	7.0	7.0	**2.9**
D1 to D2	5.4	5.4	5.8	7.5	7.5	7.4	7.4	7.4	**2**
D2 to D3	7.4	7.6	8.1	9.0	9.0	9.2	9.2	9.3	**1.9**
D3 to D4	9.7	10.0	10.6	11.4	11.4	11.5	11.6	11.6	**1.9**
D4 to D5	11.3	11.6	12.4	13.4	13.4	13.2	13.2	13.3	**2**
D5 to D6	12.4	12.9	13.8	14.5	14.5	14.5	14.5	14.6	**2.2**
D6 to D7	13.7	14.1	15.1	16.2	16.1	16.2	16.3	16.3	**2.6**
D7 to D8	14.8	15.5	16.6	17.7	17.7	18.3	18.4	18.4	**3.6**
D8 to D9	16.3	16.9	18.2	19.4	19.4	19.8	19.9	20.0	**3.7**
Higher than D9	21.0	**21.7**	**24.3**	25.4	25.5	25.9	26.0	26.3	**5.3**
Overall	**14.7**	**15.4**	**16.7**	**17.6**	**17.6**	**17.9**	**17.9**	**18.0**	3.3

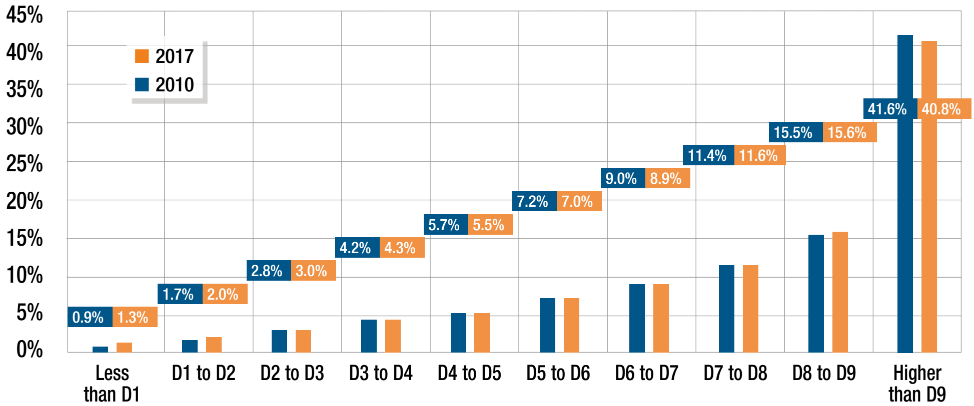
Increase of + 2.9 points

Increase of + 2.6 points

Direct taxes on households in 2010 and 2017 (in billion euros at current value)



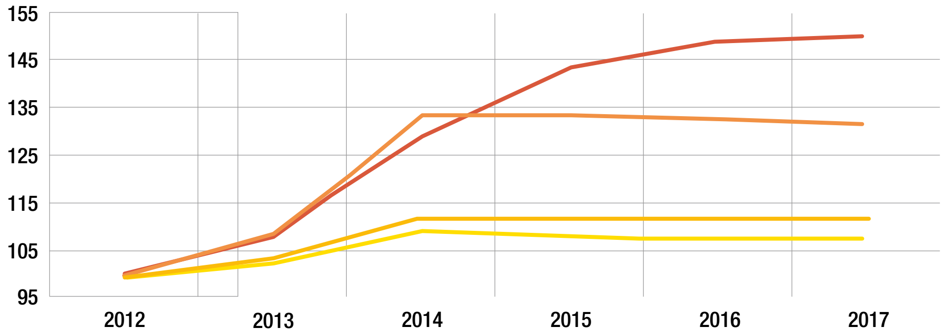
Distribution of direct taxes on households in 2010 and 2017



IV - DOES THE INCREASE IN DIRECT TAXES LEAD TO TAX EXILE?

We can be surprised by the low income tax yield on the highest income brackets, especially after François Hollande was elected in 2012 and the executive's desire to intensify the progressive graduation of income tax and the contribution of the most affluent households (wealth tax surcharge, etc.). As can be seen in the graphs opposite, tax rates increased in 2013 and 2014 and the average income tax paid by taxable households increased by 8% in 2013 and then by 30% in 2014 (compared to 2012) for tax households with reference taxable income between 500,000 and 1,000,000 euros or greater than 1,000,000 euros. However, at the same time, the number of tax households in these brackets dropped considerably (- 20% for tax households with reference taxable income located between 500,000 and 1,000,000 euros, - 40% for tax households with reference taxable income higher than 1,000,000 euros). The effect of the decreased number of tax households has dominated the effect of increasing the progressiveness of the tax such that the revenues from income tax for the highest portion of the household reference taxable incomes that we are examining (higher than 1,000,000 euros) fell in 2013 and 2014, whereas those with household reference taxable incomes between 500,000 and 1,000,000 euros also fell in 2014... We are tempted to link these leakages in income tax revenues with the phenomenon of tax exile of the most highly taxed French households. It can be estimated that in 2014, 18,000 tax households with a household reference taxable income exceeding 200,000 euros disappeared, compared to a steady increase in the number of tax households (9,000 tax households with a household reference taxable income between 200,000 and 500,000 euros, 5,000 tax households with a household reference taxable income between 500,000 and 1,000,000 euros and 4,000 tax households with a household reference taxable income exceeding 1,000,000 euros). This may be related to a demographic effect (death, sharing of capital) given their relatively small number; but the decline is clearly real, with a household reference taxable income leakage of slightly less than 15 billion euros and an additional tax collection of negligible household reference taxable incomes within these household reference taxable income brackets despite the targeted rise in the tax burden.

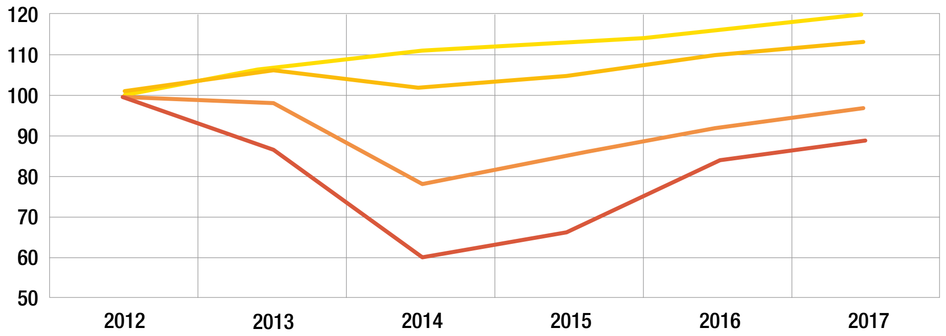
Average income tax on households taxed according to their household reference taxable income (RFR) bracket (base of 100 in 2012)



- Average income tax of households taxed with household reference taxable income (RFR) > 1,000,000 euros
- Average income tax of households taxed with household reference taxable income (RFR) > 500,000 and < 1,000,000 euros
- Average income tax of households taxed with household reference taxable income (RFR) > 200000 and < 500,000 euros
- Average income tax of households taxed with household reference taxable income (RFR) > 10,000 and < 200,000 euros

On this graph, we can see that the income tax yield stabilizes from 2014, after a strong increase in 2012 and 2013. Only tax households with an income of more than 1,000,000 euros see their income tax increase over the entire period considered.

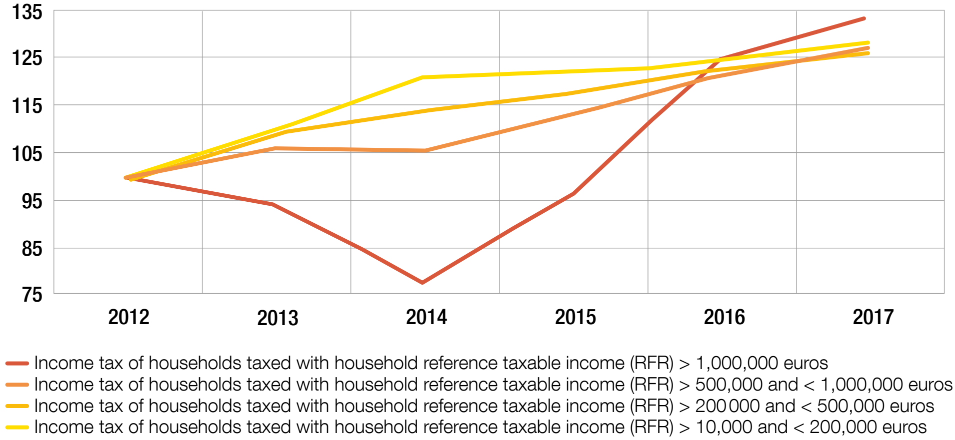
Number of households taxed according to their household reference taxable income (RFR) bracket (base 100 in 2012)



- Number of households taxed with household reference taxable income (RFR) > 1,000,000 euros
- Number of households taxed with household reference taxable income (RFR) > 500,000 and < 1,000,000 euros
- Number of households taxed with household reference taxable income (RFR) > 200000 and < 500,000 euros
- Number of households taxed with household reference taxable income (RFR) > 10,000 and < 200,000 euros

However, this increase in income tax is balanced by the drop in the number of tax households in the income bracket exceeding 1,000,000 euros. This drop also concerns households with incomes of between € 500,000 and 1,000,000 with a one-year time lag.

Income tax on households taxed according to their household reference taxable income (RFR) bracket (base 100 in 2012)



The total income tax on revenues above 1,000,000 euros exploded in 2013 and especially 2014 before being rectified in 2015. This period coincides with people's exasperation with the tax system, the "ras- le-bol fiscal", which characterized the beginning of François Hollande's five-year term, marked, among other things, by the "révolte des pigeons" movement.

Put assumptions aside n° 1: raise inheritance and gift taxes

Taxation of inheritance is a key issue in the debate on asset ownership. At the heart of the dispute by the yellow vests movement, several institutes have claimed that inheritance should be fully reviewed proportionally. Some suggest modulating the allowances and the scale to increase taxation on inheritance by 25%. A measure that would be justified in the name of the fight against asset ownership inequalities, whereas France is already among the countries applying the heaviest taxes on inheritances and gifts. In 2017, capital transfer taxes (DMTG) accounted for 0.61% of GDP, i.e. 12.8 billion euros, based on DGFIP data, as opposed to an average of 0.22% for the 15-member European Union and even 0.15% for the 23-member European Union.

Above all, the direct impact of inheritance taxation on the transfer of our businesses must be highlighted, together with the impact on their competitiveness and their ability to invest and create jobs. Even if it is considerably less present in the public debate than wealth tax (ISF), inheritance tax is nevertheless a major issue for countries wishing to finance the development of their businesses and keep the most dynamic taxpayers in their territory.

In the light of what is being done abroad, it is neither a rise nor a status quo that must be chosen, but a decrease in the scale and an increase in allowances to get back in line with the European average.

Put assumptions aside n° 2: increase property taxation

The Government has particularly battered property in tax terms. It is accused of being a sector that is not “productive”. Housing finance records provide a clear idea ofthe cascade of taxes that affect property. All levies combined amounted to 74.4 billion euros in 2017, an increase of nearly 21% since 2012. Furthermore, this estimate does not include wealth tax and capital transfer taxes (DMTG) that affect inheritance and gifts.

The largest increase in the levies on property transfers, with an increase of 44.23%. Secondly, we will highlight how property tax on developed land (TFPB) has grown with an increase of +17.35%.

The property sector is certainly a major source of financing for public spending. And while we deplore the cost of housing on household purchasing power, we can seriously ask the question about the burden of the levies in the price surge.

Nonetheless, new levies are envisaged: the President of the Republic actually implied taxing capital gains on the sale of principal residences. This measure would be yet another injurious blow to owners and would have a negative impact by impeding the housing market.

Put assumptions aside n° 3: zero-rate VAT

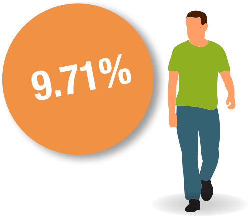
If Ireland and the United Kingdom are the two countries in the European Union that have a "zero" VAT rate for basic necessities, it is important to look closely at how much this measure costs. For the United Kingdom, the cost is particularly high. In a recent report (2016), the Institute for fiscal studies estimated it at 44.92 billion pounds or 51.73 billion euros, out of a total of 82.376 billion euros of "VAT niches". And if the super-gross English VAT, i.e. including all the niches, is higher, in comparison, to that of France, the yield is ultimately lower than the French VAT, even if our niches are taken into account. This raises the question of how to compensate for the measure. Will we have to significantly cut corners on cut rates, in particular VAT at 5.5% (on water and non-alcoholic beverages, shows, cinema admission fees, books, social housing sales, etc.), as well as 10% rates (firewood, magistral preparations, works of art, fairs fairground attractions, etc.), for an estimated total of 27.63 billion euros in 2016? For a mechanism such as this to be significant, it should account for at least 10 billion euros. To pledge 10 billion euros for the zero rate VAT would amount to increasing the normal 20% rate by 1.6 points (21.6%). Increasing it to 20 billion euros would imply an increase of 3.2 points in the marginal VAT rate (23.2%).

Rather than a general increase in the VAT rate, some tax loopholes could be revised, which would be tantamount to lowering public subsidies that are implicit in the supply of certain goods that are generally cultural or similar (works of art, books, etc.). For example, we could choose to divide the amount by two, which would mean pledging 14 billion for the zero rate VAT. However, in any case, in addition to the fact that this is a creeping way of making proportional taxation progressive, implementing a "zero" VAT rate for products of basic necessity is a particularly expensive idea.

PRACTICAL EXAMPLES OF HOUSEHOLD TAXATION:

Direct levy rate on their resources

Single person with no children earning the minimum wage

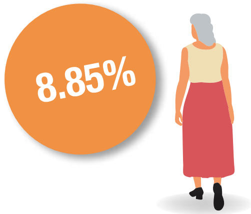


Annual amounts in €		
Active income		16,191
Take-home pay		14,451
Social benefits		2,688
including	Housing benefit	228
	Employment bonus	2,460
Total resources		**18,879**
Total direct taxes		**1,833**
Income tax		0
Generalized social security contributions (CSG), Social debt repayment contributions (CRDS)		1,740
Housing tax		93
Direct levy rate as a % of their resources		**9.71%**
Annual disposable income		**17,046**

Source: Fidroit

This single person with no children receives a full-time minimum wage (€ 1,204 net per month). They benefit from the employment bonus (non-taxable) and their taxable income is € 14,971 (part of their generalized social security contribution (CSG) is non-deductible). They are non-taxable once the “tax relief” has been applied.
With a monthly rent of € 500 per month, they receive a housing benefit of € 19 and their taxable income means they benefit from the gradual abolition of the housing tax (€ 93 to pay in 2019, completely abolished in 2020).
Their annual disposable income of € 17,046 places them in the 3rd decile for a direct levy rate of 9.71% on their resources and 10.75% on their disposable income.

Retired widow, pension below the generalized social security contribution (CSG) threshold



Annual amounts in €		
Retirement pension		19,438
Net retirement pension		18,000
Social benefits		0
including	Housing benefit	0
	Employment bonus	0
Total resources		**19,438**
Total direct taxes		**1,720**
Income tax		138
Generalized social security contributions (CSG), Social debt repayment contributions (CRDS)		1,438
Housing tax		143
Direct levy rate as a % of their resources		**8.85%**
Annual disposable income		**17,719**

Source: Fidroit

This pensioner receives a monthly pension of € 1,500, which falls above the threshold to receive the solidarity allowance for the elderly, or to be exempt from generalized social security contributions (CSG) or to benefit from the reduced rate. Her generalized social security contribution (CSG) went from 6.6% to 8.3% in 2018 (loss of 330 euros over the year) but in 2019, they will benefit from it returning to 6.6%.
Her net taxable income is € 18,622 for a personal income tax of € 138 thanks to tax relief.
With a monthly rent of € 600, she does not receive any assistance but benefits from the gradual abolition of the housing tax: € 143 to pay in 2019.
Her annual disposable income is € 17,719, which places her in the 2nd decile for a direct levy rate of 8.85% on her resources and 9.70% on her disposable income.

FOCUS ON 6 TYPICAL CASES

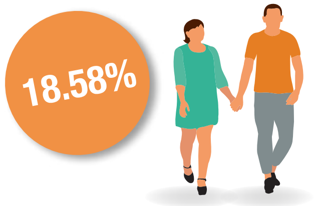
Single mother with one child

Annual amounts in €		
Active income		26,889
Take-home pay		24,000
Social benefits		2,148
including	Housing benefit	0
	Employment bonus	768
	Family support allowance	1,380
Total resources		**29,037**
Total direct taxes		**3,048**
Income tax		0
Generalized social security contributions (CSG), Social debt repayment contributions (CRDS)		2,889
Housing tax		159
Direct levy rate as a % of their resources		**10.50%**
Annual disposable income		**25,989**

Source: Fidroit

This single mother with a 10-year-old dependent child receives a salary of € 2,000 per month. She receives family support allowance for single parents of € 115 per month and benefits from the employment bonus (non-taxable) for € 64 per month.
Her taxable income is € 24,864, but she is not liable to tax once the tax relief is applied. With a rent of € 700, her income is too high to receive any assistance, but she benefits from the gradual abolition of the housing tax: € 159 to pay in 2019.
Her annual disposable income is € 25,989, which places her in between the 2nd or 3rd decile for a direct levy rate of 10.50% on her resources and 11.73% on her disposable income.

Couple in their thirties, bound by a civil solidarity pact (PACS), no children with annual income of 50,000 euros



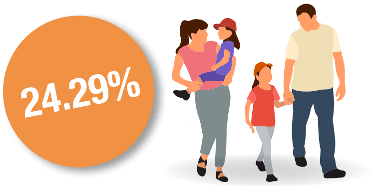
Annual amounts in €		
Active income		56,020
Take-home pay		50,000
Social benefits		0
including	Employment bonus	0
Total resources		**56,020**
Total direct taxes		**10,407**
Income tax		3,737
Generalized social security contributions (CSG), Social debt repayment contributions (CRDS)		6,020
Housing tax		650
Direct levy rate as a % of their resources		**18.58%**
Annual disposable income		**45,613**

Source: Fidroit

Illustrations ©Adobe Stock - Zolotons

This couple receives income from wages for an amount of € 50,000 net per year (i.e. € 4,167 net per month). This common-law couple without any children do not receive any social benefits or employment bonuses. The taxable income is € 51,800. They pay income tax amounting to € 3,737.
The couple live in rented accommodation and pay € 1,200 in rent in the east of Paris, together with € 650 in housing tax.
The annual disposable income is € 45,613 and their standard of living is € 30,409 (the disposable income is divided by 1.5 as they form a two-adult household), which places them close to the median standard of living.
This couple's direct taxes account for 18.58% of their resources and 22.82% of their disposable income.

Married couple with two children and annual income of € 90,000



Annual amounts in €		
Active income		100,808
Take-home pay		90,000
Social benefits		787
including	Family allowances	787
	Employment bonus	0
Total resources		**101,595**
Total direct taxes		**24,682**
Income tax		10,474
Generalized social security contributions (CSG), Social debt repayment contributions (CRDS)		10,808
Property tax		1,600
Housing tax		1,800
Direct levy rate as a % of their resources		**24.29%**
Annual disposable income		**76,913**

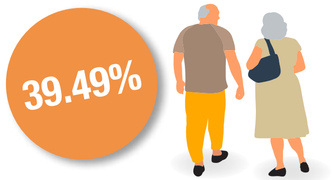
Source: Fidroit

This couple receives income from wages of € 90,000 net per year (i.e. € 7,500 net per month). If the incomes of the two active spouses are identical, each receives an income equivalent to 3.3 times the minimum wage. This married couple has two children aged 8 and 10 years old. They perceive 66 euros of family allowances per month. The taxable income is € 93,231. They have 3 personal tax allowances, but are subject to the ceiling of the income splitting system (maximum of € 1,551 per additional ½ share of quotient of income). Therefore, they pay income tax amounting to € 10,474.

They own their home and pay property tax and housing tax of € 1,600 and € 1,800 respectively.

The annual disposable income is € 76,913 and their standard of living reaches € 36,625 (the disposable income is divided by 2.1 because it is a household with two adults and two children under 14 years of age), which places them in the penultimate standard of living decile. This couple's direct taxes account for 24.29% of their resources and 32.09% of their disposable income.

Retired couple subject to wealth tax on personal property assets (IFI).



Annual amounts in €	
Retirement pensions	165,017
Net pensions	150,000
Property income	15,000
Social benefits	0
Total resources	**180,017**
Total direct taxes	**71,092**
Income tax	34,275
Flat-rate tax (PFU) + social levies (30%)	4,500
Generalized social security contribution (CSG), social debt repayment contributions (CRDS) and additional solidarity contribution for autonomy (CASA) on the pensions	15,017
Property taxes	4,000
Housing taxes	4,500
Wealth tax on personal property assets	8,800
Direct levy rate as a % of their resources	**39.49%**
Annual disposable income	**108,925**

Source: Fidroit

Illustrations ©Adobe Stock - Zolotons

A retired couple (formerly senior managers) receives monthly pensions of € 12,500 net and owns an investment portfolio that earns them an additional capital income of € 1,250 per month.

They pay personal income tax that is calculated on a progressive scale and retain a single flat-rate tax for the movable capital income. The related tax is € 1,920 plus € 2,580 of social security levies.

They own an apartment in Paris worth 2 million and a second home on île de Ré worth € 800,000. They pay € 4,000 in property taxes and € 4,500 of housing taxes.

The couple is subject to wealth tax on personal property assets (IFI) amounting to € 8,800.

Their annual disposable income is € 108,925, which places them in the last decile for a levy rate of 39.49% on their resources and 65.27% on their disposable income.

iFRAP'S PROPOSALS

A plan to reduce the taxes on households by 7.5 billion euros

In his letter to the French people, the President of the Republic asked them to formulate ways of changing our tax system: "How can we make our tax system fairer and more efficient? " Here are our proposals. They will be balanced out by cuts in spending that we will present in our next study in March 2019. The iFRAP Foundation's strategy aims to restore room for manoeuvre and enhance the attractiveness of our economy, to encourage our fortunes, our creators and our talents to come back to France. However, we have focused this study on the burden of direct taxation that mainly affects private individuals (and to a lesser extent, companies subject to the income tax) and households. The tipping mechanisms are complex: the overall tax burden must be reduced whilst at the same time implementing a policy of increasing the tax base for income tax.
In this regard, new elements have already been introduced into the debate by the current Government with regard to direct taxation:

▮ total exemption from housing tax for all households by 2020-2021. The cost of this operation should represent an additional reduction of 11.2 billion euros compared to 2019 (do not forget that the total cost of abolishing the housing tax would amount to 24.5 billion euros in 2020[7]) if it is not compensated for by a rise in the associated land tax on developed land (TFPB) or any other alternative cash inflow, and the cost of the measure is fully covered by the general government in the form of savings;

▮ abolition of part of the generalized social security contribution (CSG) increase for pensioners (1.5 billion in 2019), a measure theoretically already pledged by equivalent undocumented management savings.
After people's exasperation with the tax system when François Hollande was in charge and the crisis of the "yellow vests movement" (which we must remember, started in response to the increase in green taxation especially on fuel, seen as the last straw for many households), it is high time to curb the pressure of direct taxation on households: it is even possible to reduce these direct levies by 7.5 billion euros within five years while sharing out the load more evenly.

The steps to be followed are:

▮ introduce an overall tax cap of 60% for all direct taxes, i.e. a saving of - 1.4 billion euros for taxpayers in annual terms;

▮ introduce a policy to rationalize and reduce income tax, which includes:
- a cap on the family quotient of 3,000 euros per half-share of quotient (a saving of - 2.17 billion euros for households);
- align the flat-rate tax (PFU) on movable capital income with the level of the marginal rate of corporate income tax lowered to 25%. The PFU product can be estimated at 1.4 billion euros.[8] Dropping the flat-rate tax from the current 30% to 25% should represent a "drop" in the PFU income tax contribution from 12.8% to 7,8%, an additional saving of - 235 million euros;

▮ a further cut in taxation related to holding and transferring capital. This should be done by abolishing wealth tax on personal property assets (IFI) and exit tax, i.e. gains for households of - 1.533 billion euros and - 34.08 million euros (income tax and social levies). Regarding the drop in capital transfer tax, we propose a reasoned cut of - 7.487 billion euros to virtually divide their amount by two and to get closer to the European average (transition from 0.6 to 0.3 points of GDP[9]);

▮ 7 See report by D. Djaïz and H. Martin, "Finances locales" (Local Finance) mission, Report on the overhaul of local tax regime, May 2018 p.130, while also taking into account the increase in previous tax deductions (0.6 billion) (4.3 as opposed to 3.7 in 2016), given that 10.1 billion of tax deductions have already been granted for the 80% of households exempted from 2020.

▮ 8 The transition to the flat-rate tax (PFU) in 2018 represents a cost of 1.93 billion euros for the public finances in 2019, once fully operational, which is deducted from a product of 3.33 billion euros, i.e.1.4 billion euros. www.gouvernement.fr/sites/default/files/document/document/2018/05/rapport_sur_la_refonte_de_la_fiscalite_locale_-_09.05.2018.pdf#page=130

▮ study the option of introducing a flat-rate tax on property revenues at a rate of 25%, after joining an approved management centre (measure not quantified). Aligning taxation between movable and immovable income would highlight the productive nature of the latter.

In parallel with the granted cuts, consolidation of direct taxation must be envisaged for an effort of 5.5 billion euros. The aim is to make the tax effort more equal, as it must no longer be based mainly (52%) on the last decile: such an approach pushes the wealthiest French to leave France, which is harmful for two reasons: tax exile deprives France of potential investments in the French economy and these exiles have a negative impact on public finances, because it takes away a non-negligible part of their revenues.
To break this vicious circle, the following must be planned:
▮ partial abolition of the tax relief mechanism for 3.6 billion euros (tax relief accounts for 4.52 billion), linked to the reintroduction of an income tax bracket at 5.5%, to which a change in the scale limits corresponding to + 1.7 billion euros would be added;

▮ reinforce the link between tenants and territories by including the property tax on developed land (TFPB) in the restrictive list of charges that can be recovered by the owner (as part of the tenancy of article 23 of law n° 89-462 of July 6, 1989 on improving rental relations) from a future date: January 1, 2020. We evaluate the potential product at approximately 117 million euros.

Ultimately, the net gain for households would be 7.5 billion euros on direct taxation of income and capital.

Summary of iFRAP proposals

Direct tax cut measures	
60% tax cap for all direct taxes	- € 1.4 billion
Lower income tax: cap the family quotient at 3,000 euros per half-share of quotient	- € 2.7 billion
Lower income tax: align the flat-rate tax (PFU) with the 25% corporate income tax rate	- € 235 million
Abolish wealth tax on personal property assets (IFI)	- € 1.53 billion
Abolish exit tax	- € 34 million
Cut capital transfer tax	-7.49 billion
Optionally introduce flat-rate tax (PFU) on property revenues	Not costed
Direct taxation consolidation measures	
Partially abolish the tax relief mechanism	+ € 3.6 billion
Change the scale limits	+ € 1.7 billion

▮ 9 see Société Civile study 197, *Taxation des donations/ Successions: stop à la surenchère (Gift/ Inheritance taxes: halt the escalation).*

Put assumptions aside n° 4: what the wealth tax cost France

Today, one of the main demands of the "yellow vests" movement is the reinstatement of this tax that has already caused France to lose so much.
Since 1982, many French payers of the wealth tax (ISF) have decided to leave France to set themselves up, at least fiscally, in other countries with a less punitive taxation system. This French capital leakage phenomenon is causing several problems. Firstly, tax exile deprives France of potential investments in the French economy. Secondly, this exile has a negative impact on public finances, because it reduces a non-negligible part of their revenues.
Based mainly on a report (kept secret) by the French tax administration (DGFiP) on taxpayers leaving the national territory, a strong increase in departures can be seen between 2003 and 2006, rising from 368 to 901, followed by a decline in departures between 2009 and 2011, which can largely be explained by the rise in the wealth tax threshold from 800,000 euros to 1.3 million euros.
Over the same period, wealth taxpayers returning to France are recorded, but there are always more leaving than returning. Thus, for 2013, 877 taxpayers left and 226 returned.
If we retain only those taxable for wealth tax and whose assets exceed 1.3 million euros, we note that the number of people leaving increased between 2003 and 2013, from 196 to 877. Indeed, this portion of wealth taxpayers was not impacted by the increase in the 2011 tax threshold, so departures did not decrease.
This report also gives us the figures of the total net tax base of wealth taxpayers who left France without taking into account the number of them. On average, between 2002 and 2015, 3.04 billion euros left France each year, while over the same period, only an average 655 million euros came back into France. Therefore, by deducting those who returned, 2.38 billion euros net leave France each year.
Since 1982 (when the first wealth tax, the IGF, was introduced) "*the net capital leaving France would represent 81.09 billion euros over the period, with interest and compound interest representing an amount of 62.2 billion euros*", i.e. nearly 15.2 billion euros in lost revenue from the wealth tax (ISF) viewpoint.
In July 2017, the Coe-Rexecode Institute published a report on "the economic consequences of tax exile due to tax differences between France and other countries", in which the institute reached similar conclusions and considered the capital loss related to entrepreneurs leaving France from 1982 to 2015. This cumulative loss would amount to 45 billion euros. In relation to the commercial GDP of the same year (all sectors combined), this could be estimated as a failure to create 400,000 direct jobs. A major shortfall for the French economy that accounts for nearly 1.89% of total employment and 2.8% of market sector employment.
At a time when unemployment rates are high, a loss of capital and a barrier to job creation are the last things the French economy needs. And replacing the wealth tax (ISF) by the wealth tax on personal property assets (IFI) will not solve the problem of tax exile. The wealth tax on personal property assets (IFI) will be the cause of fewer taxpayers moving abroad, but it remains a punitive tax because its operation does not take into account inflation.

Put assumptions aside n° 5: no, a social security contribution does not automatically give something in return

Social contributions are supposed to represent compulsory levies with something given in return. However, in recent years, some adjustment measures have consisted of converting some of them into "lost equity" contributions, which is a de facto legal transformation. These contributions are no longer contributions, but donations (since there is nothing in return, and they do not lead to any rights).

If these measures were part of some emergency measures aimed at generating additional revenue for our social security systems, they cannot be used as structural reforms. Furthermore, they are sources of irritation for the contributors concerned. Why not open up this field for thought, which in fact represents a modest financial volume (356 million euros in 2020), to boost confidence in our current social protection system?

This concerns, for example, the Unédic (National union for employment in industry and trade), as since the 2014 circular, the age limit of 65 for the payment of contributions has been abolished. As a result, unemployment insurance contributions and wage guarantee scheme (AGS) contributions are now due by employees, irrespective of their age. Working pensioners now have to contribute to unemployment insurance after the age of 65, without this contribution giving them any rights.

The same applies for pensions, since the 2014 reform, which planned that "*no return to professional activity by a pensioner will entitle them to any old-age benefit, whether direct or derived, from any pension scheme that is legal, or made legally compulsory, basic or supplementary*". This measure was considered as a performance measure as prior assessment of the bill indicated: *"Broader application of the contribution principle that does not produce any new pension rights will have a positive impact on all schemes.* " Today, this measure affects around 100,000 insured individuals benefiting from an employment and retirement combination.

In the same vein, since the Social Security financing law of 2013, it has been decided that dividends received by majority managers of limited liability companies will no longer escape from social contributions. In short, this law prevents the directors of limited liability companies (SARL), or even sole proprietorships with limited liability (EURL), from arbitrating between wages and dividends for the benefit of the latter to reduce their social contributions.

These measures are combined with the tightening-up on the taxation of dividends and therefore, directly affect self-employed people. From now on, up to 10% of the amount of shareholders' equity, dividends and amounts paid into partner's current account are subject to social levies. Furthermore, social contributions are applied to dividends, whereas amounts paid into current accounts are considered as active income.

The backtracking on this mechanism that, let us not forget, does not grant any additional rights for the contributor, is legitimate to the extent that there is no free-rider in this case. The cost of going back to freely choosing the mode of remuneration and the neutral nature of the corporate form (SARL) should contribute to appeasing the same self-employed people who make up a significant portion of the "yellow vests" movement. This demand is also prominent in the reports on grievances.

Backtracking on the surreptitious conversion of contributions into de facto contributions that has occurred over recent years, should appease the feeling that taxpayers constantly contribute more without gaining any additional rights

APPENDIX I: EVOLUTION OF DIRECT TAXES ON HOUSEHOLDS (IN BILLIONS OF EUROS AT CURRENT VALUE)

In billion euros		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Income tax (D51) on households	Generalized social security contribution (CSG)	58.6	61.7	63.3	65.0	67.0	71.9	76.6	80.3	84.5	81.9	83.4	88.1	91.9	92.8	93.6	95.8	96.6	99.4
	Social debt repayment contributions (CRDS)	4.5	4.6	4.7	4.8	5.0	5.3	5.5	5.7	6.0	6.0	6.0	6.4	6.6	6.6	6.7	6.9	7.0	7.2
	Other social levies	1.8	1.9	1.8	1.8	2.1	2.2	2.7	3.1	3.3	3.4	3.6	4.4	6.9	7.9	8.0	8.5	8.7	9.0
	Personal income tax	49.5	47.9	45.6	47.3	47.6	49.4	52.4	48.6	50.9	46.1	47.0	50.8	59.5	68.6	70.1	70.4	72.9	74.0
	Levies on financial assets	1.5	2.1	1.9	1.6	1.6	2.3	3.2	3.5	5.3	4.6	4.8	5.8	6.6	4.3	2.8	3.1	2.8	3.1
Miscellaneous taxes on production (D292)	Property tax on developed land paid by households	8.4	8.6	9.0	9.5	10.0	10.8	11.5	12.0	12.5	13.6	14.4	15.1	15.9	16.5	17.0	17.6	18.5	18.9
Other current taxes (D59)	Housing tax	8.5	8.9	9.4	10.1	10.6	11.3	12.1	12.6	13.2	14.4	15.3	15.9	16.8	17.5	17.8	18.4	18.8	19.3
	Wealth tax (ISF)	2.4	2.6	2.4	2.3	2.6	3.0	3.7	4.4	4.2	3.6	4.5	4.3	5.0	4.4	5.4	5.2	4.8	5.1
	Property tax on undeveloped land (paid by households)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Capital taxes (D91r)	Capital transfer tax	6.8	7.2	6.9	7.2	8.5	8.9	8.3	8.9	7.8	7.4	7.7	8.5	9.0	9.5	10.3	12.2	12.2	14.1
Total	**All taxes considered**	**142.2**	**145.8**	**145.1**	**149.6**	**155.0**	**165.3**	**176.0**	**179.2**	**187.8**	**181.2**	**186.9**	**199.4**	**218.4**	**228.3**	**231.9**	**238.2**	**242.5**	**250.3**
	All taxes considered as GDI points	*16.0*	*15.6*	*14.9*	*15.0*	*14.9*	*15.4*	*15.6*	*15.0*	*15.3*	*14.7*	*14.8*	*15.4*	*16.7*	*17.6*	*17.6*	*17.9*	*17.9*	*18.0*

Source: INSEE, national accounts, major taxes by category, table 3.217

APPENDIX II: INCOME TAX DISTRIBUTION BY HOUSEHOLD REFERENCE TAXABLE INCOME DECILE

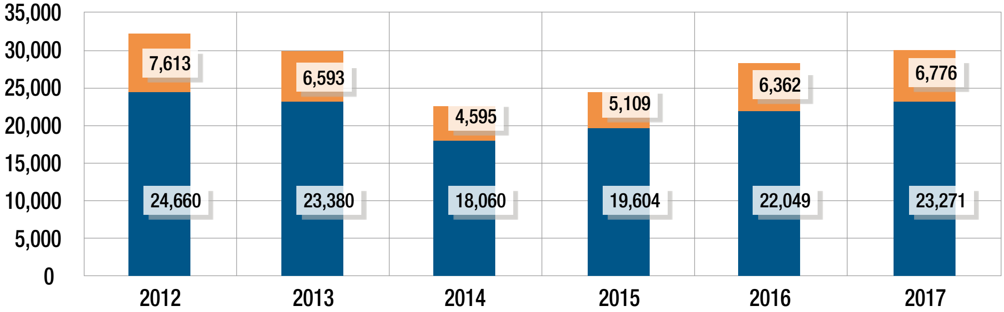
Based on the DGFiP's statistical yearbook, we have a distribution of the household reference taxable income in each bracket of the 37.9 million tax households.
After a few calculations, we distribute the total tax (70.3 billion euros) by household reference taxable income decile. The wealthiest 10% of tax households with the highest household reference taxable income (RFR) (above 55,481 euros, or 4,623 euros per month) pay 68% of the entire income tax.

Household reference taxable income by income bracket (in euros)	Number of households	Household reference taxable income	Net tax (total)	Number of taxable households	Household reference taxable income of taxable households
0 to 10,000	8,718,832	36,486,123	-125,682	66,586	294,858
10,001 to 12,000	2,116,809	23,303,605	-51,683	6,099	66,659
12,001 to 15,000	3,408,910	46,401,491	-97,825	202,105	2,988,786
15,001 to 20,000	5,954,707	103,622,468	1,449,604	3,149,449	54,771,310
20,001 to 30,000	6,884,088	169,261,301	5,755,601	4,000,004	98,480,197
30,001 to 50,000	6,645,504	254,150,943	13,077,906	5,176,670	201,110,341
50,001 to 100,000	3,388,432	222,984,039	21,258,759	3,198,523	211,012,181
Over 100,000	771,899	145,716,347	29,060,319	749,105	142,205,926
Total	**37,889,181**	**1,001,926,319**	**70,326,999**	**16,548,541**	**710,930,260**

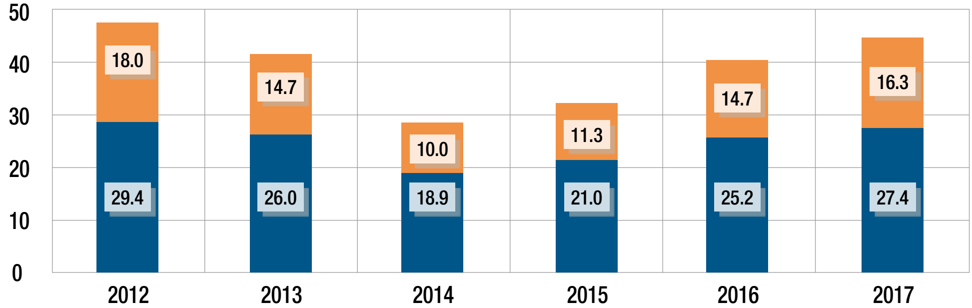
	Upper limit (decile)	Mean household reference taxable income (RFR) by tax household (in euros)	Mean tax by tax household (in euros)	Net total tax by bracket (in billion euros)
Less than D1	4,346	1,819	-14	-0.1
D1 to D2	8,691	5,456	-14	-0.1
D2 to D3	12,467	10,235	-22	-0.1
D3 to D4	15,765	13,047	37	0.1
D4 to D5	18,946	17,258	243	0.9
D5 to D6	23,681	21,021	640	2.4
D6 to D7	29,185	25,997	836	3.2
D7 to D8	39,715	34,130	1,800	6.8
D8 to D9	55,481	43,220	2,390	9.1
Higher than D9	-	92,774	12,666	48.0

APPENDIX III: EVOLUTION OF THE WEALTHIEST TAX HOUSEHOLDS SINCE 2012

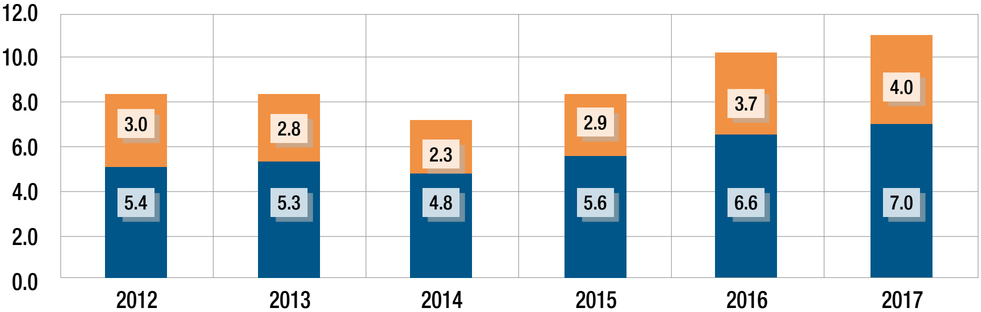
Number of taxed households with a household reference taxable income (RFR) exceeding 500,000 euros



Household reference taxable income (RFR) of taxed households exceeds 500,000 euros



Income tax of taxed households with a household reference taxable income (RFR) exceeding 500,000 euros



■ Taxed households with household reference taxable income (RFR) > 1,000,000 euros
■ Taxed households with household reference taxable income (RFR) > 500,000 euros

Source: DGFiP

APPENDIX IV: BREAKDOWN OF DISPOSABLE INCOME BY HOUSEHOLD REFERENCE TAXABLE INCOME DECILE AND BY HOUSEHOLD STANDARD OF LIVING DECILE

In billion euros	Disposable income of 27.9 million households by standard of living decile											
		Average living GDI	12,903	19,666	23,113	26,255	29,978	34,354	38,434	43,789	52,326	89,352	
Household reference taxable income (RFR) of 37,9 million tax households by decile	Average household reference taxable income	Household reference taxable income decile	Less than D1	D1 to D2	D2 to D3	D3 to D4	D4 to D5	D5 to D6	D6 to D7	D7 to D8	D8 to D9	Higher than D9	Total
	1,819	Less than D1	6.9	-	-	-	-	-	-	-	-	-	6.9
	5,456	D1 to D2	8.3	7.2	5.2	-	-	-	-	-	-	-	20.7
	10,235	D2 to D3	7.7	13.6	7.8	7.8	1.9	-	-	-	-	-	38.8
	13,047	D3 to D4	4.9	9.9	12.4	9.9	7.4	4.9	-	-	-	-	49.4
	17,258	D4 to D5	3.2	9.0	9.1	13.8	21.8	6.6	1.7	0.1	-	-	65.3
	21,021	D5 to D6	4.0	8.8	11.9	16.0	17.5	12.6	6.6	1.8	0.4	-	79.6
	25,997	D6 to D7	-	4.9	9.9	9.9	9.9	14.8	29.6	14.8	4.9	-	98.5
	34,130	D7 to D8	-	-	6.5	9.1	12.9	32.3	25.9	19.4	23.3	-	129.3
	43,220	D8 to D9	-	-	-	4.9	9.8	18.0	22.9	47.5	60.6	-	163.8
	92,774	Higher than D9	-	-	-	-	-	3.9	17.6	35.1	52.7	242.3	351.6
		Total	35.0	53.3	62.7	71.2	81.3	93.2	104.2	118.8	141.9	242.3	1,003.9