

The new competitiveness and employment tax credit is tax neutral

The French Accounting Standards Authority (*Autorité des normes comptables*) has published a note specifying that the amount of the Competitiveness and Employment Tax Credit (*Crédit d'Impôt pour la Compétitivité et l'Emploi*, hereinafter "CICE") should be recorded in the credit side of a dedicated sub-entry of the expenditure accounting entry line n°64 - "staff-related expenses".

The French tax authorities have drawn conclusions from this recording method and specified that the tax treatment of the CICE for the determination of the (i) contribution on business added value (*cotisation sur la valeur ajoutée des entreprises*, hereinafter "CVAE") and (ii) taxable income:

- Insofar as the staff-related expenses are not deductible from the added value, the CICE has no impact on the calculation of the added value and, consequently, on the CVAE due by the companies.
- The receivable does not constitute a taxable item for the determination of the taxable income for the financial year during which the receivable is earned. This amount must therefore be deducted for tax purposes only.

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