

## **Thematic contribution of the National Commission on Enterprises (CNE) to the congress of December 12 and 13, 2020 of the Socialist Party in Villeurbanne.**

In 2022, when France is elected President of the Republic, its economic situation will be very deteriorated, with a debt burden of around 120% of gross national product (GNP), high unemployment, and a growing number of people below the poverty line. The health crisis we are experiencing is likely to further exacerbate these difficulties.

The economic and industrial policy will condition the rebound of our country. The State will have to become a true strategic State in its relations with companies, especially those where it has or acquires equity interests. In many sectors that the health crisis has deeply devastated (health, culture, aeronautics, tourism), the action of the State will have to be particularly proactive. Many jewels of our industry are in great danger.

In this context, a government program of the Socialist Party or of a united left will have to be credible:

- to propose radical measures in corporate governance without additional cost to the taxpayer ;
- generate new revenues by reducing tax evasion practiced legally by more and more French citizens or companies of all nationalities.

While France can decide unilaterally on the proposed measures, others will require prior negotiations, either at the European level or at the level of the Organisation for Economic Co-operation and Development (OECD). *The introduction of a significant tax on financial transactions is central in this respect. A fight is being assiduously led by our Members of the European Parliament. We strongly support it.*

The measures presented in this contribution were selected by the CNE following discussions and working meetings with various personalities, such as Jean Peyrelevade or union representatives from the Ministry of Finance. Some of them have already been approved by our European socialist partners within the framework of the association Self-Employed, Entrepreneurs and Enterprise among European Democrats and Socialists (SE4DS).

### **1) Measures that can be taken unilaterally at the level of France**

#### **1.1 Implementation of a new status of SA on the Rhine model**

Currently, even though the obligation for prior advisory opinions from the Social and Economic Committee (SEC) has been multiplied, only the shareholders retain absolute decision-making power over the company's short and medium-term future.

To put an end to this deadly absolutism, let's make available to existing companies or to new entrepreneurs a new status, in which :

- the main decisions that commit the company will be subject to formal agreement by the Social and Economic Committee (CSE): strategic orientations, distribution of profits, appointment of managers, mergers, acquisitions, etc. ;
- The Board of Directors will be composed of members designated equally by the shareholders and the CSE.

*In order to encourage as many people as possible to adopt this new status, companies that do so will benefit from a reduction in their corporate income tax of around 8 to 10%.*

- More generally, the implementation of corporate social and environmental responsibility (CSR) must no longer, as too often, remain theoretical but must be applied in practice in all company decisions. This CSR must be built concretely in application of the method recognized internationally, by the members of the ISO and the ILO.

#### **1.2 Limit the use of SAS status to companies with less than 50 employees.**

On the advice of financial consulting firms, companies of all sizes have rushed to adopt the status of a simplified joint stock company (SAS: Société par actions simplifiée) to eliminate boards of directors and thus avoid any collective control over management decisions.

*This abuse of rights must be stopped by limiting the possibility of opting for this status to companies with less than 50 employees.*

### **1.3 A more transparent and generous calculation of employee profit-sharing**

Even the best specialists find it difficult to understand how the current participation system is calculated. It allows companies to play on multiple factors to reduce employee participation to little or nothing.

*When a company distributes profits, part of the amount, 10% for example, must be distributed to employees, either equally or in proportion to the wages received, or a mix of both.*

### **1.4 Preventing citizens and nomadic businesses from evading all or part of their income or corporate taxes**

On the strength of their freedom in tax matters, some European and other countries are engaged in unfair competition to attract the wealthiest working and retired people or companies, all looking for a reduction in their tax burden.

Residing abroad in a country practicing tax dumping is commonplace for the wealthiest French people, as well as for all multinational companies.

#### ***Restoring fiscal equality between nomadic and sedentary citizens***

France must decide, unilaterally or not by mutual agreement with other European Union Member States, that all citizens, regardless of their place of residence, will have to pay the total amount of tax due in their country of origin. He will be subject to the income tax demanded by his host country, and when this tax is lower than that which he would have paid in his country of origin, he will pay the difference to the latter.

This regulation is not revolutionary. It is applied by the United States under penalty of loss of American nationality.

#### ***Restoring fiscal equality between national and multinational companies***

France alone, or, better still, together with Germany and all interested countries, could decide to tax multinationals, regardless of their domicile, on their profits from their consolidated results in proportion to the turnover they generate in each of the countries that would follow this regulation.

The implementation of these two measures will generate additional revenues estimated at **between 40 and 60 billion euros and** will restore fiscal equality between nomadic and sedentary individuals or legal entities.

### **1.5 The evolution of energy production by 2020/2060**

Our Party must adhere to the provisions of the Energy Transition Law for 2060, which sets ambitious goals in our fight against global warming and the reduction of CO<sub>2</sub> emissions.

There is also a need to promote research on the production of liquid hydrogen at a competitive cost.

*A "Commissariat" for the hydrogen sector should bring together the dispersed skills of research organizations in order to rapidly lead to the industrial production and storage of hydrogen for its use (particularly as an energy supplement to biomass and as fuel for fuel cells) as an energy carrier, starting with heavy road, rail and maritime transport and large urban concentrations.*

### **1-6 Strengthening public services, protection of "common goods".**

Public services are at the heart of the political debate. They also condition the strategy for safeguarding and protecting the "common goods" of which we are the guardians. It is out of the question to abandon public services to the commercial sector, as well as the management of "common goods". Public services

Industrial and commercial enterprises must be subject to effective control by elected officials at all levels. This control must involve users and staff representatives. These services must also ensure, which is not the case today, an equal service in all territories (e.g. telecommunications) in metropolitan France and overseas. The life and the development of the companies depend on it.

Moreover, we must stop privatizing sectors that are essential to life such as health, education, energy or telecommunications?

In the same way, let us stop this hemorrhage which consists in reducing the State's patrimony by selling "our family jewels".

Let us think about the general interest of the populations and act within the framework of a clear and transparent strategy.

### **1-7 : Employee law and social economy**

Over the past ten years or so, employee rights have been curtailed. The labor code has "slimmed down" as the medical and labor inspectorates have lost resources. It is enough. Our Party must open, with priority to all the unions of employees, but also those of employers, a broad and honest consultation to take stock of these provisions, which were to create "a million jobs".

This consultation will study the obstacles to competitiveness, support for companies, reduction of working hours, employee rights, the role of trade unions, and training. It will also take stock of current experiments such as the "Zero unemployment over one year" action in the territories.

Let's also study the "top-down" reconciliation of social status between public and private sector employees.

#### **Encouraging the social economy**

In the event of sale of the company, particularly in the event of a buyout or transfer, the employees must have priority to buy it back in the form of a cooperative, scoop, SAPO, or any other form of common law company with employee participation exceeding 35% of the capital.

### **2) Measures to be negotiated at the European level**

The coronavirus pandemic enabled Europe to take a decisive step towards greater solidarity, by adopting a 750 billion euro recovery plan and authorizing the Commission to borrow on behalf of the European Union for the first time.

At the end of this crisis, all European countries will be looking for new recipes to cope with their deteriorated economic situation. A left-wing government must seize this opportunity to advance the construction of Europe with its socialist and ecological partners in the 27 member countries.

Since taxation remains essentially the responsibility of each State, the unanimity rule of the 27 does not apply, and nothing prevents several countries from adopting common regulations **through enhanced cooperation**.

Let us put on the agenda of the European institutions the measures 1.4 unilaterally introduced by France and use our influence to the best of our ability to get them adopted by the largest number of European Union (EU) Member States.

At the level of the 27 EU member countries, France will have to take action to **obtain a consensus on European accounting standards for the** application of a common consolidated corporate tax base. Their implementation would allow serious comparisons to be made instead of the currently posted tax rates that do not reflect reality.

#### **It should also be possible :**

- **to establish a "European tax snake"** for corporate taxation. It would gradually neutralize unfair tax competition between states, just as the "European currency snake" has reduced the differences between currencies;

- **to prohibit the EU states from secretly negotiating agreements (tax rescrits) to limit the tax on the profits of certain multinationals to a small percentage in order to attract them to their soil.**

These measures would render inoperative the tax optimization pursued by stateless multinationals. They would restore equal tax treatment between multinationals and VSE-ETIs whose activity is limited to a single country.

It is also essential for the EU to have a strategic plan for the development of research and industry. The European states must assume the long-term investments that companies find difficult to make.

### **3) Measures to be negotiated at OECD level**

Certain steps can only be taken at the global level to prevent companies from fleeing to tax havens outside the EU.

A left-wing government should provide for the opening of negotiations at the OECD level to promote the adoption of regulations to end abusive practices by publicly traded companies, particularly to avoid taxes:

*- prohibit the company from repurchasing its own shares, which impoverishes it and enriches its shareholders by increasing the nominal value of the remaining shares, without having to distribute dividends subject to income tax and income tax ;*

- regulate the system for the distribution of stock options: currently offered only to company executives, this measure enables them to become richer, sometimes considerably, when progress is made and the value of the share increases. To avoid abuse of this practice and to ensure greater fairness for all those who have contributed to improving performance, stock options should be distributed to all company employees in proportion to their salary;*
- dislocate companies that have or are about to acquire the character of a global monopoly or quasi-monopoly.*

**Signatories : Anne Le Moal - Member of the National Council - Federal Councillor of Seine-Saint-Denis - Pierrefitte City Councilor, Elisabeth Humbert-Dorf Müller - SF Europe and Hauts-de-Seine International and representative of the SPD Paris, Edith Heymann-Launey, Patrick Ardoin - Secretary of the CNE - Paris 15 section, Charles Cala - Orsay 91 section, Arnaud Delcourte, Patrick Ducome, Jean-Marie Mariani - Senlis 60 section, Georges Valay - Paris center section, Christian Vely - Post and Telecom section, Marcel Villeneuve**

**National Commission for Enterprises**