PRESS RELEASE **5 November 2014**

Tax attractiveness: Leem is calling on the government to react to France's accelerating decline

For the third year in succession, the law firm Landwell has produced its European survey of the general and sector-specific tax burden on pharmaceutical companies. Of the seven major countries surveyed, France remains bottom of the league, while leading competitors - the UK and Germany - are widening the gap through tax incentives.

The increasingly unattractive tax climate lamented by Leem over the past two years has been borne out in the latest survey which the law firm Landwell was commissioned by Leem to conduct. Now in its third year, this survey has sought to broaden its analysis. Besides a detailed calculation of the overall tax burden on the pharmaceutical industry in France and the major European countries, Landwell has presented a qualitative overview of the key indicators of tax attractiveness across these different regions for companies operating in the sector (research incentives, tax deductibility of interest, fiscal stability).

France still in bottom place

The 2014 update of the first part of the survey is a continuation of the findings reached in the last two years. Of the seven countries included in the survey (France, Germany, Italy, UK, Ireland, Spain, Switzerland), **France still has the highest overall tax rate, regardless of circumstances or business profile** (Contractor, Manufacturing Distributor or Distributor).

Of the 18 assumptions on which the foreign tax rate calculations are based, the foreign rates are without exception lower than the French rate, with a minimum gap of 4 points compared to the French rate. In over two-thirds of cases (13 out of 18 rates), the foreign rates are at least 12 points lower than the French rates.

The overall rate rise observed in 2014 (+1% on average against 2013) is mainly due to the increase in the additional corporation tax levy, which rose from 5% to 10.7%.

The gap is widening in the United Kingdom, and in Germany too

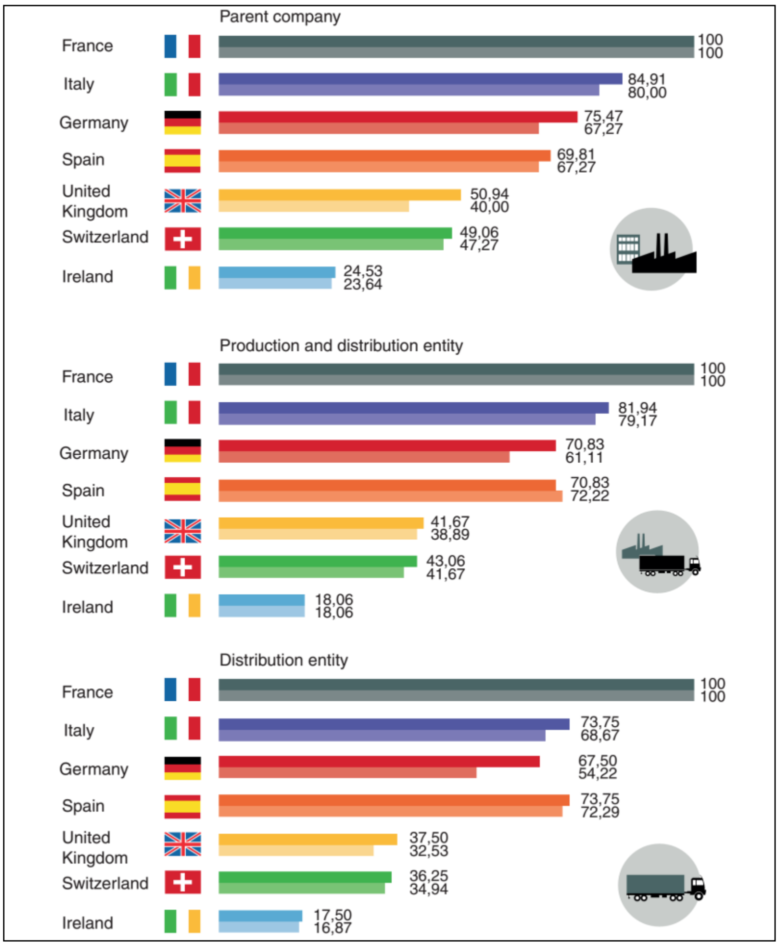
The 2013 survey confirmed the significant taxation gap that separates France from other European countries, especially the United Kingdom, which had introduced tax incentives for income from patents, as well as opting for a general reduction in tax rates. The trend is worsening in 2014: not only is France the only country where the overall tax rate is increasing, but the already significant gap between it and its European neighbours is continuing to grow, most notably in Germany as a result of the massive rate reduction in discount agreements introduced in 2014.

All scenarios combined, Ireland remains the most attractive country for industrial investment in health.

As for France, the rise in the Tax Credit for Competitiveness and Employment (CICE) from 4% (2013) to 6% (2014) has been insufficient to offset the increase in the overall tax rate imposed on pharmaceutical companies.

France is the least attractive country in terms of general and industry-specific taxation

(Overall tax rate + social security contributions + employee profit-sharing) 2012-2014 comparison



Leem calls for a total rethink

Apart from the overall tax rate, the criteria which make a region attractive are primarily tax incentive schemes for research, tax deductibility of interest, and a stable tax system. Although France's position in terms of tax relief for research is good, it is undermined by the number and complexity of measures imposing limits on the tax deductibility of interest and by highly unstable tax laws, both of which send out negative signals to foreign investors, conclude the authors of the survey.

"Our major European neighbours have understood the need to act proactively in terms of regulation, taxation, market access and social standards, if they are to attract investment in health, ***according to Patrick ERRARD, Chairman of Leem****. In addition to general taxation, our sector is now subject to a dozen or so industry-specific taxes. Meanwhile, the economic regulation of our businesses through the Social Security finance laws is proving increasingly disadvantageous*".

"In a global context where taxation is emerging as an important parameter of competitiveness, the lack of predictability and clarity of the French tax system imposes a heavy burden, **says Patrick Errard**. *This taxation study is one of a number of surveys published recently by Leem on the decline in manufacturing investment in France*. There is an urgent need to reduce and simplify the taxation of businesses, especially in our industry. This is why we are asking for a debate to take place soon on this matter, along with an audit of the allocation of tax revenue from our businesses."*

** See the Roland Berger and Arthur D. Little studies published on 14 October 2014, downloadable from* www.leem.org

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Press contacts:
Stéphanie BOU - tel.: 01 45 03 88 38 - Mobile : +33 (0)6 60 46 23 08 - e-mail: sbou@leem.org
Virginie PAUTRE – tel.: +33 (0)1 45 03 88 87 - e-mail: vpautre@leem.org
Jean Clément VERGEAU – tel.: 01 45 03 86 82 – email: jcvergeau@leem.org