Tax on office premises in the Île-de-France (Greater Paris) region

Since its launch, the *Grand Paris Express* (GPE) project, which plans to double the length of the Paris Métro and extend some lines to the inner and outer suburbs, has reached consensus in the region. However, the launch of the implementation phase from 2017 highlighted several challenges and tensions. Doubt was cast on the ability of the *Société du Grand Paris* (SGP)[260], the public entity established by law and tasked with designing and completing the future network, to meet deadlines while maintaining a reasonable cost level. This concern led the government to raise the issue of the long-term nature of the project company's business model guarantee.

In 2017, a report on the SGP was published by the French *Cour des Comptes*, expressing doubt regarding the sustainability of the business model, following a reassessment of project costs. In 2019, a report submitted to the French National Assembly by Gilles Carrez, representative of the *Val-de-Marne* département, recommended an increase in the tax revenues allocated to the SGP[261].

→ TAXATION AS A MEANS OF ENSURING THE SUSTAINABILITY OF THE BUSINESS MODEL

One of the main contributors to the funding of the SGP's operations is the tax on office premises (TSB - *taxe sur les bureaux*). Initially limited to office premises, this annual tax introduced in 1990 had its base extended in 1999 to retail and storage premises, then in 2011 to parking spaces. Today, the TSB also applies to parking spaces in the Île de France region.

It is payable on 1 January for an entire year, even if the premises change usage, owner or become vacant during the year. Since 2011, part of the TSB revenues are allocated to the SGP. Its ceiling has been gradually raised to reach €464 million in 2019, i.e. roughly 60% of total operating revenues.

In total, around 15 rates are applicable, depending on the type of premises and its location. The amount is calculated by multiplying the surface area of premises subject to the levy by a rate per square metre which varies depending on the district in which the premises is located:

· 1st district (so-called "premium" zone): 1st, 2nd, 7th, 8th, 9th, 10th, 15th, 16th and 17th arrondissements of Paris, Boulogne-Billancourt, Courbevoie, Issy-les-Moulineaux, Levallois-Perret, Neuilly-sur-Seine, Puteaux.

· 2nd district: other arrondissements of Paris, other municipalities of the Hauts-de-Seine département (reduced rates for Bagneux, Chatenay-Malabry, Colombes, Fontenay-aux-Roses, Gennevilliers, Malakoff, Villeneuve-la-Garenne).

· 3rd district: Seine-Saint-Denis (93), Val-de-Marne (94) and the municipalities of Seine-et-Marne (77), Yvelines (78), Essonne (91) and Val-d'Oise (95) which are part of the urban unit of Paris.

· 4th district: other municipalities in the Île-de-France region[262].

This tax is supported by the SGP for its recurrence and as it is applicable to a broad base. In addition, for companies, the contribution to funding the SGP is part of an economic approach: the project will improve the international appeal of the Paris metropolitan region and the mobility of the working population within its territory.

→ A MEASURE THAT PLACES A BURDEN ON ECONOMIC ACTIVITY AND IS DIFFICULT TO REPLICATE

Like the versement mobilité (VM), the tax on office premises is criticised by companies. According to employers' union *Medef*, the increase of a tax on office and retail space may threaten the region's attractiveness and encourage companies to move elsewhere. Furthermore, against a backdrop of strong competition between London and Paris, heightened by Brexit, some believe this tax is a negative signal likely to damage the region's appeal to companies[263].

Lastly, while it is adaptable, the measure appears difficult to replicate in lower-density areas. Does the tax revenue of such a measure cover the potential economic losses resulting from the decline in company attractiveness? Nothing could be less certain, particularly in sparsely populated areas which are already making significant efforts to attract new companies.

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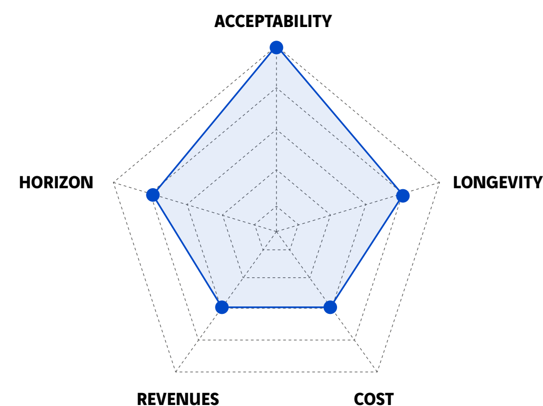
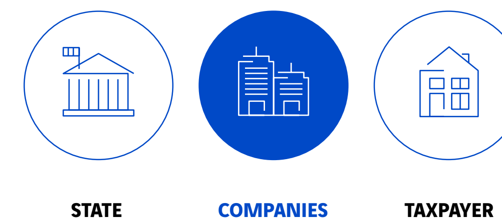


Who pays?



STATE COMPANIES TAXPAYER

What scale of implementation?

LOCAL NATIONAL