

France Won't Force Companies To Cap Executive Pay

Sarah DiLorenzo, AP Business Writer

PARIS (AP) — The French government is trying to woo executives and entrepreneurs, amid concerns that it has antagonized the businesses needed to reinvigorate the economy.

Finance Minister Pierre Moscovici announced Friday that the government no longer plans to push for a law to cap executive salaries in the private sector. Instead, Moscovici told reporters that he was in discussions with business leaders and he hoped companies would agree to institute their own limits. He did not give details.

He did hold out the possibility, however, that the government could resort to passing a salary cap if it wasn't pleased with what companies come up with.

"If we are not satisfied, if we aren't able to get measures that allow us to effectively control salaries, that also allow for better information on salaries to be given to shareholders, then, at that moment, I don't exclude the possibility that we could legislate," he said, on the sidelines of a press conference.

The Socialist government last year cracked down on what it viewed as excessive pay for executives at a time when employees are losing their jobs or being asked to take pay cuts. It imposed limits on executive pay at state-run companies, and initially pledged to do the same in the private sector. It is also pursuing a 75-percent tax for salaries above 1 million euros (\$1.3 million), to be paid by employers.

Moscovici's comments came after he announced that the government was backing down on the salary cap in an interview with the French newspaper *Les Echos*.

Friday's announcement was the not the first time the government has pulled back from a measure that pleased the Socialist Party's left wing but infuriated business leaders.

President Francois Hollande has already made an important about-face on a hike to the capital gains tax rate that entrepreneurs said would take away all incentive for starting new businesses. Last month, Hollande announced that entrepreneurs selling their businesses would get big tax breaks instead.

France's economy is officially in recession, and its unemployment rate is at 11 percent. Economists say that to turn things around, Hollande needs to move more quickly and boldly on reforms, like lightening the tax burden that companies face and simplifying regulations.

France Won't Force Companies To Cap Executive Pay

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

Part of the government's response to this criticism was to offer a rebate on companies' payroll taxes, which are the highest in the European Union.

The credit will eventually give companies up to 6 percent back on payroll taxes. Normally, companies would not see any money before next year, when they pay this year's tax bill. But the government has set up a system of "pre-financing" so companies can apply to receive their credit immediately — in the hopes they'll put the cash toward hiring or investment now.

But some studies have shown companies have been reluctant to apply for the pre-financing, either because the process was too complex or because they feared it would carry a stigma of desperation.

Moscovici was trying to allay those concerns at a press conference on Friday with representatives for French banks, businesses, accountants and public funds. Some representatives acknowledged that they'd heard that companies weren't sure how to apply.

The government says that 3,500 companies so far have submitted requests for a total of 550 million euros worth of advances on the tax credit — though not all that money is yet in the hands of companies.

It hopes to hand out 2 billion euros in advances this year and to provide 13 billion euros in tax credits overall.

"We are in a rhythm, it's going fast, and it's going well," said Moscovici. But he added that banks still have to move more quickly.

Source URL (retrieved on 04/27/2015 - 12:45am):

<http://www.impomag.com/news/2013/05/france-wont-force-companies-cap-executive-pay>