



PRESS RELEASE

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Entities and public policies

THE DUTREIL PACT: A FAST-GROWING TAX SYSTEM THAT NEEDS TO BE BETTER TARGETED

The Dutreil pact was introduced in 2000 and then extended by several legislative provisions, in particular the Economic Initiative Act of 1 August 2003, known as the "Dutreil Act". This tax advantage significantly reduces tax on transfers of family businesses, by inheritance or gift, provided that family control is maintained for a minimum period and that the heirs or donees undertake to hold the shares received for several years. As this scheme has never been evaluated since its inception, the *Cour* considered it necessary to provide the public debate with a precise analysis of its objectives, beneficiaries and economic effects on investment and employment, together with a more robust estimate of its cost to public finances. The report is based on previously unused and unpublished tax data. It is also based on a research partnership with the Institut des politiques publiques (IPP).

The Dutreil pact, a tax tool to encourage the transfer of family businesses

The transfer of family businesses on the retirement of the main shareholder-manager is a matter of particular concern because of the high transfer taxes in France, potentially up to 45% for direct descendants. In response to the risk that this transfer could result in a weakening of the business or a takeover by foreign investors, most European countries have introduced measures to encourage family transfers from a tax point of view. The French Dutreil pact appears to be one of the most favourable, especially as its scope and rules have been continually relaxed since it was introduced in the early 2000s. Open to all companies, from the smallest to multinationals, it reduces the average tax rate on transfers to around 8%, compared with 34% under the ordinary law system.

Who are the beneficiaries of the Dutreil pact and which companies are concerned?

The number of transfers under the Dutreil pact has risen sharply in recent years. The regularly quoted range of 2,000 to 3,000 donations per year was underestimated, as the figure has been between 3,000 and 4,000 since 2018 and even between 5,000 and 6,000 in 2024. The total amount of assets eligible

for the tax advantage reached €12 billion in 2023 and €20 billion in 2024, for an average amount per donor of around €1.8 million. The companies involved are representative of the French economy: from small businesses to international groups, from agriculture to industry, from transport to commerce and hotels-cafés-restaurants. On average over the period 2018-2024, the businesses transferred each year under the Dutreil pact employed 523,000 people and generated added value of €45 billion. Commerce is over-represented, with 44% of added value and 35% of employment, while industrial companies, designated as the priority target of the scheme, account for only 13% of transfers, 21% of added value and 23% of employment.

What is the amount of tax expenditure associated with the Dutreil pact?

The estimate of the amount of tax expenditure given in the budget documents has never been based on a convincing methodology and has been misleading as to its order of magnitude. The *Cour* estimates this tax expenditure at over €3.3bn in 2023 and over €5.5bn in 2024, compared with €1.2bn in 2020 and 2021. This recent increase is explained by the increase in the number of transfers and by the presence of a very large transaction in each of the years 2023 and 2024. By way of comparison, total free transfer duties on all inheritances and gifts reached €20.9 billion in both 2023 and 2024. In 2024, the amount of tax expenditure on business transfers therefore represented a quarter of the amount of revenue collected on all transfers. This tax expenditure is highly

concentrated in the bottom percentile, which accounts for 65% of its total: the 110 donors concerned in 2024 received an average tax benefit of €30m.

What are the economic effects of the Dutreil Pact?

This aspect of the evaluation was piloted by the Institut des politiques publiques (IPP) as part of a research partnership with *the Cour des comptes*. A comparison of the trajectories of companies transferred under the Dutreil pact between 2010 and 2018 with those transferred without recourse to the scheme shows that it has a positive impact on the sustainability of company control: only 10% change control in the year of the transfer, then 27% and 40% five and ten years later, compared with 18%, 42% and 48% respectively for non-Dutreil companies. However, there was no significant effect on the rate of investment and financial performance: the rate of investment was close in both groups, at 5.3% two to three years before the transfer and around 4.5% five years after. Nor was there any differentiated effect on employment: in both groups, just under a quarter of the employees present in the transferred unit one year before the transfer were no longer in employment after nine years. The Dutreil pact therefore has a real effect on the continuity of family control, but the expected favourable economic effects are not being observed.

Reforming the Dutreil pact

The modest economic results attributable to the Dutreil pact in relation to its high cost to public finances and the very significant advantage it provides to a small number of families would justify a reform that the *Cour des comptes* suggests should focus on two areas.

The first aims to eliminate tax optimisation mechanisms that have no general interest motive. It would involve eliminating non-professional assets eligible for the preferential regime as well as the "deemed acquired pact", which allows the tax exemption to apply even though the prior collective commitment has not been made, extending the holding period after the agreement has been entered into, and making family buy-outs ineligible in order to prevent donees who sell their shares and leave the company from benefiting from the tax advantage.

The second area of reform is aimed at reducing the amount of tax expenditure, by reviewing the current rate of exemption, introducing a progressive scale and reducing the advantage granted to businesses in regulated sectors (accountancy firms, pharmacies, etc.) or those not exposed to international competition.

While the existence of a tax advantage for family transfers is justified by the high level of tax rates on gifts and inheritances in France, the amount of tax expenditure, which is growing very rapidly, and the limited impact of the scheme justify restrictive measures. The challenge is to achieve a better balance between the tax advantage granted and the economic efficiency of the scheme, without harming the development of companies whose activity and development are in the public interest.

[**Read the report**](#)

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