

Cour des comptes



THE DUTREIL PACT

A fast-growing tax system that needs to be
better targeted

Public thematic report

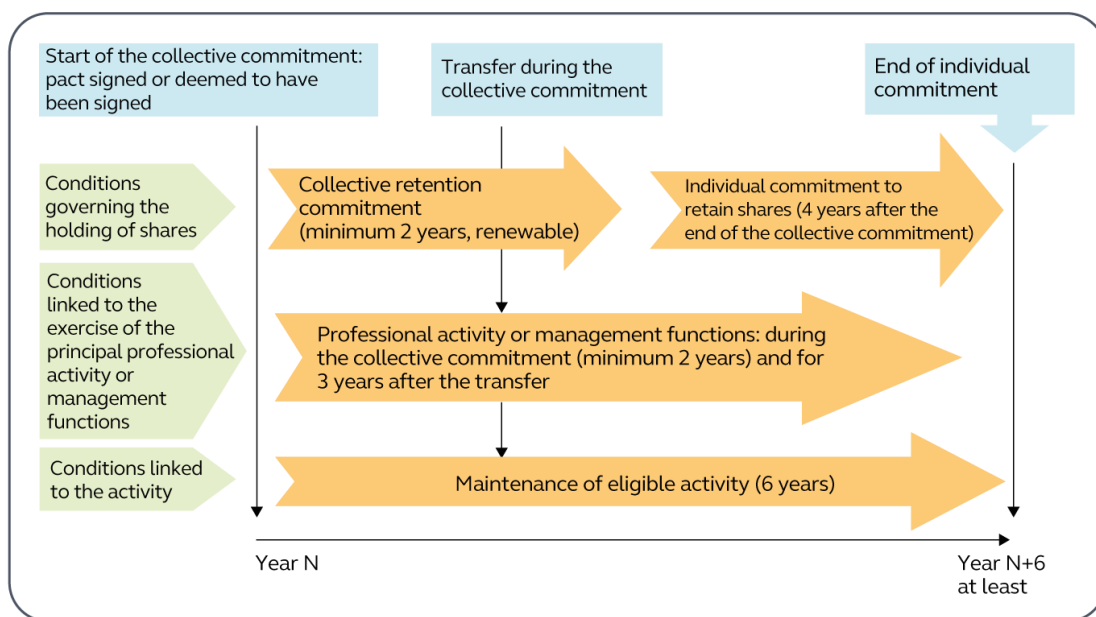
Public policy evaluation

November 2025

Summary

The Dutreil pact is a tax scheme introduced in the early 2000s that significantly reduces tax on transfers of family businesses by inheritance or gift, provided that family control of the business is retained for a minimum period and the heirs or donees undertake to hold the shares received for several years.

The Dutreil pact



Source: Cour des comptes

The scheme was introduced in response to concerns expressed by business owners and their representatives that many family businesses were being sold on the retirement or death of the shareholder-manager because of high gift and inheritance tax rates. Apart from identifying specific cases, the lack of available data means that it is not possible, more than twenty years after the scheme was set up, to confirm or refute this observation.

This tax advantage was introduced in 2000 and then extended by a number of legislative measures, the most important of which were introduced between 2003 and 2007, in particular by the Economic Initiative Act of 1 August 2003, known as the "Dutreil Act", to which the name of the former Minister for SMEs is still attached. It consists of a 75% allowance on the taxable base (i.e. the estimated value of the business being transferred), and a 50% reduction in the tax due if the gift is full ownership and the donor is under 70. The maximum tax rate on business transfers, which is 45% in the general case of gifts and inheritances in the direct line, is thus reduced to 11.25% thanks to the Dutreil allowance and to 5.6% when the tax reduction is added.

The objectives of the Dutreil pact cited at the time of its creation and its successive adjustments, as well as in the reports devoted to it, are twofold: by supporting long-term

ownership of companies, the scheme aims, according to its promoters, to ensure their long-term survival and development, while, for others, it supports France's economic sovereignty. The conjunction of these two objectives, which are not completely superimposable, postulates an alignment of the interests of the company, the family shareholder and the national interest such as to justify the tax advantage granted.

For its promoters, the tax cost of transferring a business without a Dutreil pact would lead either to the business being sold, with the risk that the buyer would be an investment fund or a foreign company, or to the business being weakened by forcing its shareholders to pay high dividends in order to pay the tax - even though it is possible to pay the transfer tax deferred and spread over fifteen years.

Most European countries have schemes to encourage the transfer of family businesses, although the conditions vary from country to country. In several cases, the duties payable are lower than they are in France under the Dutreil pact, but with tighter conditions for eligibility or the scope of the exempt base. Germany, which has a reputation for being attentive to its *Mittelstand*, i.e. its model of family capitalism, stands out for having more restrictive conditions than France.

The Dutreil pact is one of the main exemptions from the general tax regime for gratuitous transfer duties (DMTG), along with division of ownership and life insurance¹. The tax expenditure associated with the scheme is still estimated in the finance bill at an assumed €500m per year from 2011 to 2024, before being updated to €800m in the Finance Bill for 2025. This evaluation shows that the cost of the scheme has been much higher than this estimate over the last two years.

This scheme has never been evaluated since its inception. Only the number of transfers per year covered by a Dutreil pact and the estimated tax expenditure are published by the administration, but no statistical study has been carried out to date, either on the companies concerned or on the effectiveness of the scheme in terms of its objectives, particularly with regard to the sustainability and development of companies and employment.

The *Cour des comptes* therefore deemed it necessary to carry out this evaluation. To do this, it has used previously unpublished data, in partnership with the Institut des politiques publiques (IPP).

The tax authorities' data comes from the registration departments of the regional or departmental public finance directorates (DRFiP or DDFiP). As there were gaps in this information, the *Cour* completed the scope of transfers under the Dutreil pact using a statistical reclassification algorithm developed by the IPP, making it possible to reintegrate gifts and successions that had not been recorded by the administration as "Dutreil" even though they had benefited from the tax advantage. Despite this correction, the data on the Dutreil pact presented here is probably still underestimated. As this is a tax system that is so different from ordinary law, the administration must immediately implement a plan to improve the input and monitoring of the cases concerned.

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

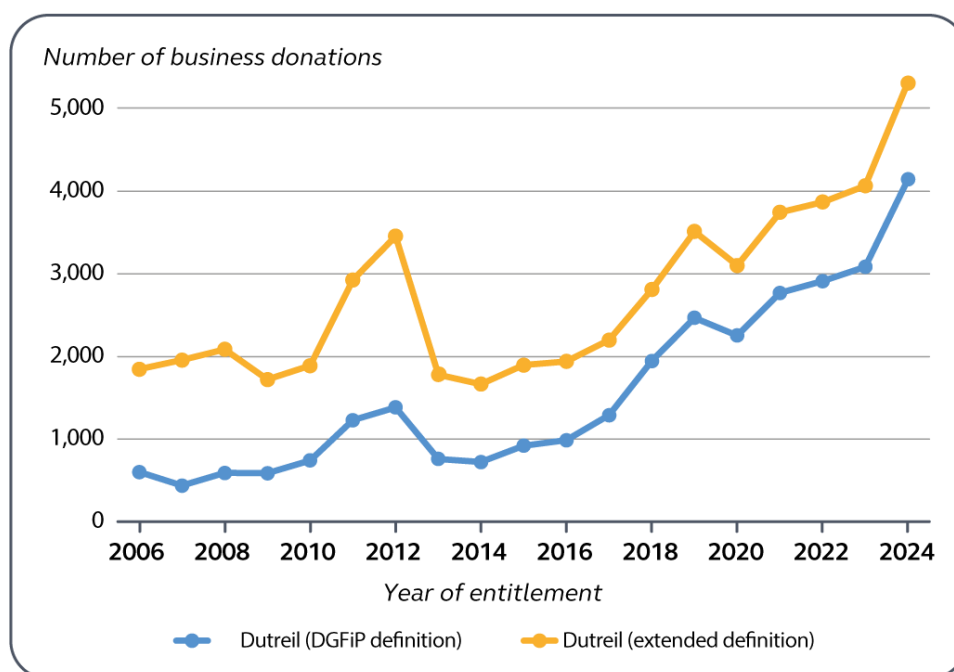
In family businesses of all sizes, a Dutreil pact may be prepared well in advance of the succession or transfer, sometimes more than ten years in advance, to cover any eventuality

¹ The *Cour des comptes* provided an analysis of this in its report commissioned by the National Assembly, *Inheritance tax* (June 2024).

and "secure" the subsequent tax advantage: a collective undertaking is then signed, which constitutes a sort of shareholders' agreement. Some collective commitments come to an end without leading to a transfer, the stakeholders having given up on the project (the company may then have been sold or dissolved on the departure of the shareholder-manager). The others are awaiting transfer and will be extinguished at the end of the contract period. However, there are no consolidated statistics on the "stock" of Dutreil pacts signed, only the transfers themselves being recorded as part of the application of the tax regime.

At least 4,000 transfers under the Dutreil pact are expected in 2023 and 5,000 in 2024, over 90% of which will take the form of gifts. This number was close to 2,000 between 2013 and 2016 and doubled between 2017 and 2023.

Number of Dutreil donations per year



Note: the information system for recording DMTGs in the tax departments changed between 2017 and 2018, explaining the narrowing of the gap between the two curves. Source: IPP

Donors are mostly aged between 50 and 70, and a quarter of them are over 70; the majority of donees are aged between 18 and 40, but a proportion are older, particularly in the case of late donations. Gifts to children under the age of 18 are in the minority, but they do exist: they may involve children whom the family wishes to make aware of the importance of family governance at an early age, or grandchildren in the case of trans-generational gifts designed to avoid paying transfer duties twice; they may also be made in anticipation of a change in the tax regime that is less favourable.

A number of companies were gifted under the Dutreil pact in several tranches between 2005 and 2024. This may be the case for medium-sized or intermediate companies, where the shareholder-manager wishes to gradually involve his or her children in management. They may also be large, long-established groups with dozens or even hundreds of family shareholders, covered by one or more pacts involving all of the family members.

On average, between 2018 and 2024, companies transferred under the Dutreil pact, regardless of the proportion of capital involved, employed 523,000 people in France each year, generating added value of €45 billion. They are mainly in the trade and distribution sector, which accounts for 35% of the jobs and 44% of the added value involved, while industry, often cited as the main target of the scheme, accounts for only 23% and 21% respectively.

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

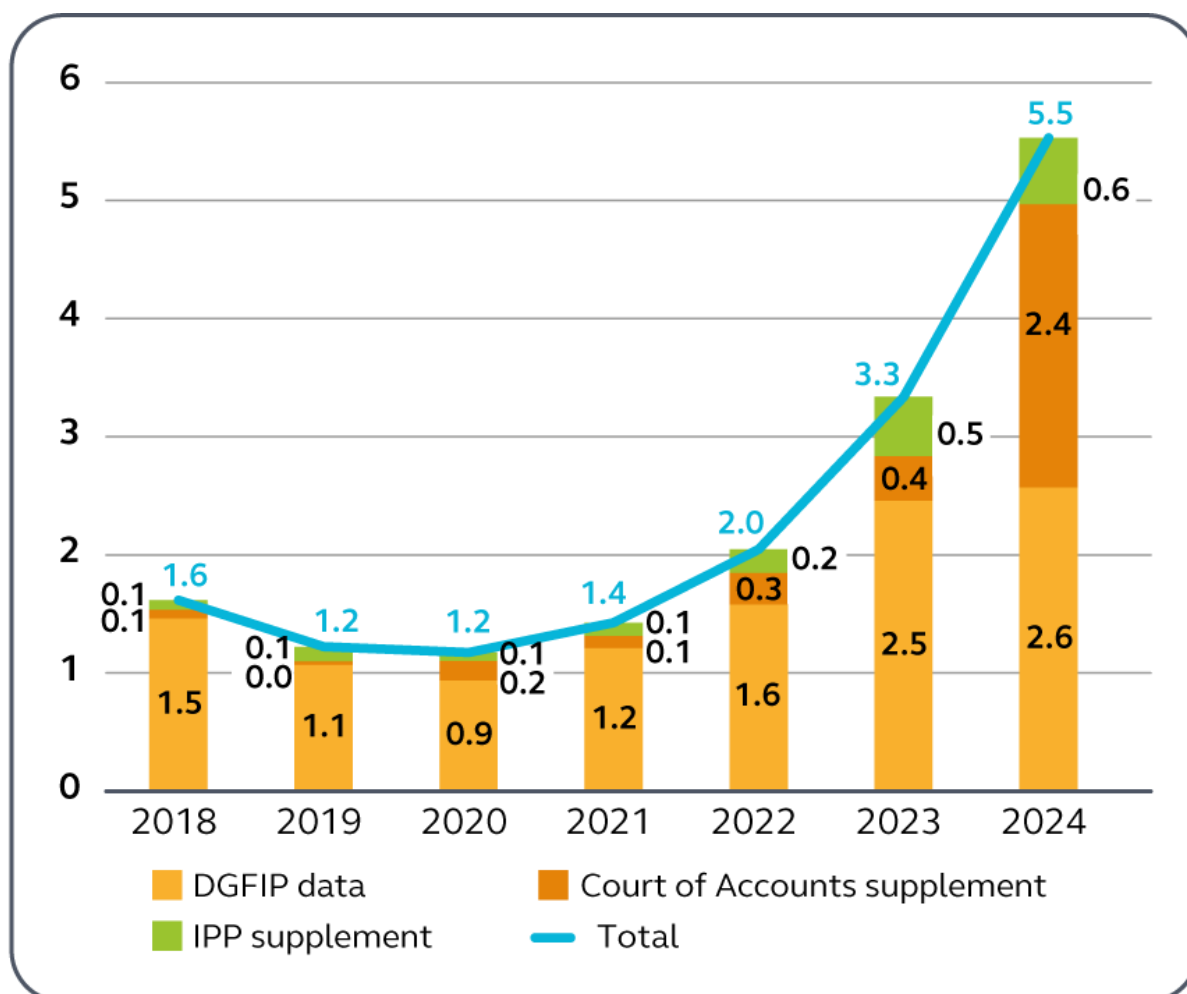
The tax expenditure presented each year in the budget documents, regardless of the quality of its estimate, corresponds to the value of the tax advantage "all other things being equal" in relation to the ordinary DMTG regime. It therefore does not represent the net economic cost of the scheme, it being understood that in its absence, the decisions of family shareholders would probably be different, with impacts on the companies concerned and on the economy that are difficult to estimate.

Thus defined, the amount of tax expenditure included in the Finance Bill for 2025, i.e. €800m, was estimated by the administration on the basis of data for the 2020 financial year: even though the *Cour's* estimate is higher, at €1.2bn, it confirms this order of magnitude for that year due to a lower number of gifts under the Dutreil pact than in previous and subsequent years. Furthermore, this estimate is based only on donations reported as Dutreil pacts in the DGFIP data, which, as indicated, are not exhaustive.

The total amount of tax expenditure as estimated by the *Cour* for the years after 2020 and on the basis of a more complete census is much higher than this figure of €800m, exceeding €5.5bn in 2024.

As a result, tax expenditure has risen sharply between 2020 and 2024, from €1.2bn in 2020 to €2.0bn in 2022, €3.3bn in 2023 and €5.5bn in 2024. Part of this increase in 2023 and 2024 can be explained by a very large gift in each of these two years, but also by the increase in the number of gifts under a pact, with a probable acceleration effect linked to the fear of a tightening of the system.

Changes in tax expenditure between 2018 and 2024, in €bn



Note: the "DGFIP" files are the files entered with complete information. The "Cour des comptes supplement" files are the files from the DGFIP scope seized without duties payable, for which the rapporteurs consulted the digitised documents. The "IPP" files are the files identified by the IPP algorithm. The amounts of tax expenditure estimated by the Cour are slightly different from those estimated by the IPP presented in its report because the data to which the IPP had access were slightly less detailed; in addition, the Court estimated tax expenditure on transfers signed during the year, whereas the IPP estimated it on transfers recorded during the year; the evaluation methods are therefore slightly different, but the orders of magnitude of the tax expenditure are very close. For rounding reasons, the total amount may differ from the sum of the estimated amounts for each scope. Source: Cour des comptes

The bulk of the tax advantage is linked to the 75% exemption on the assets transferred, with the cost of the additional 50% reduction for gifts of full ownership before the age of 70 representing only around €100 million of this amount in 2024.

This tax expenditure is highly concentrated: 65% of the amount is attributable to 1% of beneficiaries and heirs (i.e. 110 people in 2024). The average tax advantage for the latter is €30m, compared with an average of €500,000 for all beneficiaries and heirs under the Dutreil pact.

In addition, as with any gift, transfer duties may be paid by the donor without being included in the basis of assessment for the transfer. The professionals interviewed for this

evaluation indicate that the payment of duties by the donor, and not by the donee, is widespread in the case of transactions under the Dutreil pact.

The proportion of the tax advantage associated with industrial companies is 17%, compared with 19% for companies in the information-communications sector, 18% for commerce, 7% for hotels and restaurants and 5% for agriculture. The tax advantage is fairly concentrated among the largest companies: groups with more than 5,000 employees receive 18% of the tax advantage, while those with between 500 and 5,000 employees receive 35%.

The recent sharp rise in the number of beneficiaries and in tax expenditure means that the administration will need to monitor this closely over the coming years.

What are the effects of the Dutreil Pact on the companies concerned?

As part of a research partnership entered into for this evaluation, the Institut des politiques publiques (IPP), whose study is published at the same time as this report, has compared the growth trajectories of companies transferred under the Dutreil pact between 2010 and 2018 with those of companies transferred without using the scheme. The former are larger on average, but the financial indicators (profitability, investment rate) of the companies in the two groups were similar before the transfer, allowing their respective trends to be compared.

A comparison of the trajectories of the two groups shows, logically, that restructuring after the transfer (change of shareholders, change of control, entry of foreign shareholders) is more numerous outside the Dutreil pact. However, restructuring in companies transferred under a Dutreil pact catches up after five years, corresponding to the minimum duration of commitments under the agreement, but has not reached the same level as in other companies: five years after the transfer, just under 30% of companies transferred under a Dutreil pact have undergone a change of control, compared with just over 40% of other companies. The Dutreil pact is therefore, as expected, conducive to long-term family control and shareholder stability. The probability of bankruptcy or dissolution, which is low in the nine years following the transfer, is also slightly higher among companies transferred without the Dutreil pact (10% compared with 6% after nine years).

Transfers outside the Dutreil pact are characterised by much higher dividend outflows. However, there was no differentiated impact on the rate of business investment, which fell from 5.2% two to three years before the transfer to 4.5% five years after the transfer in both groups. Nor was there any significant effect on employment, as measured by the trajectory of employees present in the businesses at the time of the transfer, and the probability of these employees still being employed (in the business transferred or in another) is similar in both groups.

The slightly positive effect of the Dutreil pact on the long-term viability of businesses is therefore not reflected in an increase in investment and employment.

In terms of its objectives? Is the system well designed?

A number of features of the Dutreil pact, which fall under several headings, deserve to be discussed in the light of its stated objectives and its results, which must themselves be put into perspective with regard to the loss of revenue for public finances.

Firstly, the tax advantage granted to donees appears to be high compared with the ordinary law on gifts and inheritance. For example, if full ownership of a business worth €20m is gifted to two children before the age of 70, the effective tax rate is 4.2% with the Dutreil pact, whereas it would be 42% without the tax advantage or if the gift or inheritance involved assets other than shares in the family business. This advantage is justified by the fact that, symmetrically, the marginal tax rate of 45% under the ordinary law system is high for professional assets, given European comparisons and dividend distribution practices. A reduction in the tax advantage granted to Dutreil transfers could be undertaken in view of its cost to public finances while remaining sustainable for the beneficiaries, particularly if it is accompanied by easier and more frequent use of deferred and fractional payment, which is currently underdeveloped.

Beyond the level of the tax advantage, the allocation of its benefits is wide-ranging and in many cases diverges from the objectives of retaining share ownership and family management. The benefit of the partial exemption thus applies in the frequent case of a family buy-out, whereby a donee "pays off" his brothers and sisters through a holding company, which itself borrows to buy back their shares by paying them a balance, the amount of which is 75% exempt for tax purposes. The tax advantage then benefits donees who give up being part of the family shareholding and governance, the opposite of the scheme's stated objectives.

Secondly, the French tax system is very permissive in terms of the scope of assets transferred that can benefit from the tax advantage. A significant proportion of these assets may be made up of shares, assets and securities not allocated to the eligible operating activity (minority holdings in holding companies that are not "animated", real estate, etc.) or of an amount of cash that greatly exceeds the standards and references representative of an operating activity. The scope of non-professional assets, including cash, benefiting from tax relief could be restricted without contradicting the central objective of the scheme.

The IPP study shows an increase in changes of control of companies from the fifth year after the transfer, suggesting, in these cases, that concern for the continuity of family shareholding and governance does not go beyond the legal minimum attached to the tax advantage. Therefore, in cases of rapid resale on expiry of the individual commitment, the tax advantage of the Dutreil pact could be reduced *a posteriori*, or failing that, the duration of the individual retention commitment could be extended.

Finally, an analysis of the business sectors benefiting from the Dutreil pact shows that industry, often cited by the scheme's promoters as supporting economic sovereignty and the preservation of the productive fabric, accounts for only a minority of the companies transferred and of the tax expenditure: over the period 2018-2024, industrial SMEs represent 13% of the companies transferred under the Dutreil pact and 15% of the tax benefit. In the case of regulated sectors (pharmacies, accountancy firms, etc.), the objectives of business continuity and employment depend much more on the regulatory regime applied to them than on a tax system targeted at family transfers.

It is also difficult to assess the effects of the Dutreil Pact in terms of the diffuse objectives relating to economic sovereignty and the preservation of the productive fabric, or even national "know-how". In this respect, targeting the scheme at industry and certain services would still be consistent with its objectives, as it could, for example, be aimed at companies exposed to international competition or those involved in sovereignty issues.

The fact that the partial exemption is not capped also contributes to a high concentration of tax expenditure on large groups, which could justify a degeneration of the exemption.

Two areas of reform to limit tax optimisation and reduce tax expenditure

The French system of ordinary law on gifts and inheritance, which is characterised by higher taxation than in almost all other European countries, may justify the existence of special arrangements for the transfer of family businesses when their shareholders make commitments in the public interest. Although this was the original aim of the Dutreil pact, successive adjustments have resulted in a system that is too broad and insufficiently targeted.

However, the results of this evaluation, in relation to the cost of the Dutreil pact, show that it is not very efficient economically: although it encourages the survival of family businesses when they are transferred, their performance in terms of development, investment and employment is no better than that of other businesses transferred by other means, even though the scheme places a heavy burden on the State's tax revenues. This calls for a review of its eligibility criteria and a reduction in the tax advantage it provides to its beneficiaries.

To achieve this, the *Cour* is proposing two complementary lines of reform. The first area includes measures relating to the scope of eligible assets and the commitment period to put an end to cases of tax optimisation unrelated to the general interest objectives of the scheme:

- the exclusion of non-professional property and assets that currently benefit from the scheme;
- the abolition of tax relief for family buy-outs;
- the abolition of the "deemed acquired" agreement, which, under certain conditions, dispenses with the need for an agreement prior to the transfer, in order to give full effect to the commitments made by the beneficiaries;
- the reduction of the rate of the allowance in the event of a rapid resale of the shares after the end of the individual commitment for a period to be defined or, failing that, extending the duration of the individual commitment to retain them.

The second area, reform of the tax system itself and in particular the rate of tax relief, brings together a number of measures likely to reduce the tax expenditure:

- the reduction in the rate of the 75% allowance on the assets transferred, which should be accompanied by measures to facilitate the use of the deferred and fractional payment mechanism;
- the abolition or reduction of the rate of the allowance for regulated activities;
- the reduction in the rate of the allowance above a certain amount of assets transferred per donee;
- the establishment of a lower rate of allowance for companies that are not exposed to international competition.

While reducing the cost of the scheme to the public purse, these two lines of reform would consolidate its legitimacy by eliminating its excessively favourable provisions and reducing its cost to a more acceptable level in terms of the general interest results that can be attributed to it.

This finding has led the *Cour* to make one final recommendation: to develop a new stroke plan that will enable effective oversight of the organisation of patient care pathways.

Guidelines

1. Guideline No. 1 - Limit the tax optimisation provisions of the Dutreil pact that are unrelated to its general interest objectives:
 - exclude non-professional property and assets from the base eligible for the scheme;
 - abolish the tax advantage for family buy-outs;
 - eliminate the "deemed acquired" pact;
 - reduce the rate of the allowance in the event of a rapid resale of the shares after the end of the individual commitment or, alternatively, extend the duration of the individual commitment to retain them.
2. Guideline No. 2 - Reduce the amount of tax expenditure :
 - reduce the rate of the 75% allowance on the assets transferred, while facilitating the use of the deferred and fractional payment system;
 - abolish or reduce the rate of the allowance for regulated activities;
 - reduce the rate of tax relief above a certain amount of assets transferred per donee;
 - set a lower rate of allowance for companies that are not exposed to international competition.