

THE REDUCTION OF VAT RATE FOR FRENCH RESTAURANTS RELATED TO THE ISSUE OF UNDECLARED WORK

Brussels, 15 June 2009



THE PROCESS LEADING THE REDUCED VAT RATE



- **10 March 2009, ECOFIN council : agreement to include restaurant services on the list of services eligible for reduced VAT rate.**
- **11 March 2009 : President SARKOZY met the French associations and launched the « GENERAL STATE OF THE RESTAURANT SERVICES » to determine the implementation of reduced VAT rate.**
- **28 April 2009 : signature of a contract « *THE CONTRACT FOR THE FUTURE* » between the State and French associations.**

OBJECTIVE OF THE CONTRACT :

Reduced VAT rate must benefit to all stakeholders in that industry.



THE CONTRACT AND THE COMMITMENTS OF PROFESSIONNALS



THE PRINCIPLE OF REDUCING VAT RATE

- Fixing the new VAT rate in the restaurants at 5,5% (except on alcoholic beverages) on 1st July 2009,
- With significant counterparties for:
 - The consumers,
 - The professionals,
 - The employees.

THE COMMITMENTS

- **For the consumers : reduction of VAT rate on at least 7 products from 10 :**

an entry, a hot dish, a dish of the day, a dessert, a menu entry-flat, a flat dessert menu, a children's menu, a juice or soda, coffee, tea.

- **For the professionals : increase of investments to modernize our industry.**

Creation of a specific investment fund to assist restaurateurs in their efforts.

- **For the employees :**
 - **Creation of 40 000 jobs** in the next 2 years including 20 000 apprentices.
 - **Improvement of employees' working conditions** : negotiation with social partners on training, wages and social protection.
 - **Commitment by French associations to sign a national convention against undeclared work by 30 june 2009** (before reduced VAT rate enter into force the 1st july 2009).



THE SPECIFIC ASPECT OF THE FIGHT AGAINST ILLEGAL WORK



Why a National Convention ?

- **Employers and employees engaged in undeclared work avoid taxes, social contributions, social rights and damage the image of our industry.**
- **Departmental agreements already exist but in 2007 the assessment of the national fight against illegal work is disappointing :**
 - 24% of checks by public authorities were carried out in our industry.
 - 17% of establishments didn't respect the law.
 - 81% of infringements related to the illegal work.

Therefore, the French hospitality sector is mobilized since last September to fight more efficiently against this phenomenon.

MEASURES TAKEN TO REPRESS UNDECLARED WORK

**Penalties of up to 45 000 € (150 000 for a company)
and up to 3 years of imprisonment.**



THE CONTRIBUTION OF THE CONTRACT



OBJECTIVE OF A NATIONAL CONVENTION

Mobilize all the actors in our industry on the risk of civil and criminal liability.

- **send a warning signal to the professionals who do not comply with the law.**
- **ensure information towards professionnels regarding the recruitment of staff.**

THE CONTENT OF NATIONAL CONVENTION AGAINST UNDECLARED WORK

The Convention reminds that the fight against illegal employment is a priority for our industry who wish to make specific commitments in exchange for the reduction of VAT rate.

CONSENSUS POINTS



Information and prevention

2 main commitments by National associations :

- **A charter recognized by our industry and a label certified by an accredited body before 2010.**
- **Annual information campaign reminding the legal obligations of employers, the offenses and the risks involved.**

Monitoring compliance with the Convention

- **Public authorities will ensure the implementation of this Convention.**
- **A monitoring committee will meet once a year.**

DISAGREEMENT POINTS



Monitoring of French associations

- **By this Convention French associations commit to :**
 - **Educate their members on the need to report to the authorities of any illegal work practices which they are aware.**
 - **Be as often as possible civil party in criminal proceedings for illegal work.**

French association, SYNHORCAT, consider these commitments not acceptable from an ethical point of view.

CONCLUSION

**A signature of a National Convention of fight against illegal work
before 30 June 2009 ?**

Discussions are still ongoing ...

Thank you for your attention !

