EU TAX Observatory

PRESS RELEASE

How profit shifting cuts into employee profit-sharing

A new study reveals for the first time the extent of profit shifting and its impact on employee profit-sharing ("participation") in France

Paris, 04/12/2025 - A new study by the European Tax Observatory, based on previously unpublished confidential data, shows that the 314 largest French multinationals shift more than **€10 billion in profits** out of France each year. This practice, concentrated in a few low-tax countries (Switzerland, Singapore, the Netherlands, Hong Kong, and Luxembourg), results in an estimated annual loss of **€3.7 billion in corporate tax revenue** for the French state and directly reduces the legally mandated employee profit-sharing ("participation") paid to workers.

This study marks a **major advance** in the literature on tax evasion by multinationals: for the first time, it is possible to measure precisely, country by country, the profits shifted out of France by large French groups for tax reasons, as well as the impact of these practices on workers' incomes.

Unprecedented work made possible by new confidential data access

This study by Giulia Aliprandi, Alice Chiocchetti, Manon François, and Laure Heidmann is based on "Country-by-Country Reports", data reported annually by multinationals to tax authorities recently accessible to researchers.

The article builds on the pioneering work of **Gabriel Zucman** and his co-authors, who showed in 2023[1] that **36% of profits made abroad by multinationals are shifted to tax havens**. This new work makes an essential contribution: **for the first time**, it provides France-specific estimates that are detailed and directly usable for public policy analysis.

Artificially lowered profits in France

The data show that French multinationals systematically appear **less profitable in France** than in their global operations. On average, their profits reported in France are **13% lower** than they would be if French profitability reflected their overall worldwide profitability.

These results can be explained by intra-group transfers, particularly via subsidiaries specializing in **intellectual property**, **R&D,** or **financial activities**, which allow profits to be booked in low-tax jurisdictions instead of France.

[1] Tørsløv, T., L. Wier, and G. Zucman (2023) "The missing profits of nations," The Review of Economic Studies, 90, 1499–1534, https://gabriel-zucman.eu/files/TWZ2022Restud.pdf

€3.7 billion in lost tax revenue each year

Using each company's effective tax rates, the study estimates that large French multinationals have avoided **€3.7 billion in** corporate taxes in France each year since 2016. These profit shifts reduce the effective tax rate of these companies by **more than 2 percentage points**.

A major social impact: employee profit-sharing cut

In France, profit-sharing schemes (participation) are mandatory in companies with more than 50 employees and are calculated on taxable profits in France. Profit-sharing represents a significant share of the income of employees in these companies: on average, 3.2% of net salary for the 8 million employees working for a company with more than 50 employees, and 5.8% for the 4.1 million employees working for a company with more than 50 employees that is profitable enough to distribute profit-sharing.

When profits are moved abroad, **the profit-sharing paid to employees automatically decreases**, since the amount is calculated as a fraction of taxable profits in France. This phenomenon has already been identified by various employee representatives as potentially infringing employee rights. A recent example is the legal action taken by a group of Lactalis employees, filed in September 2025[2], alleging the fraudulent denial of employee profit-sharing rights.

The study reveals, for the first time, the magnitude of these losses: for employees of subsidiaries identified as shifting profits, the decrease represents on average **2.6% of their net salary**, or **approximately €919 per year**. Because profit-sharing is distributed in part (around 30%) equally among employees, these losses weigh more heavily on lower-income workers in proportion to their wages. The study estimates that these wage losses are particularly regressive:

- 3.2% on average for employees in the lowest 10% of income brackets
- 2.3% for the top 10% of salaries.

A possible reform: linking profit sharing to global profitability

The study tests a new possible calculation method: basing profit sharing on the **global profitability** of groups, rather than on their taxable profits in France. The results are clear:

- This would increase employee profit-sharing by **2% on average**, or around **€645 per year**.
- For employees of subsidiaries identified as shifting profits, the effect could reach an increase of **4%**, or **€1,465/year**.

[2] https://www.lesechos.fr/economie-france/budget-fiscalite/quand-la-fraude-fiscale-brouille-le-calcul-de-la-participation-salariale-2187092

Alice Chiocchetti and Laure Heidmann, two of the authors of this study, are available for interviews. Please contact the press office to arrange an interview.

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About the European Tax Observatory

The EU Tax Observatory is an independent research organization led by Gabriel Zucman conducting innovative research on tax, inequality and tax evasion to strengthen dialogue

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