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Wealthy French Push for Extra Tax on Rich

As Sarkozy Seeks to Plug Holes in Budget, Heirs and CEOs Say in Open Letter That 'We Feel We Must Contribute'

By DAVID GAUTHIER-VILLARS PARIS
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France's richest woman, who recently ran into trouble for allegedly evading taxes, said Tuesday she wished to stand by her country as it is going through hardships, urging the government to create a one-time levy on the nation's most well-off taxpayers. In a call that echoes a recent message to fellow billionaires issued by U.S. tycoon Warren Buffett, Liliane Bettencourt, along with 15 other wealthy individuals, made the unusual plea for a special though "reasonable" tax. The message from the heiress to the L'Oréal SA cosmetics empire and other prominent members of les riches, the wealthy, comes as France's President Nicolas Sarkozy is seeking ways to reduce gaping holes in the country's budget without reneging on his electoral pledge not to raise taxes. "At a time when the government is asking everyone to show solidarity, we feel we must contribute," Ms. Bettencourt and the other wealthy French said in an open letter published on the website of weekly magazine Le Nouvel Observateur. Among the others who signed are oil giant Total SA's Chief Executive Christophe de Margerie, Société Générale CEO Frédéric Oudéa and Maurice Lévy, chairman of ad agency Publicis SA. The call comes amid widespread recriminations against France's wealthy that they benefit from the country's generous welfare system but give little in return. In June, Prime Minister François Fillon said he was "shocked" by the "exorbitant" remuneration some companies paid to their top executives. The message issued by the informal club of wealthy French could provide Mr. Sarkozy with an escape route from earlier fiscal promises. After an agitated summer break, during which France was swept up by the broader reassessment of the credit-worthiness of highly indebted industrial nations, sparking questions about whether it can retain its prized triple-A credit rating, Mr. Sarkozy is expected to announce a series of austerity measures on Wednesday. To stick to deficit-reduction targets and make up for softer-than-expected economic growth, the government is mulling additional budget savings of as much as €4 billion ($5.7 billion) for this year and €10 billion for 2012, according to union officials who have spoken by telephone about the matter with Prime Minister Fillon. Government officials said the austerity package will likely also include a tax on wealthy households, though they remained evasive on whether the new levy would apply to annual revenue exceeding €150,000, €300,000 or €1 million. "It's likely to be cosmetic and symbolic," said Philippe Aghion, a professor of economics at Harvard University, who is French. "I don't expect Mr. Sarkozy to fundamentally change his fiscal policy." Across Europe, the idea of raising taxes on high-income earners began to burgeon three years ago, when the Continent began to descend into recession. In 2009, the U.K. government increased its top marginal income-tax rate to 50% from 40%. Although most European countries are back on a modest growth path, many are scrambling to balance their budgets and refund towering debt piles. In Italy, the government is considering introducing an additional 5% tax on annual incomes above €90,000 and 10% on incomes above €150,000. For Mr. Sarkozy, the issue is particularly sensitive: He was elected in 2007 in part by promising to protect high-income households from France's high income and payroll taxes. Soon after taking office, the president introduced a "fiscal shield" intended to protect wealthy households from paying more than 50% in taxes on their overall income. At the time, Mr. Sarkozy said the measure would help curtail an exodus of rich families to neighboring tax havens and "reconcile France with the idea of success." With the financial crisis, pressure rose on Mr. Sarkozy—who has earned the nickname "bling-bling president" for his expensive watches and beach holidays—to recast his fiscal policy. Political analysts said he would be taking a risk if he were seen to be siding with the privileged during hard times, particularly ahead of the spring 2012 election in which he is widely expected to seek a second mandate. Last year the "fiscal shield" became increasingly unpopular, even among members of Mr. Sarkozy's ruling party, Union pour un Mouvement Populaire, as the French press published details of Ms. Bettencourt's tax returns showing the billionaire was regularly getting money back from fiscal authorities as part of a tax refund under the fiscal shield program. Revelations also included details on how Ms. Bettencourt had evaded taxes by keeping cash in bank accounts in Switzerland and omitting to declare ownership of an island in the Seychelles. RelatedFrance Prepares to Unveil Broad Spending Cuts At the time Ms. Bettencourt—whose 31% stake in L'Oréal alone is valued at nearly €15 billion—didn't comment on the French press revelations, but issued a statement saying that, with €400 million in taxes paid over the previous decade, she stood as one of the leading individual contributors to the country's budget. On Tuesday, a lawyer for Ms. Bettencourt said she had "completely straightened out her tax situation." In the spring, Mr. Sarkozy bowed to pressure and scrapped the fiscal shield. "There was a need to send a message of solidarity," said Jean-Michel Couve, a UMP lawmaker and former mayor of the Mediterranean resort town of Saint-Tropez.Yet at the same time, the president eased the wealth tax, doubling the minimum value of assets for which it applies, a move described by the opposition Socialist Party as "yet another present to the rich." Plea for a Tax The text of the call issued this week by a group of French wealthy individuals in weekly magazine Le Nouvel Observateur. We, chairmen of companies and business leaders, business men and women, finance professionals or wealthy citizens, call for an exceptional levy that would target France's richest taxpayers. This exceptional tax should be calculated in a reasonable way and designed so as to avoid undesirable effects, such as capital outflows and an increase in tax evasion. We are aware of the fact that we have benefited from a French model and a European environment which we are attached to and which we want to help preserve. This tax is not a solution in itself: it must be part of a wider reform of the tax system, encompassing spending as well as tax receipts. At a time when rising public debt and deficits are threatening France's and Europe's future, and when the government is asking everyone to show solidarity, we feel we must contribute. Who Signed On Jean-Paul Agon, chairman and CEO of L'Oréal Liliane Bettencourt, shareholder in L'Oréal Antoine Frérot, CEO of Veolia Environnement Denis Hennequin, CEO of Accor Marc Ladreit de Lacharrière, chairman and CEO of Fimalac Maurice Lévy, CEO of Publicis Christophe de Margerie, CEO of Total Frédéric Oudéa, CEO of Société Générale Claude Perdriel, owner of Le Nouvel Observateur magazine Jean Peyrelevade, president of Leonardo & Co. France Franck Riboud, chairman and CEO of Danone Stéphane Richard, chairman and CEO of France Télécom Louis Schweitzer, chairman of Volvo and AstraZeneca Marc Simoncini, founder of Meetic and Jaïna Capital Jean-Cyril Spinetta, chairman of Air France-KLM and chairman of Areva's supervisory board Philippe Varin, CEO of PSA Peugeot-Citroën