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French Assembly Approves VAT Relief for Export-Heavy Wine and Spirits Companies

The government-backed budget amendment would exempt companies selling more than 85% abroad from VAT on production purchases, easing cash strain in the cognac trade

Tuesday, November 3, 2026



France’s National Assembly on Monday, November 2, approved a targeted value-added tax measure for wine and spirits companies that sell more than 85% of their output abroad, backing a proposal meant to ease cash pressure on exporters such as cognac producers.

The measure was adopted as an amendment to the 2027 state budget and was supported by the government. It was introduced by Sandra Marsaud, a lawmaker from President Emmanuel Macron’s Renaissance party who represents Charente, the heart of the cognac region.

Under the amendment, qualifying companies would be able to benefit from a VAT exemption on purchases and operations needed for production. The text cited acquisitions of goods and services such as processing, blending and distillation. Complementary reporting on the amendment says the proposed regime could also cover some imports, intra-European purchases and services tied to storage or aging, subject to conditions.

The aim is to reduce the working-capital burden on businesses whose sales are overwhelmingly made outside France. Export sales are often exempt from VAT, but producers and traders still pay VAT on many upstream purchases and then wait to recover that money. Supporters of the measure say that delay can tie up large sums for exporters, especially in sectors where inventories are expensive and products may be held for long periods before sale.

David Amiel, the minister for public accounts, said the proposal was mainly intended to relieve the cash position of affected companies at a time of crisis in the cognac business. If the measure is kept in the final budget, it could also free up liquidity for other producers and merchants in the drinks sector whose business depends heavily on foreign markets, including companies across the cognac supply chain.

The amendment builds on an existing VAT-free purchasing mechanism but argues that the current system is restricted by a European directive. According to the text cited in the parliamentary debate, the existing framework is limited to purchases made directly by the exporter and does not extend in the same way to suppliers. The new proposal is designed to broaden that relief for heavily export-oriented wine and alcoholic beverage

companies.

The cognac industry has been one of the main examples used by supporters of the amendment. Nearly all cognac sales are made abroad, and the sector has been under pressure for several years. According to the report cited in the Assembly debate, cognac sales have been falling for five years, including a 20% drop in volume in the second half of 2025 compared with 2024. The decline has been linked to higher U.S. tariffs, a Chinese surtax on brandies and a broader slowdown in alcohol consumption.

French customs data show cognac accounted for about 3 billion euros in exports in 2024. More than half of that went to the United States and China, with the U.S. taking 36% and China 20%, according to the figures cited in the debate.

A public vote cited by French media showed the amendment passed with 49 votes in favor, 23 against and two abstentions. The backing came from lawmakers across several parties, suggesting support beyond the government camp, even though the broader budget debate has been contentious.

The VAT measure was approved during a wider and politically fraught examination of the 2027 budget. Lawmakers also adopted several other VAT changes against the government’s wishes, including a proposed exemption on basic necessities, and they rejected a government plan to double VAT on pay television. Amiel said the changes made during the first-reading budget debate had, at least on paper, worsened the public deficit by 23.9 billion euros.

That broader context matters because the Assembly vote does not guarantee the VAT relief will take effect. French media reported that the amendment provides for implementation from July 1, 2027, but only if it survives the rest of the budget process and is included in the final law. A formal vote on the revenue section of the budget was scheduled for Tuesday, November 3.

The fate of the measure is also tied to how the government chooses to move the budget through parliament. The government is expected to rely on special constitutional tools, including Article 49.3, or other procedures that could allow it to revise or remove amendments added by lawmakers during the Assembly debate.