Global Rewards Update:
France – Draft bill on qualified free shares

December 2014

Background

A draft bill to be presented to the French Government in December, and to be discussed subsequently by the National Assembly and Senate, proposes new rules for qualified free share plans (i.e. Restricted Stock Unit, Long Term Incentive Plan, Performance Share Plan awards) in France.

The proposed changes for qualified free share plans are detailed below, although these may be subject to change before the draft bill is adopted into law. If adopted, the new provisions would apply to awards **granted** as from the date the law is published. The timeline is not currently defined but it is anticipated that the new law would be adopted in spring 2015.

Employer social security contributions

Currently employer social security is payable on qualified free shares at **grant**, at a rate of 30%.

The draft bill proposes a decrease of the employer social security rate to 20%.

It is also proposed that employer social security would be payable on the date of **delivery** of the shares.

Employee social security contributions and social surtaxes

Currently, qualified free shares are subject to employee social security at **sale**, at a rate of 10%. Under the draft bill, qualified free shares would become **exempt** from employee social security contributions.

The "acquisition gain" (i.e. the value of the shares at vesting) would continue to be subject to social surtaxes at **sale** but at the rate applicable to investment income (currently 15.5%), rather than at the current rate of 8%.

Two year vesting and holding period requirement

Currently the minimum cumulative vesting and holding period applicable for qualified free shares is four years. The draft bill proposes to reduce this to two years.

Income tax and taper relief

Under the draft bill, income tax will continue to be payable on qualified free share awards at the date of sale, based on the acquisition gain at vesting.

Taper relief is currently applied at 50% or 65% (depending on the number of years shares have been held for) on the capital gain only (i.e. the difference between the sales proceeds and the value of the shares at vesting). Under the proposed new rules, the acquisition gain would be subject to taper relief like the capital gain.

Action

The scope of the draft bill needs to be defined and clarified. We will provide more information on this as it becomes available.

In the meantime, companies considering implementing qualified free share plans in France should take into account the proposed new rules.

Companies offering qualified free share plans should not proceed with disqualification, nor replace qualified plans with nonqualified plans without considering the consequences of the draft bill.

People to contact

For assistance with this matter, or any other issue related to the operation of your global rewards plans, please contact your local Deloitte global rewards consulting services adviser or email us at **globalshareplans@deloitte.co.uk**, and a global rewards consultant will contact you.

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