Global Employer Services | 27 August 2015

Global rewards update

France – New rules for qualified free share awards

Background

Following on from our Global Rewards Update in December 2014, the changes to the qualified free share award regime in France have now been approved by the French Senate and have therefore been adopted into law.

The new provisions, which apply to awards **granted** under qualified share plans which are approved by shareholders after 8 August 2015, are largely unchanged from the proposals announced in December. The updates only impact qualified free share awards and therefore the qualified stock option regime in France remains unchanged.

Two year vesting and holding period requirement

Previously, a minimum cumulative vesting and holding period of four years was required for free share awards to benefit from the qualified treatment. This minimum period has now been reduced to two years (of which at least one year must be a vesting period).

Employer social security contributions

Previously, employer social security was payable on qualified free share awards at grant, at a rate of 30%.

Employer social security will now be payable on the date of **delivery** of the shares, at a rate of **20%**, based on the market value of the shares on this date.

Employee social security contributions and social surtaxes

Previously, qualified free shares were subject to employee social security at sale, at a rate of 10%. Now, qualified free shares will become exempt from employee social security contributions.

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

Income tax and taper relief

Income tax will continue to be payable on qualified free share awards at **sale**, based on the acquisition gain at vesting.

Taper relief of 50% or 65% (depending on the number of years the shares have been held for since vesting) is now available to reduce the acquisition gain which is subject to income tax. Taper relief also continues to be available on the capital gain (i.e. the difference between the sales proceeds and the value of the shares at vesting).

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Deloitte's view

The new rules should make qualified free share awards more attractive to French employers and employees. Companies offering qualified free share plans should therefore consider whether they would like to update their plan rules and consider whether shareholder approval is needed in order to benefit from the more favourable regime now available.

Companies operating non-qualified share plans in France should consider whether they would like to implement qualifying plans in order to benefit from these changes. It is likely that a French addendum to the plan rules would be required (regardless of whether the minimum vesting and holding period requirement is met).

Contacts

For assistance with these issues, or any other issue related to the operation of your global equity plans, please contact your usual Deloitte adviser or email us at globalshareplans@deloitte.co.uk, and an adviser will contact you.

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