

France

Employment

Labor Concerns

Employee entitlement claims are becoming more common. To reduce the risk of potential claims to employee entitlements, employees should expressly agree that participation in the plan is discretionary and that termination of employment will result in the loss of unvested rights.

It is no longer possible to provide that an employee whose employment is terminated for cause or gross misconduct will lose his acquired rights: all employees must be treated in the same way, whatever the ground of their termination by the company.

Communications

The translation of plan documents for employees is recommended but not legally required. Government filings must be in French.

Electronic execution of award agreements may be acceptable under certain conditions.

New reporting requirements apply to stocks-options exercised on or after 1 January 2012, and thus the declarations made in 2013. The company must now provide the employee with an individual information report in connection with the exercise of employee options during the reference period, no later than on 1 March. In addition, the company must communicate a copy of the individual information report to the National Tax Service, to the latest on 30 April.

Regulatory

Securities Compliance

Neither the grant nor the exercise of employee options is likely to trigger any requirement for securities filings, provided the options are non-transferable.

Foreign Exchange

There are no foreign exchange control issues to be considered in France.

Data Protection

Employee consent for the processing and transfer of personal data is a recommended method of compliance with existing data privacy requirements. Employers must inform employees about data processing and data transfer abroad. In addition, any database containing personal data must be reported to France's data protection authorities prior to transferring data abroad.

Tax

Employee Tax Treatment

For non-qualified plans, the employee is liable to income tax at progressive rates on the acquisition gain at exercise at a maximum rate of 45%. Any capital gain is subject to income tax at progressive rates up to 45% plus additional social taxes at a total rate of 15.5% (of which 5.1% is deductible) and, if applicable, to the exceptional income tax for high earners at a rate of 3% of 4%.

Social Insurance Contributions

Social insurance contributions are due on the acquisition gain resulting from a non-qualified option plan at approximately 45% for employers and 23% for employees.

Details of social security contributions in relation to French tax-favoured stock option plans are set out below.

General Tax Treatment

For grants made under a French-qualified option plan on or after September 28, 2012, gains resulting from stock options are subject to the progressive rates as ordinary income up to a maximum rate of 45%. If applicable, additionally, the gains are subject to the exceptional income tax for high earners at a marginal rate of 4%. The flat rates depending on the respect of the additional four-year holding period, as described below, are abolished.

These gains are subject to the social surtaxes on employment income (*CSG* and *CRDS*) at a global rate of 8% (and no longer to the additional social charges at the 15.5% global rate applicable to grants made under a French-qualified option plan before September 28, 2012). A 5.1% portion of the *CSG* is deductible from the taxable income the year of its payment. The acquisition gain resulting from a qualified option plan is exempt from social insurance contributions provided the employer complies with reporting obligations.

This summary is intended to reflect local law and practice as at 1 May 2013. Please note, however, that recent amendments and legal interpretations of the local law may not be included in these summaries. In addition, corporate governance, administration, and option plan design facts that are specific to your company may impact how the local laws affect the company's equity based compensation plans.

With these matters in mind, companies should not rely on the information provided in this summary when implementing their stock plans.

During the year in which the sale of Stock occurs, employees are required to pay a specific social security contribution of 10%. The contribution is assessed on the exercise gain income arising from the difference between the (i) exercise price of the options and (ii) market value of the Stock on the acquisition date.

The total maximum marginal tax rate applicable to gains resulting from options granted under a French-qualified option plan on or after September 28, 2012 amounts to 64.5% (of which 5.1% is deductible).

Additionally, within the month following the grant date of the stock options, employers are required to pay a specific social security contribution of 30%. The taxable basis of the contribution is equal, at the employer's discretion, to either (i) the fair value of the options (as defined under IFRS 2) or (ii) 25% of the value of the underlying shares on the date of grant.

Capital gains realized on or after January 1st, 2013 upon sale of the shares are subject to income tax at progressive rates up to 45% plus additional social taxes at a total rate of 15.5% (of which 5.1% is deductible) and, if applicable, to the exceptional income tax for high earners at a rate of 3% or 4%.

A rebate of 20% for shares held between 2 and 4 years, of 30% for shares held between 4 and 6 years and of 40% for shares held more than 6 years is applied on the amount of the capital gains.

The taxation of the capital gains may be deferred provided the following conditions are met:

- the sale relates to at least 10% of the shares of a company which have been held for at least eight years;
- at least 50% of any gain generated by the sale is reinvested by the seller (net of the additional social charges) in the purchase of shares of an operating company subject to corporate income tax. This reinvestment must be made within two years and must account for at least 5% of the concerned company's shares. These shares do not qualify for tax reduction on income or wealth tax.

The capital gains tax deferral becomes a permanent exemption after five years of shareholding.

Tax-Favored Program

Preferred tax treatment is available for grants made under a French-qualified option plan before September 28, 2012, resulting in deferral of tax for employees and elimination of employer social insurance tax if the Stock is held for four years from grant. A qualified sub-plan is often adopted to ensure that the necessary changes are made to the Plan in order to meet the various conditions.

If the shares are sold between the fourth and the sixth year after the date of grant, any gain arising on the exercise of the options will be subject to income tax at the rate of 45.5 (30% + 15.5 % additional social charges) for the proportion of any gain below €152,500 and at 56.5% (41% + 15.5% of additional social charges) for the proportion of any option gain above €152,500.

If the shares are sold after the sixth anniversary of the date of grant, any gain arising on the exercise of options will be subject to income tax at the rate of 33.5% (18% + 15.5% of additional social charges) for the proportion of any gain below €152,500 and at 45.5% (30% + 15.5% additional social charges) for the proportion of any option gain above €152,500.

A 5.1% portion of additional social charges is deductible from the taxable income the year of its payment. If applicable, additionally, the gains are subject to the exceptional income tax for high earners at a rate of 3% of 4%.

Withholding and Reporting

There are no income tax withholding obligations. Withholding is required for social insurance. The local employer may have a withholding obligation in relation to the exercise of options. Reporting requirements apply to the employer and employee.

Grant to certain managers or to the ten employees benefiting from the highest option grants during the year must be disclosed in a report to the annual shareholder meeting.

Employer Tax Treatment

Costs relating to the provision of options under the Plan over existing shares can be deducted from the Subsidiary's taxable income. No such deduction is available for options over newly issued shares.

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