TAX TREATMENT OF STOCK OPTIONS

FRANCE

	EMPLOYEE	EMPLOYER
GRANT DATE	No tax consequences.	No tax consequences.
EXERCISE DATE	Income tax and social security are payable on the spread on transfer of the shares or payment of the cash.	No tax consequences. Employer social security contributions are payable and subject to withholding on the spread on transfer of the share or payment of the cash.
WITHHOLDING & PAYMENT OF TAX	The employee will be subject to tax on the spread on transfer of the shares. The tax is due by the year after the exercise date.	Employee and employer social contributions are withheld by the employer who must remit them to the social authorities. The employer is not required to operate withholding on income taxes.
SOCIAL SECURITY	Employee social security is due on stock options at the times specified in this table. These contributions are between 20-25% and must be withheld by the employer.	Employer social security is due and will be between 40-45%.
REPORTING	The employee must report the option spread on his tax return which must be submitted to the tax authorities in the year after the options are exercised.	The employer must report details of the option exercise on the monthly wage slip. Details should also be included on the DSN (wage return). Awards to certain managers or to the ten employees benefiting from the highest option grants during the year must also be disclosed in a report to the annual shareholder meeting.
SALE OF SHARES	Any capital gain will be subject to income tax and social taxes. The capital gain is reduced by 50% if the shares are owned for at least 2 years and by 65% after 8 years. This exemption is only applied to income tax (social taxes are still due). Details of share sales must be reported to the tax authorities on the employee's personal Income Tax return.	No employer action required.

For further information and to register for future updates contact:

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FRANCE

	EMPLOYEE	EMPLOYER
IS A CORPORATION TAX DEDUCTION AVAILABLE?	A corporate tax deduction may be available for the French subsidiary provided that stock options meet certain conditions and are based on a "qualifying plan". The parent company must send an invoice mentioning the details of the costs and the subsidiary must attach to its corporate tax return, a specific form providing for the principles retained for the allocation of the costs. If treasury shares are used and the subsidiary reimburses the cost of the stock plan benefits to the parent company pursuant to an inter-company agreement, the subsidiary should be able to deduct the amount paid by the parent company to purchase and reissue the shares. The recharge arrangement should be at arm's length and should provide for the principles retained for the allocation of the costs to avoid the risks of challenge by the French tax authorities.	
"QUALIFYING" PLANS AVAILABLE?	Provided that stock options meet certain conditions, preferential tax treatment is available if the stock option plan can be treated as an "employee no-cost shareholding scheme." Various conditions must be met. Where the conditions are met, the spread on exercise is not taxable until the sale of the shares acquired under the plan. The capital gain may also benefit from a capital gains allowance.	
INTERNATIONALLY MOBILE EMPLOYEES	The above summary has been prepared on the basis that employees are resident in France throughout the period from grant of the stock option until the shares are sold. The rules for internationally mobile employees are complex and there are specific sourcing rules applicable to individuals arriving in or leaving France whilst holding stock options. France broadly sources equity income based on time spent during vesting. Trailing liabilities (and reporting obligations) may apply. It is highly recommended that advice is sought on an individual case by case basis.	
OTHER POINTS FOR CONSIDERATION	This summary is provided by BDO for informational purposes only to provide an outline of the general tax and social security position based on current tax law. There are also a number of legal and regulatory issues to consider on the implementation of any employee equity plan including, but not limited to, employee entitlement claims, exchange controls, securities restrictions, prospectus requirements and data protection regulations. For example standard waiver and consent agreements (for the transfer of data) should be obtained and the rules of the plan should provide for the consequences of a termination event. Importantly any database containing an employee's personal data must be registered with the Commission Nationale de l'Informatique et des Libertés ("CNIL") before processing and transfer of such data. In addition, the processing and retention of personal data are subject to the Data Protection Act, January 1978. Failure to comply with these requirements can result in up to five years' imprisonment and a fine of up to €300,000. We recommend that legal advice is obtained prior to the implementation of any employee equity plan.	

KEY ACTION POINTS

- ✓ Employers are responsible for the withholding of social security only on the employee stock options. Companies should review their systems to ensure that they are sufficiently robust to be able to capture, process and report stock options through the payroll.
- ✓ There are specific rules applicable for Internationally Mobile Employees holding equity in France. We recommend that Companies review their systems to ensure that Internationally Mobile Employees moving in or out of France whilst holding equity can be identified to ensure correct compliance and identify any potential trailing liabilities.