

TAX TREATMENT OF RESTRICTED STOCK & RSUS

FRANCE



	EMPLOYEE	EMPLOYER
GRANT DATE	No tax consequences.	No tax consequences.
VESTING DATE	Income tax and social security are due 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 or payment of cash. The tax is due by the year after the vesting 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 restricted stock and RSUs 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 on the spread on transfer of the share or payment of the cash and will be between 40-45%.
REPORTING	The employee must report the value of the restricted stock and RSUs on his annual income tax return in the year after the taxable event.	The employer must report details of the restricted stock or RSU taxable event 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 awards during the year must 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 on the gross). Details of sale of shares must be reported to the tax authorities on the employee's personal French Income Tax return.	No employer action required.

For further information and to register for future updates contact:

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Defined terms used in this summary:

Restricted Stock - Issued shares transferred to employees on the date of grant which are typically subject to restrictions on sale or forfeiture for example if performance targets are not met.

Restricted Stock Units - Awards where employees receive a right to acquire shares. Shares are only issued following vesting and attainment of performance targets, if applicable.

Information contained herein is intended to reflect present law and provides only a general outline of the subjects covered. Material discussed herein is meant for general informational purposes only and should not be relied on as professional advice. As such you should consult your own tax advisor regarding your specific tax matters.

This summary has been prepared on the basis that employees are resident in France throughout the period from grant of stock award until the shares are sold and that the employee is employed by a local employer in France, which is a subsidiary of an overseas parent. The potential tax consequences may vary greatly depending on your company's equity plan's design, administration, as well as many other factors.

Should you have a need for a trusted advisor in this area, please contact BDO's Global Equity team.

This information is current as of August 2016.

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IS A CORPORATION TAX DEDUCTION AVAILABLE?	<p>A corporate tax deduction may be available for the French subsidiary provided that the restricted stock and RSUs meet certain conditions and are based on a “qualifying plan”.</p> <p>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.</p> <p>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.</p>
“QUALIFYING” PLANS AVAILABLE?	<p>Provided that restricted stock and RSUs meet certain conditions, preferential tax treatment is available allowing the restricted stock and RSUs plan to be treated as an “employee no-cost shareholding scheme.” Various conditions must be met including a minimum vesting period.</p> <p>If the restricted stock and RSUs meet the required conditions, the spread on vesting is not taxable until the sale of shares acquired under the plan. The capital gain may also benefit from a capital gains allowance.</p>
INTERNATIONALLY MOBILE EMPLOYEES	<p>The above summary has been prepared on the basis that employees are resident in France throughout the period from grant of the restricted stock until the shares are sold.</p> <p>The rules for internationally mobile employees are complex and there are specific sourcing rules applicable to individuals arriving in or leaving France whilst holding restricted stock. 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.</p>
OTHER POINTS FOR CONSIDERATION	<p>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.</p> <p>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.</p> <p>Importantly any database containing an employee’s personal data must be registered with the Commission National de l’Informatique et des Libertés (“CNIL”) before processing and transferring any 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 €300,000.</p> <p>We recommend that legal advice is obtained prior to the implementation of any employee equity plan.</p>
KEY ACTION POINTS	<ul style="list-style-type: none"> ✓ Employers are responsible for the withholding of social security only on the employee equity awards. Companies should review their systems to ensure that they are sufficiently robust to be able to capture, process and report Restricted Stock grants and RSU vests 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.