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Concept of free share awards introduced into French law

Listed and non-listed companies may now grant for free, subject to certain requirements (the most important of which are listed below), up to 10% of their shares to their French resident employees or corporate officers, or to those of their affiliates.

The free share plan shall set in particular:

- An "Acquisition Period", minimum two year period before the shares are actually transferred to their beneficiaries;
- A "Retention Period", minimum two year period before the shares once transferred can be sold.

Sale of listed free shares after the Retention Period is also subject to additional restrictions related to stock market information.

Favorable taxation regime of capital gain for the individual (free shares' sale price) is subject to compliance with these requirements and others.

From a social security point of view, provided that the procedure for the distribution of free shares and the requirements are satisfied, the shares will not be included in the employees' remuneration for calculation of employer/employee social security contributions.

This is a very important development, allowing new type of incentives to be granted to French residents by companies.

We are at your disposal for further explanations and clarifications, especially with regards to all the requirements applicable to benefit from the favorable regime.

If you would like more guidance or information about French regulations in this area, please contact us at newdevelopment@kahnlaw.com, or contact directly one of our partners (www.kahnlaw.com).

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