

UPDATE ON...

Value-sharing bonus

The law introducing emergency measures to protect purchasing power published in the Official Journal on 17 August 2022 introduced various measures planned by the government to protect French household purchasing power. It mainly implemented the « value-sharing bonus (VSB) ». This bonus has taken over from the « purchasing power special bonus (PPSB) », but with considerable changes since this new bonus is both consolidated and continued, while remaining optional. The tax and social security contribution treatment of this bonus has also been adapted.

How to implement the VSB

The value-sharing bonus is optional for employers. It may be implemented either:

- By a company or group agreement entered into under the arrangements applicable to voluntary profit-sharing plans.
- Further to a unilateral decision after consulting the Social and Economic Committee (if one exists).

The company chooses the most suitable implementation method for it. A company agreement does not take priority over a unilateral decision.

The VSB is a long-term mechanism, which may be implemented every year, but subject to no obligation for the employer. As a result, special care should be paid to the term of the agreement or the unilateral decision.

Employers and employees concerned

Any company may implement the VSB : employers in the private sector, administrative or industrial and commercial institutions in the public sector, employment support and services structures for disabled people.

The VSB is available to all employees who have an employment contract with the company on the payment date of the bonus, filing date of the agreement or signature date of the unilateral decision implementing the bonus (option to be specified in the agreement or unilateral decision).

All employees are concerned. There is no salary requirement. However, the employer may pay the bonus only to employees whose salary does not exceed a cap set by the agreement or unilateral decision.

What about temporary workers ?

Temporary workers are eligible for the bonus implemented in the user company for its own employees. Beneficiary temporary workers are temporary workers assigned to the user company on the payment date of the bonus, filing date of the agreement or signature date of the unilateral decision implementing the bonus.

The user company must inform the temporary employment agency responsible for the assigned employee. The temporary employment agency must inform its Social and Employment Committee and pay the bonus to the temporary worker under the terms, conditions and arrangements set by the user company's agreement or unilateral decision.

The bonus qualifies for the same exemptions as applicable to the bonus paid to the user company's employees.

Amount of the value-sharing bonus

The amount of the bonus is set freely by the agreement or unilateral decision. It may be lower or higher than the bonus exemption caps.

The amount of the bonus may vary according to the following criteria :

- Salary,
- Classification level,
- Length of service in the company,

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- Effective duration of presence during the previous year (maternity, paternity and adoption leave, parental education leave, sick child leave, parental presence leave, rest days granted to parents of deceased or seriously ill children, are treated as effective presence),
 - Working time under a part-time employment contract.
- The variation criteria must be set in the agreement or unilateral decision.
- Employees with less than 50 employees, which are not required to implement a compulsory employee profit-sharing plan, which nevertheless have implemented such a profit-sharing plan on the payment date of the bonus or which have agreed a compulsory employee profit-sharing plan for the same financial year as the bonus payment.
 - Public-interest or general-interest associations and foundations authorised to collect donations qualifying for a tax reduction.
 - Employment support and services structures for the bonus awarded to disabled people hired under employment assistance and support contracts.

No substitution principle

The bonus must correspond to additional remuneration. It may not replace any salary component paid by the employer or which becomes compulsory under legal or contractual requirements or a common practice, or any salary or bonus increase provided by a salary agreement, employment contract or common practices in force in the company.

Exemption caps

To qualify for the various exemptions, the bonus must not exceed €3,000 per year and per beneficiary.

This amount is increased to €6,000 in the following cases:

- Companies, regardless of the headcount, which have a voluntary employee profit-sharing plan on the payment date of the bonus or which have agreed a voluntary employee profit-sharing plan for the same financial year as the bonus payment.

Tax and social security contribution treatment of the VSB

The VSB is eligible for an exemption scheme applicable to the social security contribution base and a reinforced exemption scheme applicable to income tax, up until the end of 2023 for employees whose salary is lower than 3 x annual minimum wage.

Exemptions are valid for the calendar year.

(See table page 3)

How to pay the VSB

The VSB may be paid from 1 July 2022.

The bonus may be paid in one or more instalments, within the limit of one payment per calendar quarter. This should be specified in the agreement or unilateral agreement.

The VSB must be shown on the payslip. It must also be reported in the online payroll reporting statement.

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Tax and social security contribution treatment of the VSB			
	Bonuses paid from 01/07/2022 to 31/12/2023		Bonuses paid from 2024 (regardless of the employee's salary level)
	Employee with a salary of < 3 x annual minimum wage during the 12 months prior to payment of the bonus (calculated on a pro rata basis for part-time work or incomplete employment during the whole period)	Employee with a salary of ≥ 3 x annual minimum wage during the 12 months prior to payment of the bonus (calculated on a pro rata basis for part-time work or incomplete employment during the whole period)	
Legal or contractual social security contributions (employee and employer share), training contribution, apprenticeship tax, housing contribution	Bonus exempt within the limit of €3,000 or €6,000, per year and per beneficiary, based on the cap applicable to the company	Bonus exempt within the limit of €3,000 or €6,000, per year and per beneficiary, based on the cap applicable to the company	Bonus exempt within the limit of €3,000 or €6,000, per year and per beneficiary, based on the cap applicable to the company
CSG tax (9.20 %) / CRDS tax (0.5 %)	Bonus exempt within the limit of €3,000 or €6,000, per year and per beneficiary, based on the cap applicable to the company	Bonus subject to social security contributions (After a 1.75 % base allowance, to be confirmed by the BOSS)	Bonus subject to social security contributions (After a 1.75 % base allowance, to be confirmed by the BOSS)
Income tax	Bonus exempt within the limit of €3,000 or €6,000, per year and per beneficiary, based on the cap applicable to the company <i>NB : for 2022, in the event of accumulated payment of the PPSB and the VSB, the exemption cap is €6,000</i>	Taxable bonus	Taxable bonus
20 % employer's flat-rate social contribution	Not applicable	Applicable for companies with 250 employees or more, on the fraction of the bonus exempt from social security contributions	Applicable for companies with 250 employees or more, on the fraction of the bonus exempt from social security contributions

Our firm can provide advice and support to you.

Please do not hesitate to contact us.