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New value-sharing obligation for French businesses with 11 to 49 employees from 1st January 2025[1]

Starting from the financial year beginning on or after January 1, 2025, businesses with 11 to 49 employees will be required, on an experimental basis for a 5-year period, to implement a value-sharing scheme to promote a more equitable distribution of profits, thereby enhancing social and economic cohesion within VSEs/SMEs.[2]

It's time to get ready! Franklin will be delighted to help you with our Q&A below.

1. Which companies are targeted?

All companies with more than 10 and fewer than 50 employees are included, provided they meet the following cumulative conditions:

- achieve a positive net profit equal to at least 1% of turnover for three consecutive years (i.e., 2022, 2023 and 2024 for a value-sharing scheme implemented from 2025).
- not already covered by a value-sharing scheme: profit-sharing ("*participation*" or "*intéressement*"), employer contributions to a company savings plan, inter-company savings plan or retirement savings plan.

French branches of foreign companies fall within the scope of this new regulation, provided they meet the legal conditions and file tax and social security declarations in France. However, self-employed individuals are excluded from this legal framework.

2. How to determine the number of staff?

This number is based on the company's annual headcount, corresponding to the average number of employees during each month of the previous calendar year.

3. What are the targeted value-sharing schemes ?

The companies concerned will have to choose and implement one the following schemes:

- a profit-sharing scheme ("*participation*" ou "*intéressement*").
- distribution of a value-sharing bonus.
- an employer's contribution to an employee savings plan.

These different schemes can be set up by a unilateral decision of the employer under the conditions set out in the specific rules governing each of them.

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[2] While every effort has been made to offer current and accurate information, the content of this document is provided as "as is", with no guarantees of completeness or accuracy.

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4. What are the social and tax benefits of the new legal system?

Sums paid into employee savings schemes benefit from several social and tax advantages, including:

- exemption from social security contributions (employer and employee) on sums paid in.
- deduction of amounts paid from taxable profits.
- exemption from contributions to vocational training and apprenticeship tax**.**

5. Will companies meeting the legal requirements be required to share value?

No, if the company chooses to set up a profit-sharing ("*intéressement*" or "*participation*") scheme, as the random nature of this scheme makes it illegal to presume future results. Furthermore, there is no minimum amount required for the payment of a contribution to an employee savings plan or a value-sharing bonus. Lastly, companies choosing the value-sharing bonus will be allowed to limit payment to employees earning less than three minimum wages guaranteed by law ("SMIC").

6. Should the works council ("CSE") be consulted before setting up a value-sharing scheme?

Yes, any project to set up an employee savings scheme must be submitted to the works council for consultation.