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Soulier Bunch, Cabinet d'avocats d'affaires basé à Paris et Lyon

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The latest reform of employee savings schemes provides companies with new opportunities

The Law n°2006-1770 on the development of employee savings schemes and employee share ownership schemes contains several social measures. It was published in the Journal Officiel on December 31, 2006.

1. The new Article L. 444-12 of the French Labor Code now provides companies the possibility **to contribute extra into the incentive or profit-sharing schemes** for the financial year ended. To do so for, all that is needed is (i) a board resolution or a decision from the management or the manager/director of the company, and (ii) compliance with the distribution methods set forth in the incentive or profit-sharing schemes currently in force within the company, or in the absence of such schemes, in a specific agreement. Please note, however, that this is subject to any precisions set forth in the implementing decree which should be published shortly.

As such, a company may decide each year, and depending on its results, to contribute extra into the aforementioned schemes **while benefiting from tax and social advantages** provided for under these legal provisions.

2. The maximum subscription limit for the employer is now expressed in terms of percentage of the Social Security cap. This ensures that the limit will be raised every year. The amount contributed by the company in a *Plan d'Epargne Entreprise* (Company Employee Savings Plan or PEE) is now limited to 8% of the annual Social Security cap, i.e. 2,574 euros for 2007 (instead of 2,300 euros). Additionally, company contributions in a *Plan d'Epargne pour le Retraite Collectif* (Company Collective Retirement Savings Plan or PERCO) are now limited to 16% of said cap, i.e. 5,149 euros for 2007.

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3. The Law also modifies the rules governing the free allocation of shares to employees which is set forth in French Commercial Code.

4. Finally, the Law creates certain new obligations, such as:

- the obligation to provide the employee, upon signing of his/her employment agreement, an employee savings book when the company proposes an incentive or profit-sharing plan, a PEE or a PERCO,
- the obligation to begin negotiations to implement a PERCO whenever the company has had a PEE for more than 5 years,
- the obligation to consult the works' council prior to renewing or extending any profit-sharing or incentive agreements or PEEs, when said works' council is not the signatory of these agreements.

The Soulier law firm would be more than happy to provide you with more detailed information on this issue and to analyze the several possibilities with which to optimize your employee-related costs.

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