

Many Large Employers in France to Pay “Exceptional Purchasing Power Bonus”

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By Jean-Marc Albiol



In response to the yellow vests movement (*mouvement des gilets jaunes*), which calls for measures to increase purchasing power of France’s working class, a law adopted on December 24, 2018, which was then clarified in two government circulars (Circ. DSS/5B/2019/29, dated February 6, 2019) recently introduced an “exceptional purchasing power bonus.”

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The bonus is exempt from all taxes, fees, and contributions, up to a maximum of 1,000 euros per beneficiary. However, this favorable tax and social security treatment is applicable only if employees receive the bonus between December 11, 2018, and March 31, 2019 and are paid less than three times the legal annual minimum wage (€54,763.80). The bonus must apply to all employees, but it is possible to (1) define a maximum wage for the beneficiary, (2) exclude employees who have not received any remuneration for the year 2018, (3) and adjust this bonus at an individual level according to objective

criteria such as salary or length of service. Finally, the bonus cannot replace an already-established part of the remuneration, such as an annual bonus or a 13th month's salary.

Employers may unilaterally make the decision to award the bonus, plus the terms of its payment, until January 31, 2019. After this date and until March 31, 2019, a group or company agreement is necessary in order to allow its implementation. The agreement can be drawn up by trade union delegates, an employee who has been elected by the representative trade union organizations, the social and economic committee or the works council, or a favorable vote of more than two-thirds of the employees on a draft agreement proposed by the employer.

The exceptional bonus remains a key negotiating issue during the first quarter of 2019, particularly in the context of mandatory annual wage negotiations. However, there must be a formal distinction between an agreement resulting from a mandatory negotiation on wages and an agreement establishing the exceptional bonus at a group or company level.

The bonus agreement makes it possible not only to determine the maximum bonus amount, but it also allows for the possibility of individual adaptation of it “on the basis of criteria such as remuneration, classification level, actual time spent in work during 2018 or the working time provided for in the employment contract.”

The exceptional bonus mechanism has been widely adopted by French employers in all economic sectors. In a survey of companies employing mostly fewer than 1,000 employees, 74 percent said that they had already paid or are planning to pay such bonuses.

AUTHOR



Jean-Marc Albiol

Partner, [Paris](#)

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