

Accounting of small Works Councils: New requirements to be met in 2015

Law n°2014-288 of March 5, 2014 on occupational training, employment and social democracy has introduced in the French Labor Code new obligations for Works Councils with respect to financial transparency. Applicable obligations vary according to the size of the Works Councils. Implementation Decrees n°2015-357 and n°2015-358 were published on March 27, 2015 and the French Accounting Standards Authority (*Autorité des normes comptables*) issued the details of the applicable accounting standards on June 2, 2015.

This article provides a summary of these new obligations applicable to “small” Works Councils, as defined by law, that represent no less than 86% of the overall Works Councils in France.

All the new rules shall be effective for financial years beginning on or after January 1, 2015.

“Small” Works Councils are those with annual resources not exceeding 150,000 euros (Article L.2325-46 of the French Labor Code, hereinafter the “FLC”).

There exists a large gap between the threshold applicable to “small” Works Council and that applicable to “medium” Works Councils as a Works Council is considered as medium if it does not exceed at least two of the following thresholds (Article D.2325-9 of the FLC):

- number of employees (of the Works Council) at the close of the financial year: 50;

- balance sheet total: 1.55 million euros;
- annual resources: 3,1 million euros.

1. Ultra-simplified bookkeeping

Small Works councils are allowed to maintain ultra-simplified books of accounts:

- A book setting forth, chronologically, the amount and origin of expenses and income;
- Preparation of an annual simplified summary report that must include information on the Works Council's assets and liabilities, its current commitments and the significant transactions carried out during the financial year.

A Ministerial Order dated June 2, 2015 approved the ANC's regulations detailing the applicable standards. The regulation applicable to "small" Works Councils (Regulation n°2015-02 dated April 2, 2015) includes documentation templates to help them prepare the required documents.

2. Approval of accounts

Article L.2325-49 of the FLC provides that *"The Works Council's annual accounts are established, **as per the terms and conditions set forth in its internal rules and regulations**, by elected members of the Works Councils appointed for this purpose by the Works Council from and among its elected members."*

Article L.2325-50 of the FLC provides that *"The Works Council prepares, **as per the terms and conditions set forth in its internal rules and regulations**, a report with qualitative information on its activities and financial management in order to inform the analysis of the accounts by the elected members of the Works Council and the employees of the company."*

Consequently, Works Councils must adopt internal rules and regulations, which is too often not the case. These internal rules and regulations are notably designed to define the Works Councils' methods of communication, the terms and conditions governing the adoption of the minutes of Works Council's information meetings and their transmission to the employees, the rules governing the operation of Works Council committees, etc. So far very useful, such internal rules and regulations now become critical.

Once the accounts have been established and the report prepared, both must be adopted.

The annual accounts, the summary report and activity report must be transmitted to the members of the Works Council no later than three days before the Works Council meeting.

Such meeting must be held at the latest six months after the close of the financial year. The approval of the accounts and the reports must be the only item on the agenda for the meeting which must take the form of plenary session (i.e. with the presence of the permanent and substitute members of the Works Council).

While only the elected members of the Works Council may vote on the annual accounts and the report, the



Chair of the Works Council (i.e. the employer), the substitute members and trade-union representatives, if any, must attend the meeting.

Once approved, these documents must be disclosed to the employee by any means (Article J.2325-53 of the FLC).

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