

Exceptional Purchasing Power Bonus : An interesting device for companies

The French Government has renewed the possibility for companies to pay to their employees a bonus exempted from taxes and social security contributions for the period between June 1, 2021 and March 31, 2022.

Employers have the possibility to pay an exceptional bonus to their employees between June 1, 2021 and March 31, 2022. This exceptional bonus, called Exceptional Purchasing Power Bonus (*Prime Exceptionnelle de Pouvoir d'Achat* or "PEPA") benefits from a preferential social and tax regime subject to certain conditions.

Condition No. 1: Employees eligible for the 2021 PEPA

The PEPA can be paid to all employees working for a private sector company or to a public institution;

- either on the date of payment of the bonus; or
- on the date of filing with the *Direction Régionale de l'Economie, de l'Emploi, du Travail et des Solidarités* (Regional Directorate for the Economy, Employment, Labor and Solidarity which replaced the former *Direction Régionale des Entreprises, de la Concurrence, de la Consommation, du Travail et de l'Emploi*, Regional Directorate for Companies, Competition, Consumption, Labor and Employment) of the agreement providing for the payment of the bonus; or
- on the date of signature of the employer's unilateral decision, if the bonus scheme was set up by this means.

Only bonuses paid to employees whose remuneration is less than three times the annual value of the gross minimum wage (€55,962) corresponding to the working hours stipulated in their employment contract will be eligible for exemption. The assessment period of this ceiling covers the twelve months preceding the date of payment of the bonus.

The bonus cannot replace any other element of remuneration (increases, usually paid bonuses).

Condition No. 2: Date of payment

The PEPA must be paid between June 1, 2021 and March 31, 2022.

- **Amount of the PEPA and exemption ceiling**

The amount of the bonus is freely determined. However, it benefits from social and tax exemption up to a limit of €1,000, or €2,000 in certain cases.

When the above conditions are met, the bonus is exempt from income tax and employee and employer social security contributions up to a limit of €1,000.

The exemption limit is raised from €1,000 to €2,000 if the company:

- implements an incentive agreement on the date of payment of the bonus or if it has concluded, before that same date, an agreement taking effect on March 31, 2022; or
- concludes an agreement, or initiates company negotiations on an agreement that identifies so-called “second-line” workers^[1].

The €2,000 ceiling applies automatically to companies with fewer than 50 employees.

- **Adjustment of the amount of the PEPA**

The amount of the PEPA can be adjusted between employees pursuant to a company-level agreement or by unilateral decision of the employer, according to the following criteria:

- remuneration;
- the level of classification;
- the length of actual presence.

^[1] “Second-line” workers mean employees who, due to the nature of their tasks, have contributed directly to the continuity of economic activity during health emergency periods. The agreement to enhance the value of “second-line” jobs must address at least two of the following five themes: improving remuneration, reducing the proportion of “precarious” contracts, reducing physical or psychological risks at work, reconciling professional and personal life with regard to working hours and improving training and professional development.

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