

# French social security update

1<sup>st</sup> quarter 2021

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# What's changing (and what isn't) as of 1 January 2021

A new year generally means new provisions. In this newsletter, we round up the main changes that payroll departments will need to take into account to start the year on the right footing.

## Monthly social security ceiling

A decree dated 22 December 2020 maintains the social security ceiling for 2021 at the same level as 2020. Consequently, the monthly social security ceiling as of 1 January 2021 stands at €3,428, representing a yearly ceiling of €41,136.

The ceilings for the following reference periods therefore remain the same, as set out below:

- Quarterly ceiling: €10,284,
- Fortnightly ceiling: €1,714,
- Weekly ceiling: €791,
- Daily ceiling: €189,

- Hourly ceiling (applicable for periods of less than 5 hours per day): €26.

## Minimum wage

### Minimum wage from 1 January 2021

The new hourly minimum wage has been raised to €10.25 as of 1 January 2021, and is set at €7.74 in Mayotte.

For an employee paid on a monthly basis and subject to the legal working time (35-hour week), the gross monthly minimum wage is set at €1,554.58 per month (versus €1,539.42 previously).

The increase in the minimum wage has an impact on:

- the calculation of the reduction in social security contributions on low wages and the assessment basis for family allowance and health insurance contributions,
- the minimum salary for apprenticeships and professional training contracts.

## Guaranteed minimum income

The guaranteed minimum income remains unchanged at €3.65 as of 1 January 2021.

## Contributions

### Specific health insurance contributions for Alsace-Moselle local scheme

The Board of Directors of the Alsace-Moselle local health insurance scheme decided to maintain the contribution rate applicable to salaries, retirement benefits and other replacement income at 1.5% for 2021.

### AGS contribution rate

The 0.15% contribution to France's wage guarantee scheme (AGS) remains unchanged as of 1 January 2021.

### Employer contributions in the electricity and gas industries

Since 1 January 2020, France's URSSAF and CGSS networks have overseen the collection of additional health insurance contributions payable by employers in the electricity and gas industries. This covers the

supplementary health insurance contribution, the solidarity contribution and the special contribution (cotisation d'équilibre) for pensions, which are changing as follows:

- the supplementary health insurance contribution has been raised to a total rate of 1.55%, breaking down as 1.01% of employer contributions and 0.54% of employee contributions;
- the employee solidarity contribution has been raised to 1.15%;
- the employee special contribution for pensions has been raised to 2.01%.

## 2021 payroll tax rate schedule

The yearly payroll tax rate schedule for 2021 has been adjusted as follows:

- a rate of 4.25% will apply to the portion of annual salaries below €8,020;
- a rate of 8.50% will apply to the portion of annual salaries between €8,020 and €16,013;
- a rate of 13.60% will apply to the portion of annual salaries above €16,013.



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Until 31 December 2013, non-profit organisations, trade associations and member-unions, charitable foundations, religious congregations, state-approved associations and mutual insurance companies governed by the French Mutual Insurance Code (Code de la mutualité), with fewer than 30 employees, were granted a discount of €6,002 on the payroll tax amount normally due. On 1 January 2014, this discount was increased to €20,161 on the grounds that such organisations were ineligible for the competitiveness and employment tax credit (CICE) because they were not subject to corporation tax. As of 1 January 2021, despite the abolition of the CICE, the discount has been set at €21,086.

### Collection of 2021 professional training contributions

The 2021 Finance Act provides that employers which, owing to additions to their workforce, had 11 or more employees for the first time in 2018 or 2019, and in any event before 31 December 2019, remain subject to the professional training contribution at a rate of 0.55% for 2020 and the four following years. The five-year freeze on threshold effects provided for by French

social security legislation applies to these employers from 1 January 2020 onwards.

This provision means that companies which had 11 or more employees for the first time in respect of their 2018 or 2019 professional training contributions can benefit from the new freeze on the threshold effect introduced by the PACTE law, rather than remaining subject to the previous progressive rate increase initially provided for.

To facilitate the resumption of the collection of these contributions, the 2021 Finance Act has amended a number of provisions, including:

- the payment in September 2021 by companies with fewer than 11 employees of an advance on their 2021 professional training contribution;
- the redefinition of employers liable to pay apprenticeship tax;
- the simplification of the collection process for the professional training contribution payable by employers in the construction and public works sectors;
- a rectification to the terms and conditions for exemption from the additional apprenticeship contribution (CSA).

### Apprenticeships exempt from supplementary pension contributions

An amendment dated 15 December 2020 has removed Article 3 from Appendix A to the National Interprofessional Agreement of 17 November 2017 (ANI), which stated that the contributions of employees on apprenticeships borne by the French government were limited to the standard rates for supplementary pension contributions, with any additional contributions payable as a result of the application of higher rates remaining payable by the employer. The Social Security Department of the French Ministry of Solidarity and Health informed the AGIRC-ARRCO pension schemes that the proportion borne by the French government has been extended to cover all apprenticeship employee contributions, including those resulting from the application of rates higher than the standard rates. The extension came into effect on 1 January 2021. Consequently, apprentices are exempt from supplementary pension contributions up to 79% of the minimum wage, even if they benefit from contribution rates that are higher than the standard rates.

### General reduction in employer contributions on low salaries

A decree dated 28 December 2020 has set the new maximum values for the rate of the general reduction in charges and contributions for 2021. The T-rate to be taken into account in the calculation of the coefficient for the general reduction, also known as the Fillon reduction, has been modified as of 1 January 2021 as a result of an increase in the maximum contribution rate for accidents at work and occupational diseases (AT/MP) used to determine the T-rate. Consequently, the standard T-rate has increased from 0.3205 to 0.3206 for employers applying a 0.10% rate of contributions to the French national housing aid fund (FNAL), and from 0.3245 to 0.3246 for employers applying a 0.50% rate of contributions to the FNAL.

The decree applies to contributions on remuneration payable in respect of periods beginning on or after 1 January 2021.



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## Exemptions

### LODEOM exemptions

Under the 2021 Social Security Finance Act, video and film production companies in French overseas territories can benefit from the Law for overseas economic development (LODEOM) exemption based on the enhanced competitiveness schedule. Accordingly, video and film production employers with fewer than 250 employees and annual revenue of less than €50 million will be totally exempt from paying employer contributions up to double the minimum wage as of 1 January 2021.

### Regional exemptions

Certain exemption mechanisms based on geographic location were due to end on 31 December 2020. The 2021 Finance Act provides for the extension of the following mechanisms for a further two years, up to 31 December 2022:

- rural revitalisation zones (ZRR);
- local job markets eligible for revitalisation (BER).

### Exemptions from contributions for sports activities within businesses

The 2021 Social Security Finance Act provides for the exclusion of certain benefits in kind encouraging the practice of sports within businesses from the social security contribution base.

Accordingly, the following may be exempt from social security contributions:

- the provision by employers of sports equipment for collective use;
- the funding of sports services aimed at all employees.

The conditions and limits for exemption will be specified by decree at a later date.

## Accommodation allowances

### Reminder

When an employer provides accommodation, it may choose to value this benefit in kind based either on the rental value of the accommodation or on a monthly flat rate calculated based on the number of rooms and the employee's salary with reference to the monthly social security ceiling.

### Valuation based on rental value

The value of the benefit in kind can be estimated based on the accommodation's rental value by referring to the registered rental value used as a basis to calculate the local residence tax, which is revised annually using a formula.

The actual amount of the associated costs (water, electricity, gas, heating and parking) paid by the employer are added to the accommodation's valuation.

The other expenses paid by the employer but which are usually incurred by the occupant such as the local residence tax or insurance cover constitute a cash benefit subject to contributions.

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## Flat-rate valuation

The 2021 rate schedule is as follows:

This rate schedule corresponds to a monthly valuation. The weekly valuation is equal to one quarter of the monthly amount rounded to the nearest ten cents. These valuations cover complete weeks or months, regardless of the number of working days.

Value of the benefit in kind for accommodation with:

Monthly salary	One main room	Several rooms
Less than €1,714	€ 71.20	€38.10 per room
Greater than or equal to €1,714 and less than €2,056.80	€83.20	€53.40 per room
Greater than or equal to €2,056.80 and less than €2,399.60	€94.90	€71.20 per room
Greater than or equal to €2,399.60 and less than €3,085.20	€106.70	€88.90 per room
Greater than or equal to €3,085.20 and less than €3,770.80	€130.70	€112.70 per room
Greater than or equal to €3,770.80 and less than €4,456.40	€154.30	€136.20 per room
Greater than or equal to €4,456.40 and less than €5,142	€178.10	€166.00 per room
Greater than or equal to €5,142	€201.70	€189.80 per room

## Meal allowances

### Principle

The flat rate of this benefit in kind is set at €4.95 per meal (€9.90 for one day with two meals) from 1 January 2021.

For employees taking their meals in a canteen, the employer contribution is not considered as a benefit in kind and is not included in the contribution base, provided that the employee contribution is at least equal to half of the flat rate per meal, i.e., €2.48 in 2021.

### Hotels, cafés, restaurants and casinos

From 1 January 2021, the benefit in kind for meal allowances of employees working in these sectors remained unchanged at:

- **€3.65** (1 x the guaranteed minimum) per meal,
- **€7.30** (2 x the guaranteed minimum) per day.

### Flat-rate valuation for certain executives

Executives were not eligible for the flat-rate valuation of meal allowance benefits in kind under Article 5 of the 10 December 2002 decree,

which prohibited flat-rate valuations for company executives without an employment contract who are automatically registered with the French social security system. In the case of these executives, the valuation of the benefit in kind based on actual costs was the only option. The use of flat-rate valuations was only permitted if the executive could provide proof of an employment contract giving them access to unemployment insurance. A decree published in the Official Journal of 28 December 2019 lifted this restriction. Since 1 January 2020, certain company executives have been eligible for the flat-rate valuation of meal allowance benefits in kind to

determine the assessment base for contributions due for periods from 1 January 2020. Eligible executives include:

- managers of limited liability companies, including those set up by self-employed professionals (*sociétés d'exercice libéral à responsabilité limitée*) holding a minority (*gérants minoritaires*) or equal interest (*gérants égalitaires*);
- chairmen of the board of directors, chief executive officers and chief operating officers of joint-stock companies (*sociétés anonymes*) and joint-stock companies set up by self-employed professionals (*sociétés d'exercice libéral à forme anonyme*);



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- chief executive officers and chief operating officers of social welfare funds, social welfare fund unions and companies belonging to social welfare insurance groups; and
- chairmen and senior managers of simplified joint-stock companies (*sociétés par actions simplifiée*).

### Business expenses

Fixed allowances for business expenses are excluded from the social security contribution base if used for their intended purpose. This condition is deemed satisfied if the allowance amount does not exceed certain limits. They are adjusted on 1 January of each year. The new exemption limits apply to salaries and earnings paid from 1 January 2021, and relate to periods of employment from that date.

### Meals

- A fixed allowance of **€6.70** (comparable to the former meal allowance) is paid when meals have to be provided at the workplace due to special conditions of organisation or work schedules (shift work, night work, continuous shift schedule, staggered working hours, etc.);

- A fixed meal allowance of **€9.40** is paid in the case of travel outside the company premises or on a construction site, or when working conditions prohibit employees (or those with equivalent status) from returning home or to their place of work for meals (comparable to meals previously provided at the construction site) unless it can be shown that meals have to be taken in a restaurant because of the circumstances or standard business practice;
- A fixed meal allowance of **€19.10** (comparable to the former restaurant allowance for management and non-management staff) is paid in case of business travel and also to employees (or those with equivalent status) that are unable to return home or to their place of work.

### Travel allowance

For travel in metropolitan France and when employees (or those with equivalent status) cannot return home every day, a fixed travel allowance is deemed used for its intended purpose for the portion that does not exceed:

- **For the first three months:**
  - **€19.10** for allowances provided to compensate for additional meal expenses in the case of business travel in metropolitan France,
  - **€68.50** per day for allowances provided to compensate for additional expenses for accommodation and breakfast for travel to Paris and to the Hauts-de-Seine, Seine Saint-Denis and Val-de-Marne départements,
  - **€50.80** per day in the other départements of metropolitan France.
- **From the 3<sup>rd</sup> to the 24<sup>th</sup> month of travel:**
  - **€16.20** for allowances provided to compensate for additional meal expenses in the case of business travel in metropolitan France,
  - **€58.20** per day for allowances provided to compensate for additional expenses for accommodation and breakfast for travel to Paris and to the Hauts-de-Seine, Seine Saint-Denis and Val-de-Marne départements,
  - **€43.20** per day in the other départements of metropolitan France.



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• **From the 24<sup>th</sup> to the 72<sup>nd</sup> month of travel:**

- **€13.40** for allowances provided to compensate for additional meal expenses in the case of business travel in metropolitan France,
- **€48.00** per day for allowances provided to compensate for additional expenses for accommodation and breakfast for travel to Paris and to the Hauts-de-Seine, Seine Saint-Denis and Val-de-Marne *départements*,
- **€35.60** per day in the other *départements* of metropolitan France.

- **€1,524.30** (plus €127.10 per dependent child up to €1,905.30) for allowances provided to compensate for costs related to moving into new housing.

Regarding allowances provided to compensate for moving expenses incurred by the employee, the employer has to substantiate the expenses incurred.

**Commute “to and from work”**

**“Sustainable mobility” flat-rate allowance**

The French mobility law published in the Official Journal of 26 December 2019 established the “sustainable mobility” flat-rate allowance, a new employee transport subsidy.

It allowed employers to refund, in part or in full, the cost of their employees’ transport expenses for commuting to and from work using the following means of transport:

- personal bicycles (mechanical or electric);
- car sharing, as driver or passenger;
- other shared mobility services (to be defined by decree); or

- public transport (other than costs already subject to the mandatory 50% refund).

The mileage allowance formerly available to employees who commute to and from work by bicycle was eliminated as it was included in the “sustainable mobility” flat-rate allowance.

**Social security and tax regime**

Up to €400 per employee per year of employer refunds of transport expenses (sustainable mobility flat-rate, fuel costs or the cost of charging electric vehicles, and now plug-in hybrid and hydrogen vehicles) could be exempt from employee income tax, social security contributions and CSG/CRDS contributions. This amount has been increased to €500 per employee per year as of 1 January 2021.

Of the €500, fuel costs may not represent more than €200 per year (as previously) in order to promote “sustainable” mobility.

It is also specified that the refund of transport expenses incurred by employees will be in addition to the public transport contribution. However, the total exempt amount

may not exceed €500 per year or the amount of the public transport contribution, if it is already greater than this amount.

**Exemption limits**

**Employers’ share of meal voucher costs**

A number of conditions must be met in order for the employers’ participation in the purchase of meal vouchers to be exempt, including that the participation does not exceed an amount which is, in principle, adjusted every year.

The method for reviewing this exemption limit has changed since 2020. It is no longer adjusted in proportion to the upper limit of the first bracket of the income tax scale. Instead, it is now adjusted in proportion to the change in the consumer price index (excluding tobacco) between 1 October of the second preceding year and 1 October of the preceding year of the year during which the meal vouchers were purchased, rounded, if applicable, to the nearest euro cent.

**Job relocation**

Costs incurred by employees when relocating for their job may be deducted from the social security contribution base under certain conditions.

Fixed allowances are deemed used for their intended purpose up to:

- **€76.10** per day for a period not exceeding nine months for allowances provided to compensate for the costs of temporary accommodation and additional meal costs, while waiting for permanent housing,



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The change in the consumer price index (excluding tobacco) for all households combined between October 2019 (103.99) and October 2020 (103.75) was negative, leading, in principle, to a decrease in the exemption limit for the employers' participation. The exemption limit for the employers' participation should therefore have been €5.54 for meal vouchers purchased in 2021 (compared to €5.55 in 2020). However, the French government decided to maintain the same exemption threshold for meal vouchers in 2021 as in 2020.

Furthermore, the government has extended the validity period of 2020 meal vouchers, which would otherwise have expired on 31 January 2021, and relaxed the conditions for using them. They are now valid until 1 September 2021, with a spending limit of €38 per day in restaurants. However, the spending limit is maintained at €19 for the purchase of food products (prepared meals, fruit and vegetables, etc.) in supermarkets and small stores. Due to restaurant closures, the vouchers may also be used for "Click and Collect" purchases and deliveries.

## Works council vouchers

Works council vouchers granted by Economic and Social Committees are exempt from contributions so long as their total value does not exceed 5% of the monthly social security ceiling per year and per beneficiary. Since the monthly social security ceiling has not been adjusted for 2021, this value remains unchanged at €171.40, rounded to €171. The amount was doubled for vouchers granted before 31 January 2021.

## Internship allowances

A mandatory minimum allowance is to be paid to interns undertaking an internship lasting more than two months, whether consecutive or not. The minimum hourly amount of the allowance is set at 15% of the hourly social security ceiling. Furthermore, whether mandatory or not, the allowance paid is exempt from certain social security contributions up to a threshold also set at 15% of the hourly social security ceiling. Since the hourly social security ceiling remained unchanged at €26 for 2021, the 15% value is equal to €3.90 per hour of internship in 2021 (€26 x 15%).

## Wage attachment rate schedule

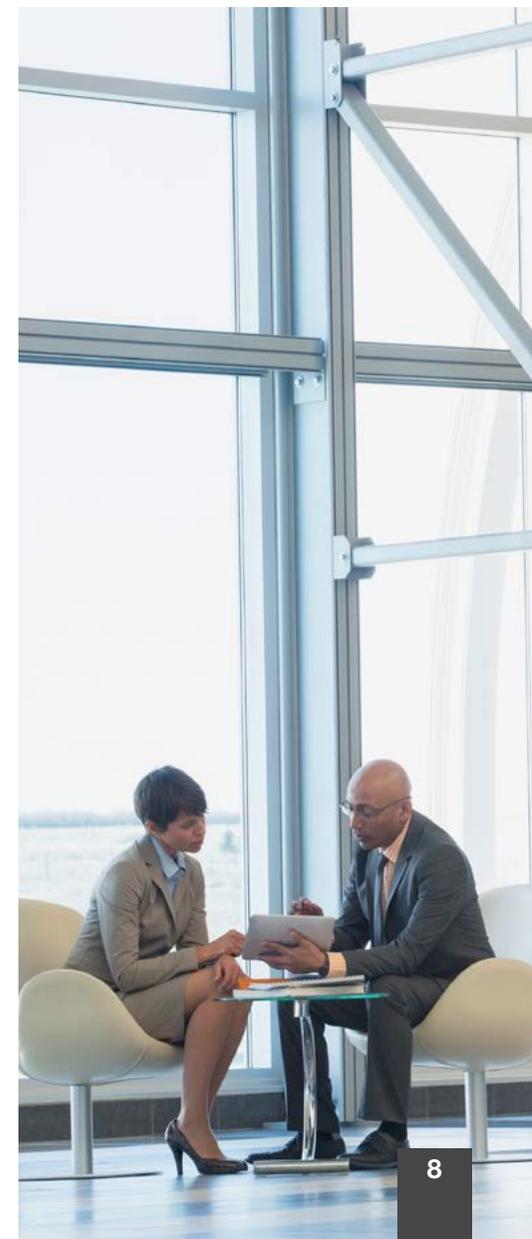
The thresholds for the wage attachment rate schedule have not been adjusted for 2021.

This is because these thresholds are reviewed on a yearly basis according to the change in the consumer price index (excluding tobacco) of urban households where the head of the household is a worker or employee, as set in August of the preceding year for all of France. Since the change in said consumer price index between August 2019 (103.88) and August 2020 (103.84) was negative, the thresholds applicable in 2021 remain unchanged from 2020. Consequently, the 2020 schedule still applies.

## 2021 annual rate schedule

The annual rate schedule was as follows at 1 January 2021:

- 1/20 on the portion that is less than or equal to €3,870,
- 1/10 on the portion that is greater than €3,870 and less than or equal to €7,550,





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- 1/5 on the portion that is greater than €7,550 and less than or equal to €11,250,
- 1/4 on the portion that is greater than €11,250 and less than or equal to €14,930,
- 1/3 on the portion that is greater than €14,930 and less than or equal to €18,610,
- 2/3 on the portion that is greater than €18,610 and less than or equal to €22,360,
- the entire amount on the portion that is greater than €22,360.

Each bracket is increased by €1,490 per year per dependant of the debtor subject to attachment or the assignor (dependants qualifying for family allowances and a spouse, partner or ascendant whose personal income is below the active solidarity income [RSA]).

### 2021 monthly rate schedule .....

- 1/20 on the portion that is less than or equal to €322.50,
- 1/10 on the portion that is greater than €322.50 and less than or equal to €629.16,
- 1/5 on the portion that is greater than €629.16 and less than or equal to €937.50,

- 1/4 on the portion that is greater than €937.50 and less than or equal to €1,244.16,
- 1/3 on the portion that is greater than €1,244.16 and less than or equal to €1,550.83,
- 2/3 on the portion that is greater than €1,550.83 and less than or equal to €1,863.33,
- the entire amount on the portion that is greater than €1,863.33.

Each bracket is increased by €124.16 per month per dependant of the debtor subject to attachment or the assignor (dependants qualifying for family allowances and a spouse, partner or ascendant whose personal income is below the RSA).

### Amount of salary which cannot be attached and RSA .....

In any case, the employee subject to the attachment must be left with an amount equal to the RSA for a single person. This amount corresponds to the portion of salary which cannot be attached, and which rose from €559.74 to €564.78 on 1 April 2020. It is expected to be adjusted on 1 April 2021.

### Impact of withholding of income tax at source on salary attachment .....

The withholding of income tax at source modifies the attachable portion of an employee's remuneration, since the attachable portion is calculated after deducting social security contributions and, since 1 January 2019, withheld income tax. Consequently, garnishments and attachments will now be applied to a lower amount than in previous years, i.e., the attachable portion of salary after income tax withheld. ■



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## Furlough

**The rates applicable to the furlough allowance and compensation in 2021 have been adjusted by an order and two decrees.**

### Decrease in furlough compensation postponed

The French government had planned to adjust the rates used to calculate furlough compensation paid by employers to their employees from 1 January 2021, but has since postponed the change to 1 March 2021. In the meantime, the rules remain unchanged from October 2020.

Regardless of business sector, the rate of the furlough compensation payable by employers to their employees is equal to 70% of the gross hourly reference remuneration (with no cap on the amount until 31 December 2020), with a minimum of €8.11 per hour, except in special cases such as apprenticeships and professional training contracts. The compensation will be subject to social contribution taxes (CSG and CDRS) at a rate of

6.7%, with capping possible in only one case. Any additional furlough compensation that the employer decides to pay will be exempt from social security contributions up to a maximum of 3.15 times the minimum wage (as has been the case since 1 May 2020), it being specified that this maximum is assessed based on the mandatory compensation and the additional compensation combined. The only change of note as of 1 January 2021 is that the hourly reference remuneration used to calculate furlough compensation is now capped at 4.5 times the minimum wage.

As of 1 March 2021, the legal furlough compensation in unprotected industries will decrease from 70% of the hourly reference remuneration used, capped at 4.5 times the minimum wage, to 60% of the hourly reference remuneration used, capped at 4.5 times the minimum wage, for hours not worked from 1 March 2021 onwards.

For Appendix 1 and Appendix 2 protected industries, the decrease from 70% to 60% in the furlough compensation rate will come into effect on 1 April 2021.



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For employees of closed businesses or businesses located in certain areas, the decree provides for the decrease to 60% in the rate to come effect on 1 July 2021. This applies to the following businesses:

- businesses whose main activity involves dealing with the public and that have been affected by total or partial administrative closures as part of measures taken in response to the Covid-19 epidemic;
- businesses whose revenue has significantly decreased and that are located in geographical constituencies subject to specific restrictions in the pursuit of their operations and the movement of people imposed in response to the Covid-19 epidemic (businesses affected by any further local lockdowns);
- businesses located in trading areas where revenue has significantly decreased as a result of the specific impact of an interruption in the activity of one or more businesses whose main activity involves dealing with the public (an upcoming decree is expected to clarify that this pertains to trading areas surrounding ski resorts which are affected by the closure of ski lifts).

In the latter two cases, the conditions of the decrease in revenue, which remains to be clarified by decree, will be assessed on a month-by-month basis.

### Adaptation of furlough allowance rates

The order extends to 30 June 2021 the possibility to adapt the furlough allowance rates depending on the business sector and business characteristics, while the order of June 2020 only allowed for this possibility until 31 December 2020. This adaptation allows the French government to maintain the furlough allowance rate at 70% for:

protected industries listed in Appendix 1 of the decree of 30 March 2020, relating to tourism, hotels, catering, sports, culture, transport of persons and events, which are particularly impacted by the economic and financial consequences of the Covid-19 epidemic in view of the reduction in their business due in particular to their dependency on dealing with the public. The following were added to this list of industries by the decree of 21 December 2020:

- activities of amusement parks, theme parks and fairgrounds, the manufacture of metal structures and components of structures, media advertising and group tourist accommodation for minors; and the following were transferred from the Appendix 2 list to the Appendix 1 list:
  - translators and interpreters, the rental of and services related to marquees, tents, structures, sound systems, photography, lights and pyrotechnics, the transport of individuals by taxi and tourism vehicles with a driver, and the short-term rental of cars and light automotive vehicles.
- protected industries listed in Appendix 2 whose business depends on the business of the abovementioned industries and whose revenue has decreased very significantly. The decree of 21 December 2020 added a further 50 or so business types to this list. In addition, the decree specifies that, for businesses listed in Appendix 2, the proportion of revenue in certain activities must be taken into account and that the employer's application for allowances to the French authorities must be accompanied by a sworn statement stating that the company is in

possession of a document drawn up by an accountant which certifies that the company meets the criteria of Appendix 2. The regulations also set out the conditions for the accountant's assignment.

Where the main business of dealing with the public is partially or totally suspended due to the spread of the Covid-19 epidemic and the measures taken to limit the spread (excluding voluntary closures), the already increased rate may be further increased, since the order sets out two new cases based on geographical location:

1. Where the establishment is located "in a geographical constituency subject to specific restrictions in the pursuit of its operations and the movement of people imposed by the French administrative authorities in response to the Covid-19 epidemic during the health emergency, where its revenue has significantly decreased;
2. Where the establishment "belongs to a trading area specifically impacted by an interruption in the activity [...] of one or more establishments whose main activity involves dealing with the public, where its revenue has significantly decreased."



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The French government has therefore considered setting two rates for calculating the furlough allowance that employers would receive from the French Services and Payments Agency (Agence de Service et de Paiement – ASP). For now, this idea has been pushed back to 1 March 2021. In the meantime, the rules remain the same as those in force in October 2020, i.e.:

- the allowance paid by the French government for each eligible unworked hour will be equal to 70% of the employee's gross hourly rate within the limit of 4.5 times the minimum wage for businesses in protected industries, businesses in so-called connected industries if their revenue has decreased by at least 80% and businesses in other industries whose main activity involves dealing with the public and has been interrupted due to the application of a legal or regulatory requirement or an administrative decision made by the authorities,
- the allowance paid by the French government for each eligible unworked hour will be equal to 60% of the employee's gross hourly rate within the limit of 4.5 times the minimum wage for other businesses,

- the minimum is set at €8.11/hour as of 1 January 2021.

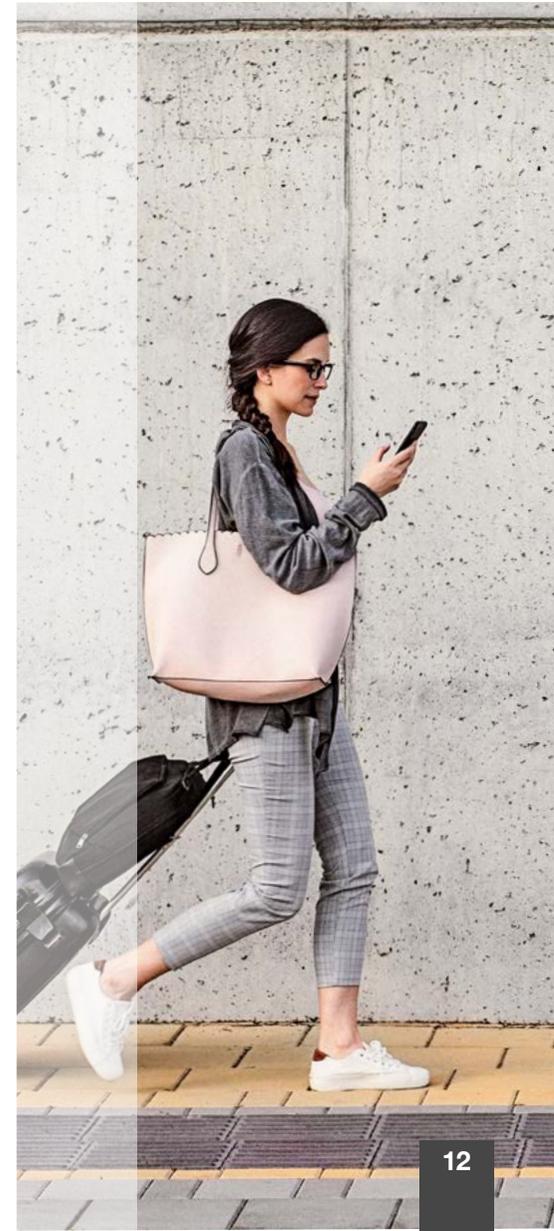
The government plans to adjust downwards the amount of the allowance it pays from 1 March 2021 for businesses outside of protected industries, from 1 April 2021 for businesses in protected industries, and from 1 July 2021 for businesses most in difficulty. The furlough allowance will be adjusted downwards from 60% to 36% of the gross hourly salary rate within the limit of 4.5 times the minimum wage, subject to a minimum of €7.30/hour.

### Extension of exceptional measures

The standard rules governing furlough should have changed as of 1 January 2021. However, the executive branch decided otherwise as a result of the second government-imposed lockdown. Several regulatory texts (the order of 21 December 2020, the decree of 24 December 2020 and the decree of 30 December 2020) extend the temporary measures resulting from the orders of 27 March 2020, 24 June 2020 and 14 October 2020 and the Acts of

25 April 2020 and 17 June 2020. Without going into detail, the decree of 24 December 2020 extends the possibility for employers to adapt the furlough scheme and the conditions for taking into account overtime and equivalent hours in the calculation of furlough allowances and compensation until 31 December 2021 at the latest.

In addition, the government had planned to limit the furlough authorisation to a maximum of three months, renewable once, over a consecutive 12-month reference period, from 1 January 2021. However, the decree of 24 December 2020 deferred the entry into force of this three-month limit on furlough to 1 March 2021. ■





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## Exemption and payment assistance

**The 2021 Social Security Finance Act provides for the extension of payment assistance mechanisms and exemptions from contributions to support businesses and non-profits directly impacted by the economic consequences of the epidemic.**

### Businesses with fewer than 250 employees

Businesses and non-profits with fewer than 250 employees may benefit from a partial exemption from employer charges and contributions and payment assistance starting from the September 2020 employment period. The exemption is valid for a maximum period of three months and applies only to charges and contributions due in respect of employment periods up to 30 November 2020.

Employers are eligible if they have:

- either been subject to a ban on dealing with the public (delivery, click and collect and takeaway sales do not affect eligibility for exemption or payment assistance); or
- recorded a decrease of at least 50% in revenue compared with the same period of the previous year.

The exemption applies to employers which, during the month following the month for which the exemption is applicable, meet the criterion of being subject to a ban on dealing with the public or recording a decrease in revenue, according to the following conditions:

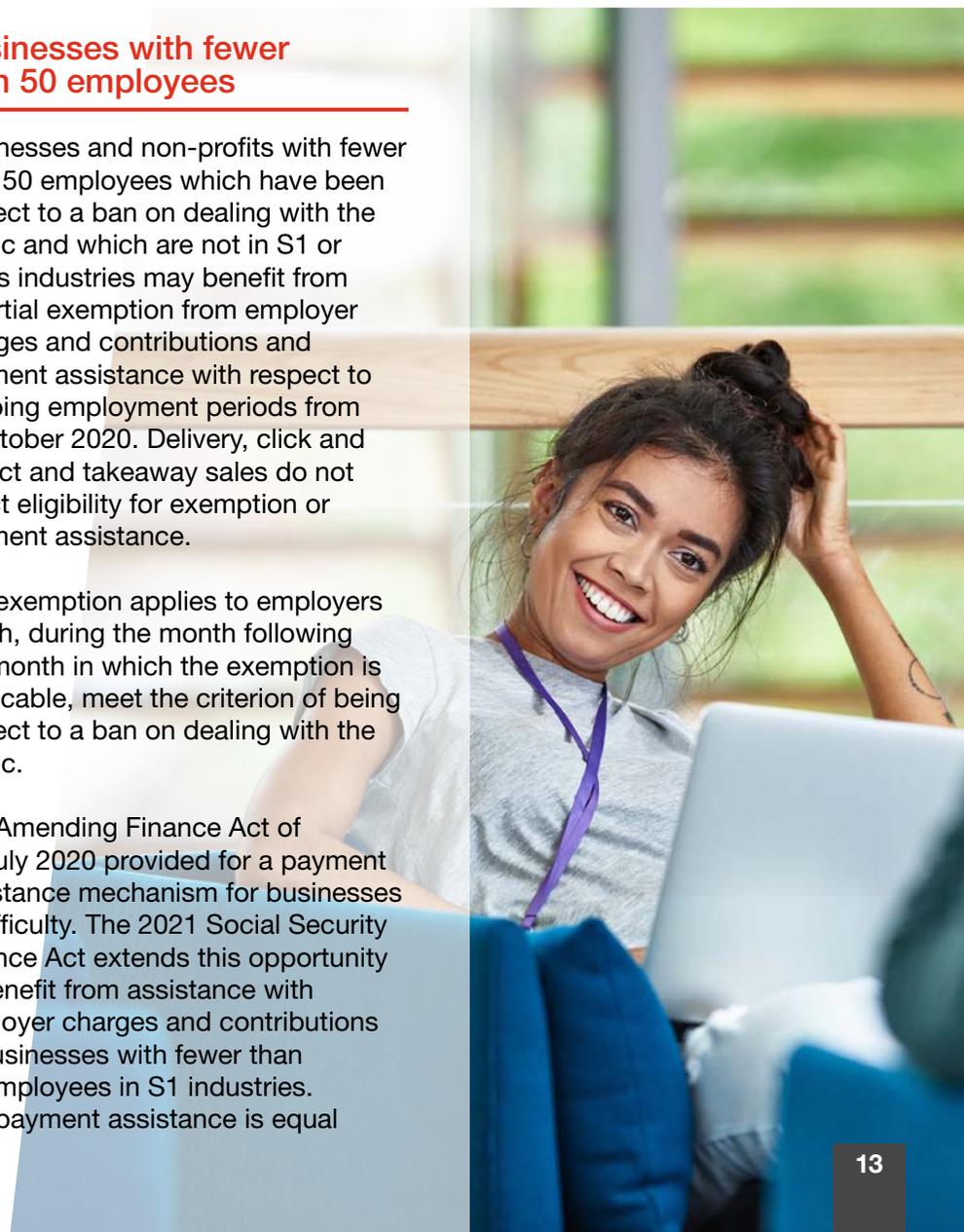
- for the September employment period, employers in S1 (Appendix 1) industries located in areas where a curfew was enforced before 30 October 2020 and employers in S1bis (Appendix 2) industries whose business is dependent on the business of S1 employers, regardless of geographic location, are eligible if their revenue decreased by at least 50% in October;
- for the October and November employment periods, all employers in S1 and S1bis industries are eligible, regardless of geographic location.

### Businesses with fewer than 50 employees

Businesses and non-profits with fewer than 50 employees which have been subject to a ban on dealing with the public and which are not in S1 or S1bis industries may benefit from a partial exemption from employer charges and contributions and payment assistance with respect to ongoing employment periods from 1 October 2020. Delivery, click and collect and takeaway sales do not affect eligibility for exemption or payment assistance.

The exemption applies to employers which, during the month following the month in which the exemption is applicable, meet the criterion of being subject to a ban on dealing with the public.

The Amending Finance Act of 30 July 2020 provided for a payment assistance mechanism for businesses in difficulty. The 2021 Social Security Finance Act extends this opportunity to benefit from assistance with employer charges and contributions to businesses with fewer than 50 employees in S1 industries. The payment assistance is equal





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to 20% of the amount of employee compensation payable with respect to the period from 1 September to 30 November 2020 or from 1 October to 30 November 2020. It applies to all sums payable to France's URSSAF network, including employee contributions and CSG or CDRS contributions, with respect to 2020 and 2021.

Following on from the measures set out by the Amending Finance Act, the 2021 Social Security Finance Act extends the use of social security debt repayment plans for employers whose social security charges and contributions are outstanding at 31 December 2020. A decree may defer this date to, at the latest, the last day of the employment period of the month following the end of the public health emergency. These debt repayment plans, which allow employers to stagger the payment of social security charges and contributions, are implemented by collection agencies. The managers of these agencies may issue repayment proposals up to three months after 31 December 2020. ■





# { In brief }

## Redeployment and mobility leave

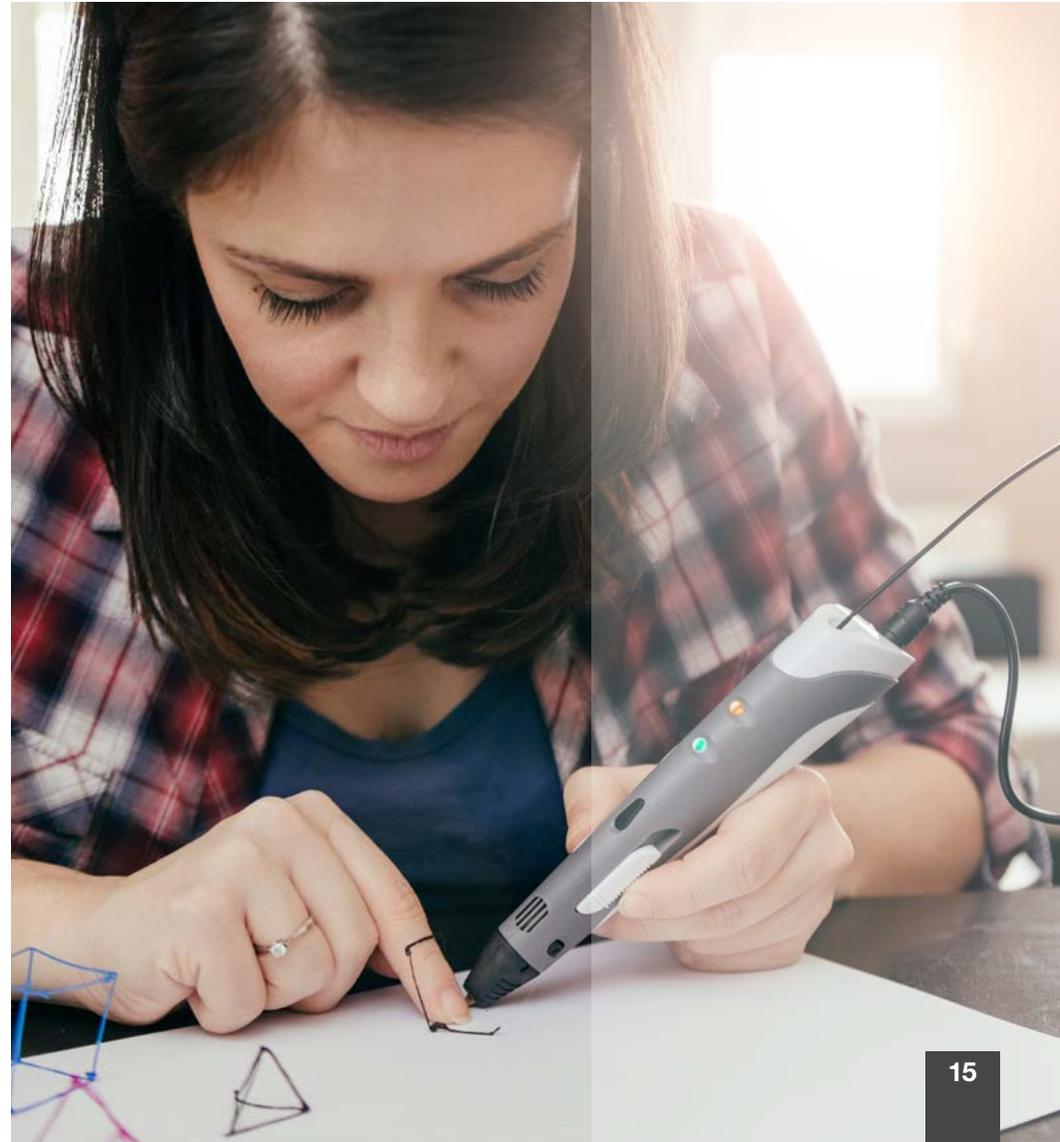
The 2021 Social Security Finance Act provides for the extension of redeployment and mobility leave from 12 to 24 months in the event of a retraining program, as of 1 January 2021. The social security treatment of remuneration for this leave is in line with the treatment for furlough. As a reminder, during the period of redeployment leave corresponding to the notice period, employees receive their usual remuneration. For the period of leave exceeding the usual duration of the notice period, employers must pay their employees monthly remuneration equal to 65% of the average gross remuneration used as a basis for the calculation of unemployment insurance contributions over the 12 months preceding the notification of dismissal. This remuneration (redemption allowance) may not be less than 85% of the statutory hourly minimum wage multiplied by the number of hours corresponding

to the collective working hours set by the company. It is paid to employees on mobility leave under the same conditions, starting from the beginning of the leave, except during periods where such employees exercise a professional activity.

## Paid holidays/rtt rest days: extension of exceptional provisions

An order dated 16 December 2020 extends until 30 June 2021 the provisions allowing employers to require employees to take paid holidays or rest days to take into account the health crisis. The text thereby amends the order of 25 March 2020 which set the end date for taking such measures at 31 December 2020. In practical terms, this means that employers can, pursuant to a company-wide agreement or, failing that, an industry-wide agreement, continue for the next six months to require their employees to take up to six days of paid holidays or reschedule up to six days of paid

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holidays already requested (provided they give at least one full day's notice). They can also reschedule annual leave already requested on a unilateral basis, as they see fit.

Regarding RTT rest days, paid leave for employees on annualised employment contracts and rest days allocated to a time savings account, employers do not need an agreement to require employees to take certain days, provided they give at least one full day's notice. The number of RTT days imposed by employers may not exceed ten.

### Continued relaxation of rules governing fixed-term contracts

The order of 16 December 2020 also extends until 30 June 2021 the relaxing of rules governing fixed-term contracts, i.e.:

- the option to set by company-wide agreement the maximum number of times a fixed term contract can be renewed;
- the conditions for calculating the waiting period between two contracts;
- the cases where the waiting period is not applicable.

### Register of minor occupational accidents

The 2021 Social Security Finance Act has changed the conditions for the issue, receipt and archiving of registers of minor occupational accidents for businesses from 1 January onwards.

As of 2021, employers may keep a register of minor occupational accidents without necessarily requesting one or sending it to their regional health insurance centre.

### Aid payments for the youth employment plan

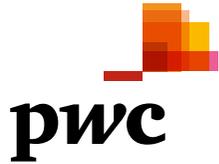
The French Ministry of Labour has announced that the financial aid payments for the youth employment plan ending on 31 January 2021 will be extended. The announcement covers the €4,000 grant for new hires under fixed-term contracts of more than three months or permanent contracts for young people aged under 26, and the €5,000 or €8,000 grants for apprenticeships or professional training contracts.

### Temporary unemployment insurance scheme

The decree of 28 December 2020 provides for the continuation until 1 April 2021 of the provisions of the general regulations appended to the unemployment insurance agreement of 14 April 2017 for employees whose employment contracts end before 1 April 2021 or for whom a dismissal process is initiated before that date. This concerns the rules relating to the calculation of the duration of the benefits, the reference salary and the daily reference salary, as well as the determination of the waiting period for the payment of benefits. ■

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- Developing expertise on an ad hoc basis in the management of your Human Capital;
- Benefitting from an external and independent view of your organisation processes.



## Our solutions

- Back-up management: immediate replacement: temporarily or permanently;
- Temporary assistance: support in selected key skills;
- Ongoing assistance: continuous support for your teams.



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- ✓ Collective relations
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- ✓ Health and safety
- ✓ Career management
- ✓ Social management
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## Contact us

- Ask your usual PwC contact to put you in touch with our department; or
- Contact our manager Virginie Boutruche ([virginie.boutruche@pwc.com](mailto:virginie.boutruche@pwc.com))

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