

TAX TREATMENT OF RESTRICTED STOCK PORTUGAL



	EMPLOYEE	EMPLOYER
GRANT DATE	<p>Restricted Stock (RS):</p> <p>Upon a restricted stock grant, income tax is due on the fair market value of the shares.</p>	<p>Restricted Stock (RS):</p> <p>Provided a recharge arrangement is in place, a deduction may be available.</p>
VESTING DATE	<p>Restricted Stock Unit (RSU):</p> <p>Upon vesting a restricted stock unit, income tax is due on the fair market value of the units.</p>	<p>Restricted Stock Unit (RSU):</p> <p>Provided a recharge arrangement is in place, a deduction may be available.</p>
WITHHOLDING & PAYMENT OF TAX	<p>If there is no recharge, the income tax will be paid by the employee on the annual personal income tax assessment.</p> <p>Employee income tax withholding would apply if a recharge arrangement is in place.</p>	<p>If there is no recharge, the employer would not have to operate income tax withholding.</p> <p>The employer would have to operate income tax withholding if a recharge arrangement is in place.</p>
SOCIAL SECURITY	<p>If there is no recharge, social tax will not apply.</p> <p>Employee social taxes would apply if a recharge arrangement is in place.</p>	<p>If there is no recharge, social tax will not apply.</p> <p>The employer would have to withhold social taxes if a recharge arrangement is in place.</p>
REPORTING	<p>Income must be reported on employees annual personal income tax return.</p>	<p>Employers must report all grant, cancellation and exercise of RS/RSU to the employee and Tax Authorities on an annual basis.</p>

For further information and to register for future updates contact:

globalequity@bdo.com

Defined terms used in this summary:

Restricted Stock - Issued shares transferred to employees on the date of grant which are typically subject to restrictions on sale or forfeiture for example if performance targets are not met.

Restricted Stock Units - Awards where employees receive a right to acquire shares. Shares are only issued following vesting and attainment of performance targets, if applicable.

Information contained herein is intended to reflect present law and provides only a general outline of the subjects covered. Material discussed herein is meant for general informational purposes only and should not be relied on as professional advice. As such you should consult your own tax advisor regarding your specific tax matters.

This summary has been prepared on the basis that employees are resident in Portugal throughout the period from grant of stock awards until the shares are sold and that the employee is employed by a local employer in Portugal, which is a subsidiary of an overseas parent. The potential tax consequences may vary greatly depending on your company's equity plan's design, administration, as well as many other factors.

Should you have a need for a trusted advisor in this area, please contact BDO's Global Equity team.

This information is current as of August 2016.

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TAX TREATMENT OF RESTRICTED STOCK

PORTUGAL

	EMPLOYEE	EMPLOYER
SALE OF SHARES	Capital gains tax may be payable on the sale of shares. This will be due on the difference between the sale of the proceeds and the market value of the grant of RS or vesting of RSUs. If stock is held for over one year, a capital gains tax exemption applies.	No tax consequences.
IS A CORPORATION TAX DEDUCTION AVAILABLE?	As long as there is taxation for personal income tax purposes the respective amount is deductible for corporate income tax purposes.	
"QUALIFYING" PLANS AVAILABLE?	Not applicable.	
INTERNATIONALLY MOBILE EMPLOYEES	<p>The above summary has been prepared on the basis that employees are resident in Portugal throughout the period from the grant of the stock award until the shares are sold.</p> <p>The rules for internationally mobile employees are complex and there are specific rules applicable to non-resident individuals. Generally, Portugal will have the right to tax the income if there is a link between the shares which the employee has received and the work of the employee performed in Portugal. Portugal broadly sources equity income based on the period between grant and vesting. It is highly recommended that advice is sought on an individual case by case basis.</p>	
OTHER POINTS FOR CONSIDERATION	<p>This summary is provided by BDO for informational purposes only to provide an outline of the general tax and social security position based on current tax law.</p> <p>There are also a number of legal and regulatory issues to consider on the implementation of any employee equity plan including, but not limited to, employee entitlement claims, exchange controls, securities restrictions, prospectus requirements and data protection regulations. We recommend that legal advice is obtained prior to the implementation of any employee equity plan.</p>	
KEY ACTION POINTS	<ul style="list-style-type: none"> ✓ Employers are responsible for the withholding of tax and social security on the employee equity awards. Companies should review their systems to ensure that they are sufficiently robust to be able to capture, process and report stock award income through the payroll. ✓ There are specific rules applicable for Internationally Mobile Employees holding equity in Portugal. We recommend that Companies review their systems to ensure that Internationally Mobile Employees moving in or out of Portugal whilst holding equity can be identified to ensure correct compliance and identify any potential trailing liabilities. 	

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