

TAX TREATMENT OF STOCK OPTIONS

SWITZERLAND



	EMPLOYEE	EMPLOYER
GRANT DATE	No tax consequences (assuming options are not transferable).	No tax consequences.
VESTING DATE	No tax consequences.	No tax consequences.
EXERCISE DATE	Income tax arises on the spread at exercise.	No tax consequences.
WITHHOLDING & PAYMENT OF TAX	The employee's income tax liability is subject to withholding by the employer, unless the employee is a foreigner with a permanent residence permit or a Swiss national. For these individuals, the employee must pay the income tax to the tax authorities by filing an annual tax return.	Where income tax withholding is required, it must be remitted to the tax authorities with the regular monthly tax payments.
SOCIAL SECURITY	The employee's liability to social security contributions is subject to withholding by the employer.	Employee social security contributions must be withheld and must be remitted to the social security authorities together with the employer's social security contributions.
REPORTING	The employee must report details of taxable income in the annual tax return. There may also be additional information reporting required in the tax return.	The employer must report details of the option gain in the year-end salary statement for the year in which the taxable income arises and also has to confirm additional details in a separate report.
SALE OF SHARES	No tax consequences.	No tax consequences.

For further information and to register for future updates contact:

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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 Switzerland throughout the period from grant of stock options until the shares are sold and that the employee is employed by a local employer in Switzerland, 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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IS A CORPORATION TAX DEDUCTION AVAILABLE?	Corporate tax deductions are available for the costs incurred by the Swiss employing company (i.e. legal, tax and consulting). A recharge for the costs of setting up and the administration of the plan is possible. A recharge agreement must be in place before the exercise to recharge the costs.
"QUALIFYING" PLANS AVAILABLE?	Not applicable.
INTERNATIONALLY MOBILE EMPLOYEES	<p>The above summary has been prepared on the basis that employees are resident in Switzerland throughout the period from the grant of the share option 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, Switzerland is entitled to tax the gain if the employees have spent working days in Switzerland during the vesting period, therefore Switzerland broadly sources equity income based on the period between grant and vesting. It is highly recommended that advice is sought on an individual by individual 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> <p>It may be possible to obtain a binding ruling on the tax treatment with the tax authorities where the employees are resident.</p>
KEY ACTION POINTS	<ul style="list-style-type: none">✓ Employers are responsible for the withholding of tax and social security on the exercise of employee stock options. Companies should review their systems to ensure that they are sufficiently robust to be able to capture, process and report stock option exercises through the payroll.✓ There are specific rules applicable for Internationally Mobile Employees holding equity in Switzerland. We recommend that companies review their systems to ensure that Internationally Mobile Employees moving in or out of Switzerland whilst holding equity can be identified to ensure correct compliance and identify any potential trailing liabilities.