

# TAX TREATMENT OF STOCK OPTIONS

## LUXEMBOURG



	EMPLOYEE	EMPLOYER
<b>GRANT DATE</b>	No tax consequences. By exception, transferable options are taxable at grant on the value of the option (not further discussed below as such options are uncommon).	No tax consequences. By exception, transferable options are taxable at grant on the value of the option (not further discussed below as such options are uncommon).
<b>VESTING DATE</b>	No tax consequences.	No tax consequences.
<b>EXERCISE DATE</b>	The spread on exercise will be taxable and income tax and social security will be due.	The employer has a withholding obligation and also an employer social security liability.
<b>WITHHOLDING &amp; PAYMENT OF TAX</b>	The employer has a withholding obligation for tax and social security.	The employer has a withholding obligation for tax and social security.
<b>SOCIAL SECURITY</b>	Employee social security will be due on the spread at exercise. Employee social security is capped to an annual income ceiling of €115,378, with the exception of 1.4% dependence insurance that is uncapped.	Employer social security will be due on the spread at exercise. Employer social security is capped to an annual income ceiling of €115,378.
<b>REPORTING</b>	The exercise and gain on the sale of shares must potentially be reported on the annual income tax return.	Employers should notify the implementation of a new plan to the tax authorities two month before the first grant of options. Employers should provide a detailed reporting each time options are exercised. The reporting includes for each employee the number of options exercised, date of exercise and calculation of taxable basis.

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 Luxembourg throughout the period from grant of stock options until the shares are sold and that the employee is employed by a local employer in Luxembourg, 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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<p><b>SALE OF SHARES</b></p>	<p>Gains on the sale of shares are taxable if the sale occurs more than 7 days and no more than 6 months after the date of exercise.</p> <p>The taxable basis corresponds to the difference between the sales proceeds and the exercise price, increased by the spread taxable at exercise.</p> <p>Capital gains are added to the employee's other income and subject to marginal rate.</p> <p>The sale of shares is reported and capital gains tax paid through the individual's annual tax return.</p>
<p><b>IS A CORPORATION TAX DEDUCTION AVAILABLE?</b></p>	<p>A corporation tax deduction may be available. Provided actual costs are recorded in its accounts, the employing company will be able to claim a deduction equal to actual costs, i.e. generally to the amount of the gain made by employees.</p>
<p><b>"QUALIFYING" PLANS AVAILABLE?</b></p>	<p>As there is no specific legislation on stock options in Luxembourg, there are no "qualifying" plans which receive beneficial tax treatment available.</p>
<p><b>INTERNATIONALLY MOBILE EMPLOYEES</b></p>	<p>The above summary has been prepared on the basis that employees are resident in Luxembourg throughout the period from grant of the stock option until the shares are sold.</p> <p>The rules for internationally mobile employees are complex and there are specific sourcing rules applicable to individuals arriving in or leaving Luxembourg whilst holding stock options. Luxembourg broadly sources equity income based on time spent during vesting. Trailing liabilities (and reporting obligations) may apply. It is highly recommended that advice is sought on an individual case by case basis.</p>
<p><b>OTHER POINTS FOR CONSIDERATION</b></p>	<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.</p> <p>We recommend that legal advice is obtained prior to the implementation of any employee equity plan.</p>
<p><b>KEY ACTION POINTS</b></p> <ul style="list-style-type: none"> <li>✓ 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 Restricted Stock grants and RSU vests through the payroll.</li> <li>✓ There are specific rules applicable for Internationally Mobile Employees holding equity in Luxembourg. We recommend that Companies review their systems to ensure that Internationally Mobile Employees moving in or out of Luxembourg whilst holding equity can be identified to ensure correct compliance and identify any potential trailing liabilities.</li> </ul>	