

TAX TREATMENT OF STOCK OPTIONS

THE NETHERLANDS



	EMPLOYEE	EMPLOYER
GRANT DATE	No tax consequences.	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 on exercise is subject to withholding by the employer.	Any income tax payable must be withheld by the employer and remitted to the tax authorities with the regular tax payments through the monthly or four weekly-wage tax return.
SOCIAL SECURITY	The employee's liability to social taxes is subject to withholding by the employer. Social security is capped at a maximum annual income, so often no further social security will be due on share benefits.	Employee social taxes must be withheld and must be remitted to the tax authorities together with the employer's social taxes with the regular tax payments through the monthly or four weekly-wage tax return.
REPORTING	The employee must report details of taxable income on the annual individual income tax return.	The employer must report details of the option gain on the wage tax return within one month of the month in which the option is exercised. The information must also be included on the annual wage tax declaration which must be submitted by January 31st following the tax year in which the option is exercised.
SALE OF SHARES	There is no capital gains tax payable on the sale of shares, provided the individual does not own a substantial interest (5% or more) of the company issuing the shares and the shares do not qualify as 'profitable participations.' There is an income tax which taxes income from savings and investments (box 3). Under the current scheme taxable income for this purpose is calculated based on a presumed deemed return on capital which is then subject to a flat rate of tax.	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 the Netherlands throughout the period from grant of stock options until the shares are sold and that the employee is employed by a local employer in the Netherlands, 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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SALE OF SHARES CONTINUED	<p>As of 2017, the presumed deemed return on capital increases proportionally to the increase in assets.</p> <p>Please note that if employees who hold shares that give irregular high returns could be taxed on the sale of those shares, since these shares could qualify as a profitable participation. The income and the gains received from profitable participations will be taxed at progressive tax rates.</p>
IS A CORPORATION TAX DEDUCTION AVAILABLE?	<p>Not available.</p>
"QUALIFYING" PLANS AVAILABLE?	<p>None available.</p>
INTERNATIONALLY MOBILE EMPLOYEES	<p>The above summary has been prepared on the basis that employees are resident in the Netherlands 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, the Netherlands will have the right to tax the gain if there is a link between the option which the employee has received and the work of the employee performed in the Netherlands. The Netherlands 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>
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 the Netherlands. We recommend that Companies review their systems to ensure that Internationally Mobile Employees moving in or out of the Netherlands whilst holding equity can be identified to ensure correct compliance and identify any potential trailing liabilities. 	