

# TAX TREATMENT OF STOCK OPTIONS

## ITALY



	EMPLOYEE	EMPLOYER
<b>GRANT DATE</b>	No tax consequences.	No tax consequences.
<b>VESTING DATE</b>	No tax consequences.	No tax consequences.
<b>EXERCISE DATE</b>	Income tax arises on the spread at exercise.	No tax consequences.
<b>WITHHOLDING &amp; PAYMENT OF TAX</b>	The employee's income tax liability on exercise is subject to withholding by the employer.	Where income tax is payable, Italian employers are considered to be a withholding tax agent and it must therefore be withheld and remitted to the tax authorities with the regular monthly tax payments.
<b>SOCIAL SECURITY</b>	No social taxes are due.	No social taxes are due.
<b>REPORTING</b>	If the employee is required to file an annual personal income tax return, the share option exercise or sale of shares must be included on the return.	The employer must report details of share option exercises to the tax authorities on an annual basis.
<b>SALE OF SHARES</b>	Taxed on sale. The gain is calculated as the market value on disposal less the market value of the shares on the exercise date.	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 Italy throughout the period from grant of stock options until the shares are sold and that the employee is employed by a local employer in Italy, 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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<b>IS A CORPORATION TAX DEDUCTION AVAILABLE?</b>	A corporate tax deduction is generally available for reasonable intercompany recharges of costs incurred by the Italian company. A written intercompany agreement should be entered into.
<b>"QUALIFYING" PLANS AVAILABLE?</b>	For options granted to all employees each year, a set amount of the spread is exempt from taxes if certain conditions are satisfied.
<b>INTERNATIONALLY MOBILE EMPLOYEES</b>	<p>The above summary has been prepared on the basis that employees are resident in Italy 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, Italy 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 Italy. Italy 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>
<b>OTHER POINTS FOR CONSIDERATION</b>	<p>From July 2010 a 10% "Additional Tax" is levied on any variable compensation paid that exceeds three times the fixed part of the basic wage. This "Additional Tax" is applicable only in the financial sector.</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. We recommend that legal advice is obtained prior to the implementation of any employee equity plan.</p>
<b>KEY ACTION POINTS</b>	<ul style="list-style-type: none"><li>✓ 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.</li><li>✓ There are specific rules applicable for Internationally Mobile Employees holding equity in Italy. We recommend that companies review their systems to ensure that Internationally Mobile Employees moving in or out of Italy whilst holding equity can be identified to ensure correct compliance and identify any potential trailing liabilities.</li></ul>