TAX TREATMENT OF RESTRICTED STOCK & RSUS

ITALY

	EMPLOYEE	EMPLOYER
GRANT DATE	Restricted stock: Taxed on grant. The taxable amount is the difference between the market value of the shares and the price the participant should pay (if any) at the date of grant. Restricted Stock Units (RSUs): No tax consequences.	No tax consequences.
VESTING DATE	Restricted stock: No tax consequences. RSUs: The taxable amount is the difference between the market value of the shares at vesting and the price the participant paid on award (if any).	No tax consequences.
WITHHOLDING & PAYMENT OF TAX	The employee's income tax liability is subject to withholding by the employer when the taxable event occurs.	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.
SOCIAL SECURITY	In principle not subject to social charges if award is subject to conditions.	In principle not subject to social charges if award is subject to conditions.
REPORTING	If the employee is required to file an annual personal income tax return, the share income or sale of shares must be included on the return.	The employer must report details of the grant of restricted stock and RSUs to the tax authorities on an annual basis.
SALE OF SHARES	Taxed on sale. The gain is calculated as the market value on disposal less the market value of the shares on the taxable event date.	No tax consequences.

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.

This summary has been prepared on the basis that employees are resident in Italy throughout the period from grant of stock awards 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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HB008470

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IS A CORPORATION TAX DEDUCTION AVAILABLE?	A corporate tax deduction for the employer at the taxable event of restricted stock and restricted stock units by the employer should be available provided a recharge arrangement is in place.
“QUALIFYING” PLANS AVAILABLE?	For restricted stock and RSUs granted to all employees each year, a set amount of the spread is exempt from taxes if certain conditions are satisfied.
INTERNATIONALLY MOBILE EMPLOYEES	The above summary has been prepared on the basis that employees are resident in Italy throughout the period from the grant of the stock award until the shares are sold. 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 shares 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 case by case basis.
OTHER POINTS FOR CONSIDERATION	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. 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. 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.

KEY ACTION POINTS

- ✓ 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.
- ✓ 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.