TAX TREATMENT OF RESTRICTED STOCK & RSUS

DENMARK

	EMPLOYEE	EMPLOYER
GRANT DATE	Restricted Stock: Income tax is due on grant on the fair market value of the shares. Restricted Stock Units (RSUs): For RSUs that vest solely on continued service, income tax is due at grant on the fair market value of the shares.	No tax consequences.
VESTING DATE	For RSUs that vest on events other than continued service, income tax is likely to be due on vesting. A tax ruling can be obtained to confirm certainty on the timing of the taxable event. The taxable amount is the fair market value of the shares on vesting.	No tax consequences.
WITHHOLDING & PAYMENT OF TAX	There is no obligation for the employing company to withhold income tax on the taxable events. The employee is responsible for remitting the income tax to the tax authorities.	Withholding is not required.
SOCIAL SECURITY	Employee social security taxes are due on the taxable event. There is no obligation for the employer to withhold social security taxes. Once the employee has filed his tax return, social security contributions will be calculated and collected by the tax authorities.	Withholding is not required. No employer social security due.
REPORTING	The employee is required to report the value of the restricted stock or RSUs at the taxable event on their annual tax return.	The employer is required to report the grant of restricted stock and RSUs for which vesting is contingent only upon continued service. For RSUs where the vesting is contingent on events other than continued service, reporting is required at the point of vesting.

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.

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 Denmark throughout the period from grant of stock awards until the shares are sold and that the employee is employed by a local employer in Denmark, 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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	EMPLOYEE	EMPLOYER
SALE OF SHARES	Any gain on the sale of the shares is subject to capital gains tax. The gain is equal to the sales proceeds less the market value of the shares on the date of grant/vesting. Potential exit charges apply for individuals leaving Denmark – see 'Internationally Mobile Employees' section for further details.	No tax consequences.
IS A CORPORATION TAX DEDUCTION AVAILABLE?	The employing company should generally receive a corporate tax deduction equal to the amount on which the employee is subject to income tax. It is likely that the parent company and the employing company will need to enter into a recharge agreement in order to obtain a corporation tax deduction. No corporation tax deduction will be available for stock awards granted under the new tax advantaged rules.	
"QUALIFYING" PLANS AVAILABLE?	The Danish government has introduced new tax advantaged rules for certain employee equity awards with effect from 1 July 2016. Where these rules apply, the employee equity awards will not be taxed as salary on grant/vest but will instead be taxed at the lower capital gains tax rate if and when the shares are sold. There are a number of conditions which must be applied in order to obtain the favourable tax treatment and the rules only apply to shares granted up to a maximum of value of 10% of the employee's annual salary. These new rules can generate significant savings for the employee, however employers must sacrifice a corporate tax deduction in order for the employee to gain the tax benefits and there are associated reporting requirements. There are detailed conditions for the new rules to apply and advice should be taken before any awards under the new rules are granted.	
INTERNATIONALLY MOBILE EMPLOYEES	The above summary has been prepared on the basis that employees are resident in Denmark throughout the period from 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. The Danish tax consequences will depend on the employee's residence status, the type of income (e.g. employment income, capital gains or dividends) and whether there is a Double Taxation Agreement (DTA). It is highly recommended that advice is sought on an individual case by case basis. If an individual leaves Denmark, they may be subject to an exit tax charge. Where this charge is applied, shares that are owned on the date of departure will be considered disposed of and tax will be imposed on the net profit calculated on the basis of the acquisition price and the fair market value of the shares at the time of the departure. An exit tax charge is generally only applied if the shares held by the employee exceed DKK 100,000 or if they have been tax resident in Denmark for more than 7 of the last 10 years. If the individual later disposes of the shares that are subject to the exit taxation, he will be entitled to have the tax recalculated on the basis of the actual proceeds. Companies should be aware that if an employee holds a new tax advantaged share award, the exclusions to the exit charge may not apply and the individual may be subject to an exit charge on *all* shares held.	
OTHER POINTS FOR CONSIDERATION	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. For example, the Danish Stock Option Act may restrict ability to require forfeiture of equity awards upon certain types of termination. It is recommended that plan documents be reviewed to ensure compliance. This law also states that the employer must provide the employee with a summary of their rights regarding restricted stock and restricted stock units. We recommend that legal advice is obtained prior to the implementation of any employee equity plan.	

KEY ACTION POINTS

- ✓ New tax advantaged rules have come into effect from 1 July 2016 and these may provide significant savings for employees. Companies should review their existing equity plans and consider whether to offer awards under the new tax advantaged rules.
- ✓ There are specific rules applicable for Internationally Mobile Employees holding equity in Denmark and exit charges may apply to individuals leaving Denmark. We recommend that Companies review their systems to ensure that Internationally Mobile Employees moving out of Denmark whilst holding equity can be identified to ensure correct compliance and identify any potential trailing liabilities.

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