TAX TREATMENT OF STOCK OPTIONS

BELGIUM

	EMPLOYEE	EMPLOYER
GRANT DATE	If the participants to the plan have accepted their stock option offer in writing within 60 days, income tax arises on a percentage of the market value of the underlying shares. The date of taxation is the 60th day following the moment of the offer of the options.	No tax consequences.
VESTING DATE	No tax consequences.	No tax consequences.
EXERCISE DATE	If the participants have not accepted the offer in writing within the 60 day period, income tax arises on the spread at exercise.	No tax consequences.
WITHHOLDING & PAYMENT OF TAX	The employee's income tax liability on grant (and exercise, if appropriate) may be subject to withholding taxes by the employer.	Income tax must be withheld by the Belgian employing company if the local employer grants the options or is involved in the administration of the plan. The withholding taxes must be remitted to the tax authorities within 15 days following the end of the month in which the taxable event takes place.
SOCIAL SECURITY	If the options are taxable at grant, generally no social security contributions will be due. If the options are taxable at exercise, the exercise gain will be subject to Belgian employee social security contributions if the options are granted by the Belgian employer. If the options are granted by a foreign company, they will still be considered as being granted by the Belgian company if the latter actively intervenes in the stock option allocation process or if the costs related to the stock option plan are charged by the foreign entity to the Belgian company.	If due, employee social security contributions must be withheld and remitted to the social security authorities together with the employer's social security contributions.

For further information and to register for future updates contact:

globalequity@bdo.com

This summary has been prepared on the basis that employees are resident in Belgium throughout the period from grant of stock options until the shares are sold and that the employee is employed by a local employer in Belgium, 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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TAX TREATMENT OF STOCK OPTIONS
BELGIUM

	EMPLOYEE	EMPLOYER
REPORTING	The employee must report details of taxable income on the annual individual income tax return.	Details of options accepted by employees within 60 days of the offer date must be notified to the Belgian tax authorities. Details must be reported in the monthly wage income tax return and in annual summary statements.
SALE OF SHARES	No tax consequences.	No tax consequences.
IS A CORPORATION TAX DEDUCTION AVAILABLE?	The cost related to the stock option plans has generally been considered as tax deductible. If the local employer grants options, the implementation and administration costs will, in principle, be deductible for Belgian corporate tax purposes. A recharge agreement should be in place. However, it should be noted that a recharge arrangement triggers certain social security, withholding tax and wage restrictions.	
"QUALIFYING" PLANS AVAILABLE?	The Belgian authorities do not "approve" plans for Belgian tax purposes. It is possible for companies to draft Belgian sub plans for the Belgian participants in order for them to be able to benefit from the lower valuation method. The Belgium law allows for beneficiaries to individually commit not to exercise the options prior to the end of the third calendar year following the year of grant. For beneficiaries who have made such commitment, a lower valuation method will apply. If, at a later stage, the beneficiaries who made such a commitment break that commitment and decide to exercise the options early, an additional benefit equal to the initial reduced taxable benefit will have to be reported.	
INTERNATIONALLY MOBILE EMPLOYEES	The above summary has been prepared on the basis that employees are resident in Belgium throughout the period from the grant of the share option until the shares are sold. The rules for internationally mobile employees are complex and there are specific rules applicable to non-resident individuals. Generally, Belgium 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 Belgium. Belgium broadly sources equity income based on the period between grant and vesting, unless the individual accepted the stock option within 60 days. It is highly recommended that advice is sought on an individual by individual basis.	
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. 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 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 Belgium. We recommend that Companies review their systems to ensure that Internationally Mobile Employees moving in or out of Belgium whilst holding equity can be identified to ensure correct compliance and identify any potential trailing liabilities.