

# TAX TREATMENT OF STOCK OPTIONS

## PORTUGAL



	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>	When the rights are exercised or sold by the employee the difference between the market value of the shares less the exercise price (spread) is calculated.	No tax consequences.
<b>WITHHOLDING &amp; PAYMENT OF TAX</b>	Not applicable.	Not applicable.
<b>SOCIAL SECURITY</b>	If there is no recharge, social tax will not apply. Employee social taxes would apply if a recharge arrangement is in place.	If there is no recharge, social tax will not apply. The employer would have to withhold social taxes if a recharge arrangement is in place.
<b>REPORTING</b>	Income must be reported on employee's annual personal income tax return.	Employers must report all grant, cancellation and exercise of options to the employee and Tax Authorities on an annual basis.

For further information and to register for future updates contact:

[globalequity@bdo.com](mailto:globalequity@bdo.com)

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 Portugal throughout the period from grant of stock options until the shares are sold and that the employee is employed by a local employer in Portugal, 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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	EMPLOYEE	EMPLOYER
<b>SALE OF SHARES</b>	When the rights are sold by the employee the spread is taxed. The sum of the net positive earnings computed each year are subject to taxation. If the employee keeps the shares for 12 months the earnings from the spread are not taxed.	No tax consequences.
<b>IS A CORPORATION TAX DEDUCTION AVAILABLE?</b>	As long as there is taxation for personal income tax purposes the respective amount is deductible for corporate income tax purposes.	
<b>"QUALIFYING" PLANS AVAILABLE?</b>	Not applicable.	
<b>INTERNATIONALLY MOBILE EMPLOYEES</b>	<p>The above summary has been prepared on the basis that employees are resident in Portugal throughout the period from the grant of the stock 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, Portugal will have the right to tax the income if there is a link between the shares which the employee has received and the work of the employee performed in Portugal. Portugal 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.</p>	
<b>OTHER POINTS FOR CONSIDERATION</b>	<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>✓ Companies should review their systems to ensure that they are sufficiently robust to be able to capture, process and report stock award income through the payroll.</li> <li>✓ There are specific rules applicable for Internationally Mobile Employees holding equity in Portugal. We recommend that Companies review their systems to ensure that Internationally Mobile Employees moving in or out of Portugal whilst holding equity can be identified to ensure correct compliance and identify any potential trailing liabilities.</li> </ul>	

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AUGUST 2016