# TAX TREATMENT OF RESTRICTED STOCK & RSUS

## SWEDEN

| | 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 (or the amount in cash equal to market value).<br>Restricted Stock Units (RSUs): No tax consequences. | No tax consequences. |
| **VESTING DATE** | Restricted Stock: No tax consequences.<br>RSUs: The gain on vesting will be subject to income tax. | 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. | The employer has a withholding obligation for the employee's income tax due on grant (for restricted stock) or vesting (RSUs). This is payable to the tax authorities in the month following grant/vesting. |
| **SOCIAL SECURITY** | No employee social security due. | The value on grant/vest will be subject to employer social security (uncapped). This is payable to the tax authorities in the month following grant/vest. |
| **REPORTING** | The award of Restricted Stock/ vesting of RSUs and any gain on the sale of shares must be reported on the employee's annual personal tax return. | The employer must report tax withholding and social security on Restricted Stock and RSU awards on a monthly basis.<br>Employers also have an annual reporting requirement which must be filed with the tax authorities (and an income statement provided to employees) by 31 January each year. |
| **SALE OF SHARES** | Any gains on sale will be subject to capital gains tax.<br>The sale of shares is reported and capital gains tax paid through the individual's annual personal income tax return. | No tax consequences. |

**For further information and to register for future updates contact:**

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**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 Sweden throughout the period from grant of stock awards until the shares are sold and that the employee is employed by a local employer in Sweden, 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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| **IS A CORPORATION TAX DEDUCTION AVAILABLE?** | A corporation tax deduction should be available provided that a written recharge agreement is in place between the Swedish subsidiary and parent company. | |
| **"QUALIFYING" PLANS AVAILABLE?** | There are currently no qualifying share plans available which receive tax beneficial treatment.<br>However, the Swedish government has initiated a review consultation aimed at making the Swedish tax treatment of equity awards simpler and more competitive, globally. Any proposals that are adopted are not expected to come into force under 1 January 2018 at the earliest. | |
| **INTERNATIONALLY MOBILE EMPLOYEES** | The above summary has been prepared on the basis that employees are resident in Sweden throughout the period from grant of the Restricted Stock/RSUs until the shares are sold.<br>The rules for internationally mobile employees are complex and there are specific rules applicable to individuals arriving in Sweden whilst holding Restricted Stock/RSUs. Currently, Sweden broadly taxes 100% of the equity income if the individual is resident in Sweden at the time of vesting, regardless of whether the individual has been non-resident and earning outside of Sweden during the period from grant to vest but a Court ruling has recently recognised that this is contrary to EU legislation and the freedom of movement of workers.<br>It is highly recommended that advice is sought on an individual case by case 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.<br>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 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 Sweden. We recommend that Companies review their systems to ensure that Internationally Mobile Employees moving in or out of Sweden whilst holding equity can be identified to ensure correct compliance and identify any potential trailing liabilities.