

# TAX TREATMENT OF STOCK OPTIONS

## SPAIN



	EMPLOYEE	EMPLOYER
<b>GRANT DATE</b>	No tax consequences.	No tax consequences.
<b>VESTING DATE</b>	No tax consequences (assuming the option is not transferable).	No tax consequences (assuming the option is not transferable).
<b>EXERCISE DATE</b>	Income tax arises on the spread at exercise.	No tax consequences.
<b>WITHHOLDING &amp; PAYMENT OF TAX</b>	The employee's income tax liability is subject to withholding by the employer.	Where income tax is payable it must be withheld and remitted to the tax authorities with the regular tax payments.
<b>SOCIAL SECURITY</b>	<p>The employee's liability to social security contributions is subject to withholding by the employer.</p> <p>Social security is capped at a maximum annual income, so possibly no further social security will be due on share benefits.</p>	Employee social security contributions must be withheld and must be remitted to the tax authorities with the regular tax payments.
<b>REPORTING</b>	The employee must report taxable income and the sale of shares on the annual personal income tax return.	The amount of the benefit in kind, the withholding taxes and the social security contributions paid during the calendar year should be included on the annual payroll summary and the annual employment withholding statement issued to the employee.
<b>SALE OF SHARES</b>	Taxed on sale. The gain is calculated as the difference between the market value of the shares at the date of sale and the market value of the shares on exercise.	No tax consequences.

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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 Spain throughout the period from grant of stock options until the shares are sold and that the employee is employed by a local employer in Spain, 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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<b>IS A CORPORATION TAX DEDUCTION AVAILABLE?</b>	If they are shares of the Spanish Company: tax deductible for CIT purposes, when the taxable event takes place. If they are shares of a related company abroad: Apart from the above mentioned requirements, the employing company should generally receive a corporate tax deduction if recharge arrangements (provided there are no shareholders' expenses charged) are implemented when the taxable event takes place.
<b>"QUALIFYING" PLANS AVAILABLE?</b>	No qualifying plans. However, provided certain conditions are met an exemption or reduction amount might be applicable.
<b>INTERNATIONALLY MOBILE EMPLOYEES</b>	<p>The above summary has been prepared on the basis that employees are resident in Spain throughout the period from the grant of the share 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, Spain 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 Spain. Spain broadly sources equity income based on the period between grant, vesting and exercise. It is highly recommended that advice is sought on an individual by individual 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>✓ 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.</li><li>✓ There are specific rules applicable for Internationally Mobile Employees holding equity in Spain. We recommend that Companies review their systems to ensure that Internationally Mobile Employees moving in or out of Spain whilst holding equity can be identified to ensure correct compliance and identify any potential trailing liabilities.</li></ul>