



Share options

An alternative way of remunerating employees, managers or self-employed persons (all individuals involved either directly or indirectly in a company's operations), is by awarding share options. After a certain period of time, the recipient of these share options can buy shares at a pre-determined price. These shares can be shares of the company that allocates them, a different company or even a listed company.

Tax treatment

The share options are taxable at the time of allocation of the option as a benefit in kind. The taxable base of these share options is dependent on whether these are listed or unlisted options.

In terms of listed options, the taxable benefit is determined based on the final closing price of the option preceding the day of the grant.

In terms of unlisted options, the benefit is determined on a flat-rate basis. The taxable benefit is valued at 18% (options offered as from 2011) of the value of the underlying shares on the grant date. When the option is exercised (or can be exercised) more than five years from the grant date, the value of the benefit each year, or the portion of the year that exceeds the five years, is increased by 1% of the value of the underlying share on the grant date of the option.

However, the taxable benefit determined on a flat-rate basis is reduced to 9% (+ 0.5% if this is exercised after 5 years) when certain conditions are met.

The flat-rate benefit from share options is not subject to social security contributions (except for a number of specific cases).

Example

1,000 unlisted options are offered to employee X on 1 March 2018. The exercise price of the option is EUR 50.00. The conditions for the reduced taxable benefit are presumed to have been met. The options are presumed to have been exercised within 5 years. The value of the underlying share is EUR 48.00 on the grant date. The taxable benefit amounts to: $1,000 \times \text{EUR } 48.00 \times 9\% = \text{EUR } 4,320$ on which EUR 2,311.20 (53.5%) in tax would be owed. If when exercising an option the value of the underlying shares is EUR 60.00, this means a profit of EUR 10,000, on which EUR 2,311.20 would be owed in taxes. This means a tax rate of just 23.11%.

Contact your accountmanager or one of our specialists at contact@vdl.be.