

Taxation of share options

Share options are taxed (according to **subsection 5³ of § 48 of the Income Tax Act**):

- ✓ **at the transfer of an option** before it is exercised or
- ✓ **at exercising an option** (i.e. buying or selling the underlying asset).

The transfer of a share option before its exercise is considered a fringe benefit, regardless of the three-year term of the option exercise or the moment of the transfer of the share option. The employee is required to notify the employer of the transfer of the share option. The employer incurs a tax liability from the fringe benefit provided.

Exercising a share option, i.e. acquiring a holding that is the underlying asset, **before 3 years have passed** since the option was granted, **is considered a fringe benefit**. The employer has a tax liability on the fringe benefit.

During the term of the option contract with a term of at least three years, **as an exception**, if

- ✓ the entire holding in the employer or in a company belonging to the same group as the employer is transferred (so-called full exit situation) or
- ✓ the employee is diagnosed with total incapacity for work, or the employee dies,

acquiring a holding underlying the option to the extent that corresponds proportionally to the time of holding the option before the event **is not considered a fringe benefit**.

Only the situation where the **entire holding** (100%) in the employer or in a company belonging to the same group as the employer is transferred is not considered a fringe benefit. The exception does not apply to partial transfer of a holding!

Exercising a share option, i.e., acquiring a holding that is the underlying asset, **after 3 years have passed** since the option was granted, **is not considered a fringe benefit**. The employee will benefit from the transfer of securities in the future!

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