



Taxation of Stock Option Plans in Portugal

During its life cycle, a stock option plan may trigger several types of income and subsequent forms of assessment: a) Spread, b) Distribution of Profits and c) Capital Gains.

a) Spread

The difference between the market value and the amount paid by a worker is deemed to be part of the employee's remuneration package and is taxed at the time of exercise of the option. This income is exempt from withholding tax, leaving to the taxpayer the responsibility to aggregate and declare the difference obtained in Annex A of *Modelo 3* of the Individual Income Tax ("IRS").

b) Profit Distributions

Dividends derived from equity share options are taxable when they are made available to the individual. Tax should be withheld at source at the rate of 28%. However, due to economic double taxation, these yields benefit from a 50% exemption for tax purposes and should be reported in Annex E (Income from Capital in Portugal) or Annex J (Income from Abroad).

c) Capital Gains

Upon the sale of the shares, Gains are exempt from withholding tax, being the responsibility of the individual to declare this income in Annex G (Capital Gains in Portugal) or Annex J (Income from Abroad). Financial gains derived from stock options plans, subscription plans, attribution plans or equivalent share plans on securities issued by the employer may be tax exempt up to the limit of €40,000, subject to certain conditions. Beyond this threshold, Capital Gains to the individual are assessed at 28%.