# How are Restricted Stock Units taxed in Belgium ?

**Restricted Stock Units (RSUs)** are a type of compensation paid by an employer to an employee in the form of **company shares** or an equivalent in cash. Shares of company stock are promised **at some future date**, in hopes of keeping the employee with the company. The grant is 'restricted' because it is **subject to a vesting plan** and a **distribution schedule**, which can be based on performance goals or continued employment for a period of time.

With RSUs, you are normally taxed **when the shares are delivered**, which is almost always at the moment of vesting. The taxable income is the ***market value* of the shares at vesting**.

From a Belgian perspective, RSUs are usually implemented **in a cross-border context**. As many foreign and multinational companies are active in Belgium, RSUs are often **granted by the parent company abroad** to employees working for the Belgian subsidiary. In the past, these benefits were often **not declared** in the Belgian tax return and therefore simply **not taxed**, which resulted in a **large-scale tax investigation** by the Belgian authorities some years ago.

While **non-resident taxpayers** could still argue that the foreign RSUs are to be considered non-Belgian source income, most **resident taxpayers** will fail to demonstrate that these benefits are not in any way related to the Belgian employment and should therefore be exempt from taxes.

RSUs are taxed **as professional income** and subject to the standard progressive tax rates of 25% up to 50%, plus local taxes. While Belgian tax law does have a favourable regime for stock options (ESOPs) when these are granted, this does **not apply to RSUs**, as they are in general only **taxable upon vesting**. Any benefit granted by a third party (e.g. a foreign parent company) to a Belgian employee is also subject to **Belgian social security,** due to the fact that the employee would be receiving the benefit 'by virtue of' their Belgian employment, even if the Belgian entity does not intervene in the granting of the benefit.

Since not declaring any RSUs in your personal tax return logically means a loss of income for the Belgian authorities, the Belgian legislator introduced a **payroll tax withholding requirement on 1 March 2019** for any Belgian employer in respect to RSUs (or employee remuneration in general) granted by a foreign company that is somehow affiliated to this Belgian entity.

The Belgian employer **must withhold taxes at source** on this remuneration via the Belgian payroll and declare this to the Belgian authorities. The Belgian company must also **submit a report every year** to the tax authorities with an overview of the payments made. Non-compliance could trigger a penalty that amounts to **10% of all benefits** that are incorrectly or not reported. This could be waived if it is demonstrated that the benefit was **still taxed with the employee**.

TAXPATRIA® can review your **international remuneration policy** and make sure that **you and your employees are compliant** with Belgian income tax and social security requirements.

 