How are Stock Options taxed in Belgium ?

Employee Stock Options (ESOPs) are a type of **equity compensation** that companies grant to their **employees and executives**. The employee is offered the right to buy a specific number of shares of company stock, at a specified price, within a certain time frame. The general purpose is to acquire company shares at a **discount or free of charge**, and this in view of potentially realizing a capital gain in case of a future sale (IPO, merger, etc.). In many multinational companies, stock option plans are used to **reward, bind, and motivate** key employees.

Instead of granting shares directly, the company gives **equity options**, which is a derivative that obtains its value from the underlying stock. This 'call' option can apply to **existing shares** or give a right to subscribe to **newly created shares** in case of a capital increase in the future. In that case, they are called (stock) **warrants**. The employee will be given the right to buy the company's stock at a pre-determined price (**strike price**) on or before an expiration date. The **terms and conditions** of the options granted are typically laid down in an *Employee Stock Option Plan* (ESOP) or a *Long-Term Incentive Plan* (LTIP).

In most countries, options are considered taxable when they **are exercised**. Belgium, however, has a special regime in place that allows for a taxation when the options **are granted**. According to the *Belgian Stock Option Act* of 26 March 1999, employees and managers who receive **stock options** as part of their remuneration package can, under certain conditions, benefit from a more **favourable tax regime** and even a full **exemption** from social security contributions. For the preferential regime to apply, the options must be **explicitly accepted in writing** by the beneficiary **within 60 days** after the offer is made.

As the taxable moment will occur when the options are **granted**, no taxes will be due after that. From a Belgian perspective, the future **vesting, exercise, or sale** of either the options or the underlying stock, will have **no further tax implications** for the employee.

At the time when the options are granted, the taxable value (benefit in kind) is equal to **18%** of the **fair market value of the underlying shares** if the shares are not publicly traded. If the options can be exercised for a period of **more than five years**, the taxable benefit is **increased with 1% per year** beyond this 5-year period. The above rates can be **reduced to resp. 9% and 0.5%** if the following conditions are met: **(i)** the options apply to shares in the employer's capital (or a group entity); **(ii)** the exercise price is determined upon granting; **(iii)** there is no hedging against a potential decrease in value; **(iv)** the options cannot be exercised the first 3 years after the offer is made or after the 10th year; **(v)** the options granted are non-transferrable.

The benefit itself will be taxed as **professional income** at the **standard progressive rates** (25% up to 50%) and increased with a **local surcharge**. No social security will normally be due.

TAXPATRIA® can advise on the tax implications of your **company's ESOPs and LTIPs** and assist with the **payroll withholding and tax filing** requirements.