

Employment & Pensions

News from Luxembourg

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STOCK OPTIONS: THE END OF A FAVOURABLE SCHEME?

During the last Holiday Season, the Luxembourg tax Administration ("*Administration des Contributions Directes*") took the opportunity to issue a **new Circular n°104/2bis of 28 December 2015 relating to the taxation of stock option plans**.

This new Circular supplements Circular n°104/2 of 20 December 2012 which determines the taxation of stock options plans allocated to employees and to shareholders of capital companies.

This new Circular is very short but with a rather straightforward new rule for employers, i.e.:

- the stock-options plans; and
- the list of the awarded employees;
- have to be provided to the competent tax bureau (RTS) two months before the implementation of the plan.

Immediate application: The new Circular takes effect immediately. The same rules apply to stock options plans that have been put in place before 1 January 2016 but not yet allocated to employees.

What's next? The Circular is in line with the current trend of the Luxembourg State to end favourable tax regimes or at least to standardise them. It is not the end of the allocation of stock options to employees but will provide the Luxembourg Administration

with a stricter control of stock options plan and employee remuneration.

Side effects? There is a concern that these controls may make it harder for employers to attract and award employees by imposing more restrictions and conditions for providing employee benefits.

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