

Wood Guidance

Employee Share Plan

Tax Guide – Spain



Wood Guidance Employee Share Plan Tax Guidance – Spain

This information is for guidance only and may differ according to your personal circumstances. Other than for the 'Income tax and social security for mobile employees' section, it assumes that for tax purposes you are a domiciliary, national and resident of Spain and have been/will be at all material times – i.e. from the date on which you purchase your first shares in the Plan until the end of the Plan period 24 months later – this is known as the Holding Period.

The 'Income tax and social security for mobile employees' section outlines the tax treatment for your shares if you have spent time working outside Spain – for these purposes, it is assumed that you are tax resident in the respective countries where you are working at the relevant times.

This is not tax advice tailored to your personal situation. If you require confirmation of your personal tax position, you should contact a professional tax advisor.

This information is understood to be correct as at 6 November 2018. Any future changes to legislation or tax rates may affect this information.

Income tax and social security

Will I have to pay income tax or social tax in respect of my Shares?

The table below sets out the tax point and the taxable amount for the shares received under the Plan:

| Income tax and Social Tax | | |
|---------------------------|---|---|
| | Point at which tax will be paid | Taxable amount |
| Purchased Shares | No personal income tax (PIT) or social tax will apply. | N/A |
| Matching Shares | Personal Income tax (PIT) and social security will be payable when your Matching Shares are delivered to your personal account following the end of the Holding Period. This is known as the Delivery Date. | The amount subject to tax will be the market value of the share on the delivery date. Social tax will also be payable on the same amount which is subject to income tax. |
| Dividend Shares | You will be taxed upon receipt of the cash dividend used to acquire Dividend Shares. | The amount subject to income tax is the cash dividend received and used to acquire the Dividend Shares. |

How do I pay the income tax and social tax in respect of my Shares?

Your employer will withhold the income tax and social tax payable on the Matching Shares. Your employer will **not** withhold any income tax due on the dividend income used to acquire the Dividend Shares. You are responsible for any tax due on the dividend income.

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Income tax and social security for mobile employees

Will I have to pay income tax or social security in respect of my Shares if I have only spent a portion of the Holding Period working in Spain?

If you are tax resident in Spain at the delivery date of the Matching Shares, your matching shares will be taxable in Spain on the entire gain. However you may benefit from exemption with progression or from a foreign tax credit in Spain (FTC) for the portion of the gain which corresponds to duties performed outside of Spain, provided an international tax treaty has been signed between Spain and the other country in which the individual has performed his duties.

How do I pay the income tax and social security due in respect of my Shares?

Your employer will withhold tax and social security payable on the Matching Shares.

Sale of shares

Will I incur a further tax liability and social tax when I sell my Shares?

Yes, you will be liable to pay capital gains tax on any gains arising when you sell your shares. The taxable gain is calculated as the difference between your sale proceeds and the total of: (i) the amount that you paid for the shares (for your purchased and dividend shares) and (ii) any amount previously subject to income tax (for your matching shares).

You are responsible for reporting and chargeable gains and paying any tax due.

Reporting

Will I have any reporting requirements?

Yes, you have an obligation to report all taxable income received during the year (including any taxable amount from a share plan, dividends received and any taxable capital gain) to the Spanish tax authorities.

There is no specific filing in relation to equity related incentives.

Report name

You must file an annual tax return. There is no specific filing in relation to equity related incentives. Such income will be included as remuneration-in-kind in the Annual PIT Return

Report name: (i) Annual PIT Return (Form 100); (ii) Wealth tax (if applicable) is reported on Form 714 for both tax-residents and non-tax residents in Spain.

Tax forms can be downloaded from the website of the Spanish tax office: www.aeat.es

Tax period: 1 January to 31 December.

Reporting deadline: Generally this is 30 June for both Form 100 and Form 714. In general terms, the return should be filed by May to June of the year following the year during which the employee receives the income.

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You may also be required to file Form 720 regarding assets held outside of Spain if the value of each asset type (shares, insurance and annuities) is at least EUR50,000. Subsequent declarations are required if the value of a group of assets increases by more than EUR20,000 or the assets are sold or cancelled. This tax form can be filed electronically through the Spanish Tax Authorities' website between 1 January and 31 March following the end of each tax year.

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Appendix 1 – relevant tax rate summary

This appendix sets out the relevant tax rates in Spain, for the tax year ending 31 December 2018.

| Income tax | | |
|------------|----------------------------|--|
| | Maximum effective tax rate | Notes |
| Income tax | 45% | Personal Income Tax (PIT) progressive rates range from 19% to 45%. The maximum rate generally applies to amounts exceeding EUR60,000. These rates could be slightly higher depending on the Autonomous Region in which you live. |

| Social Security | | |
|-----------------|----------|---|
| | Employee | Notes |
| Social Security | 6.35% | The maximum amount which is subject to social security contributions each month is EUR3,751.26 (in 2018). |

| Dividends and capital gains tax | | |
|---------------------------------|----------------------------|-------|
| | Maximum effective tax rate | Notes |
| Dividends | 23% | |
| Capital Gains | 23% | |