

Wood Guidance

Employee Share Plan

Tax Guide – Italy



Wood Guidance Employee Share Plan Tax Guidance – Italy

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 Italy 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 Italy – 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 income tax or social tax will apply.	N/A
Matching Shares	Income tax 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 income tax will be the average market value of the shares in the month preceding 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 Italy?

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

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

Report name

The employee must file an annual return. There is no specific filing in relation to equity related incentives.

Report name: Annual Tax Return. The return can be filed online. The tax return can be downloaded from this website: <http://www.agenziaentrate.gov.it>

Tax period: 1 January to 31 December.

Reporting deadline: Tax returns must be filed by 30 September. Payment is due by 16 June.

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Appendix 1 – relevant tax rate summary

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

Income tax		
	Maximum effective tax rate	Notes
Income tax	47.23%	<p>Tax rates are progressive up to 43%.</p> <p>In addition: (i) regional taxes of up to 3.33% and municipal taxes of up to 0.9% may apply; and (ii) for companies in the financial industry, a 10% 'additional' tax is levied on compensation paid in the form of bonuses and/or share awards that exceed the amount of fixed remuneration (e.g. fixed remuneration EUR1,000, variable compensation EUR1,800, the amount of EUR800 is subject to the 10% additional tax).</p>

Social Security		
	Employee	Notes
Social Security	10.19%	Other pension and medical contributions apply to executive employees

Dividends and capital gains tax		
	Maximum effective tax rate	Notes
Dividends	26%	
Capital Gains	26%	