



Company share-based remuneration: anticipate the tax impact

Forvis Mazars

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1. Overview

Company share-based remuneration plans, such as stock options, RSUs, phantom shares, ESPPs and SARs, aim to align the interests of the company and its employees. Their correct implementation in Spain requires early coordination between **the parent company, subsidiary, Human Resources, Payroll and the finance department** to avoid contingencies and take advantage of opportunities. **FORVIS MAZARS** proposes a preliminary analysis to:

- **Determine when and how each milestone is taxed:** grant, consolidation/vesting, exercise/delivery, settlement, sale.
- **Define the company's role** (parent company or subsidiary) as withholding agent, reporting agent, and expense accounting agent.
- **Identify tax benefits** and relevant risks.

2. Common risks in Spanish subsidiaries

- The **parent company grants/delivers** shares without local provisions → payroll errors, failure to withhold tax and possible penalties/interest.
- Employees carry out **exercises/sales without advice** → **regularisation of the withholding rate and PIT supplementary returns.**
- Incorrect accounting records (**expense/accrual**) and **disputed deductibility in Corporate Income Tax.**
- Lack of **documentary alignment** with the parent company, making it difficult to support deductibility.

3. Benefits and opportunities

- Possible **exemptions and special regimes** (e.g., start-ups, incentives for key employees, reductions for **irregular income**, deferrals, etc.)
- Cash flow planning: withholding taxes borne by the company vs passed on to the employee; **sell-to-cover** to cover taxes.

4. Forvis Mazars working methodology



Phase 1: Initial assessment

- Reviewing the plan, grant agreements, vesting schedule/windows, instruments and groups.
- Identifying events already executed and upcoming milestones.



Phase 2: Tax and compliance map

- Determining the tax treatment and timing of taxation by instrument/ milestone.
- Withholding and reporting obligations (forms 111/190 - 216/296).
- Recommendations for communicating with employees and supporting documentation.
- Corporate Tax deductibility and necessary evidence.



Phase 3: Ongoing operations

- Accompaniment in vesting/exercises, payroll closings, regularisations and reviewing forms 111/190 - 216/296.
- Training for Human Resources, Payroll and Q&A sessions with key employees.

5. Our team and value proposition

- We are a team specialising in equity-based compensation in Spain; we work closely with Human Resources, payroll and international parent companies to ensure that plans run smoothly.
- We prevent and execute: we put tax criteria into practice.



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