

## Treatment Of Share Options Granted to Employees

Taxpayer Audit & Assessment Department

Interpretations, Rulings & Opinions Committee (IROC)

Dated: July 2001

**RULING NO. 03 – IT 01/07**

### ***Background***

Many queries have been submitted to this Department regarding the correct treatment of Share Options granted to employees. This bulletin provides explanation as to whether or not '**share option**' granted to employees, is taxable as emoluments.

### ***Facts***

In light of the above, legal opinion was sought, and we have been advised of the following: -

“Having regard to the principles enunciated” in the case of **Abott Vs. Philbin** (1960) 2 all E.R. 736 H.L. and the fact of there being no specific statutory provision regarding treatment of share option, these principles presently apply to our jurisdiction.

The court ruled in this case that '**the perquisite was the option granted to the taxpayer which was capable of being turned into money**'. The benefit, which accrued upon exercise of the option, was not a perquisite or profit from the office or employment in the year of assessment, it was merely an advantage, which accrued to the taxpayer as the holder of a legal right which he had obtained in an earlier year and which he exercised as option holder against the company.

Accordingly, following on the ruling in the **Abott** case the tax is applicable when the option is granted and **not** when it is exercised.

The difference between the value of the share option and market price is deemed emoluments and subject to tax accordingly.