

EMPLOYEE SHARE OPTION CARD

Tax risks and incentives
related to employee share
options in the Baltics

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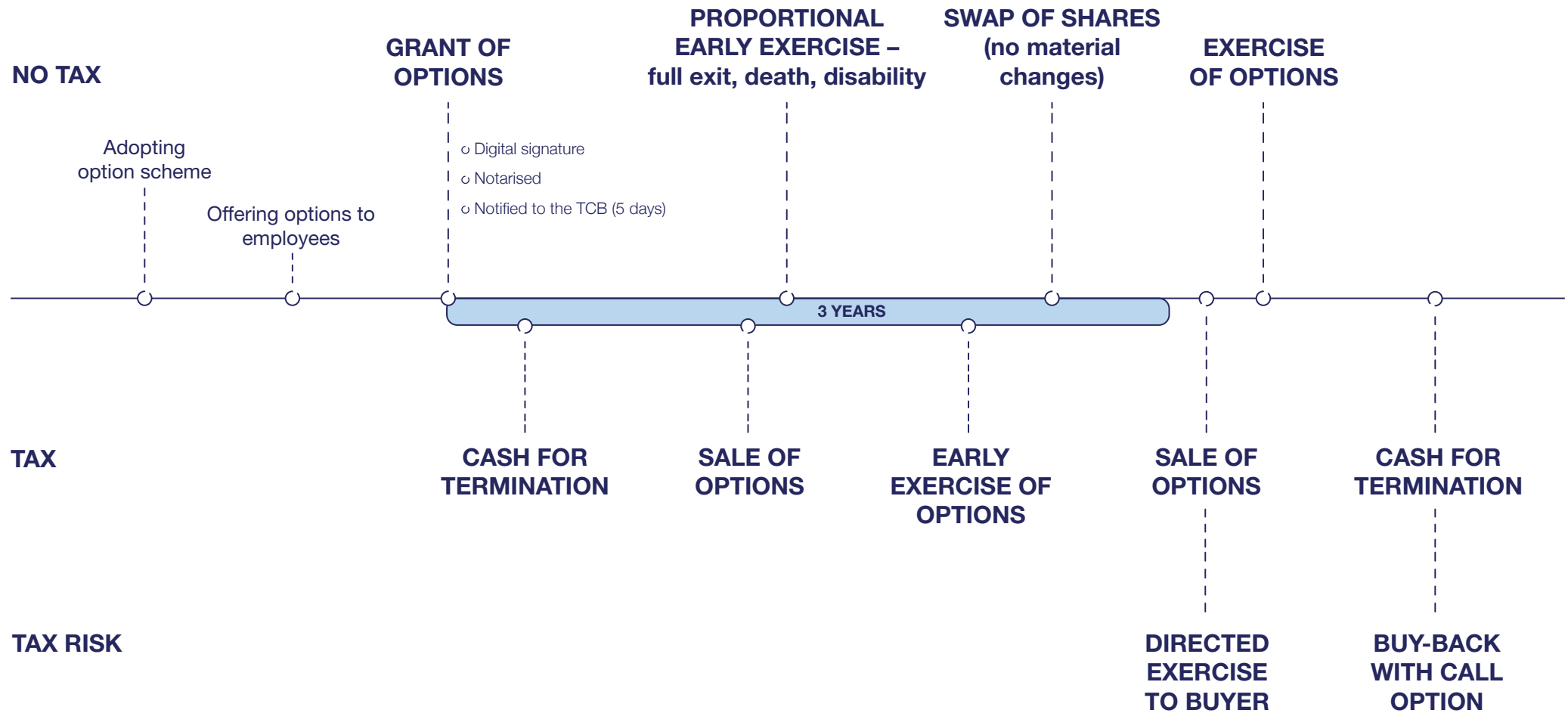
Below you can find an overview which covers the general tax regimes, incentives and risks related to employees' share options in the Baltics.

	ESTONIA	LATVIA	LITHUANIA
Granting	No tax	No tax	No tax
Form requirements for option agreement	Option agreement must be signed electronically, notarised, or provided to the tax authority within five days of signing to be eligible for beneficial tax treatment. Recording of the share options in certain digital option management systems may be a substitute for electronic signature.	The tax authority must be notified about option agreement conditions for it to be eligible for beneficial tax treatment.	No special requirements
Vesting	No tax	No tax	No tax
Cross-border employment	Tax laws of multiple countries may apply and conflict if employment during vesting takes place in multiple countries	The same as for EE	The same as for EE
Exercise	Fringe benefits tax (employer pays) from the difference between the market price and exercise price	Payroll taxes (generally the employer pays) from the difference between the market price and the exercise price	Payroll taxes (generally the employer pays) from the difference between the market price and the exercise price
Tax rates	20/80 CIT and 33% SC	20%-31% PIT and 34.09% SC (subject to a tax ceiling)	20%-32% PIT and 21.27%- 24.99% SC (subject to a tax ceiling)
Evaluation of market price	By the employer, recommended to use professional valuer	For a closed public limited liability company, by an independent expert listed in the Commercial Register list of asset evaluators. Methodology should be described.	By the employer, recommended to use professional valuer
Incentives	Share options exercised >3 years after being granted are exempt from FBT Proportional FBT on share options exercised <3 years in case of full exit	Share options exercised >1 year after being granted are exempt from payroll taxes, provided the employee is employed by the employer or an affiliate for that time	Share options exercised >3 years after being granted are exempt from payroll taxes (for agreements concluded before 01.02.2020 only SC exemption applies)
Risks	Fringe benefits tax risk in case of: <ul style="list-style-type: none"> employee receiving monetary compensation instead of shares the exercise and sale taking place at the same time, however, is usually excepted in cases of full exit or similar situations 	Payroll tax risk in case of: <ul style="list-style-type: none"> employee receiving monetary compensation instead of shares share options being exercised more than six months after termination of employment 	Payroll tax risk in case of: <ul style="list-style-type: none"> employee receiving monetary compensation instead of shares share options being exercised after termination of employment
Holding shares	Dividends are exempt from PIT for the employee, except regular dividends. Normal CIT applies.	Dividends are exempt from PIT for the employee. Normal CIT applies.	Normal profit distribution taxes apply (PIT on dividends)
Tax rates	PIT 0%/7% Deferred CIT 20%/14%	PIT 0% Deferred CIT 20%	PIT 15%
Sale of shares	PIT (employee) on capital gains	PIT (employee) on capital gains	PIT (employee) on capital gains
Tax rates	20% PIT	20% PIT	15% /20% PIT

ESTONIA

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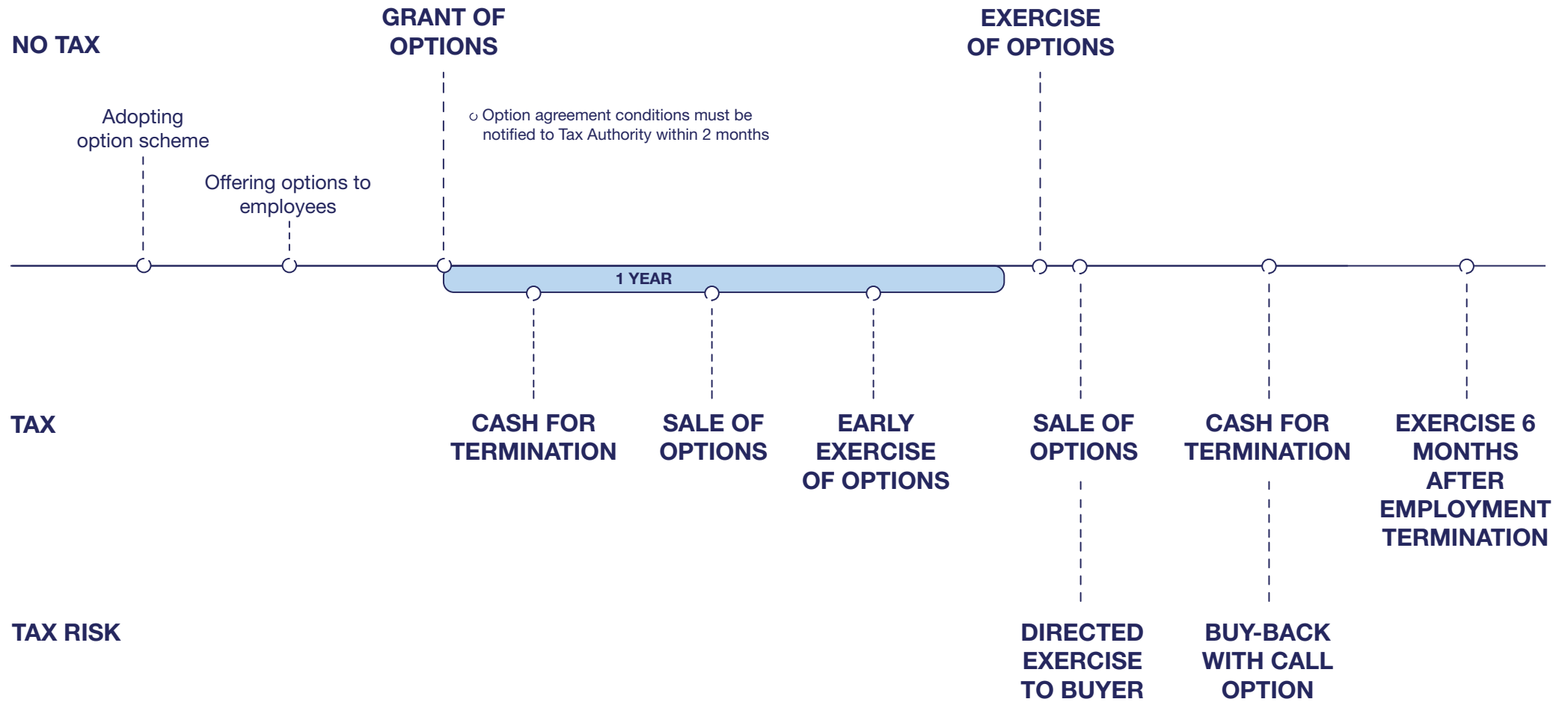




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LATVIA





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LITHUANIA



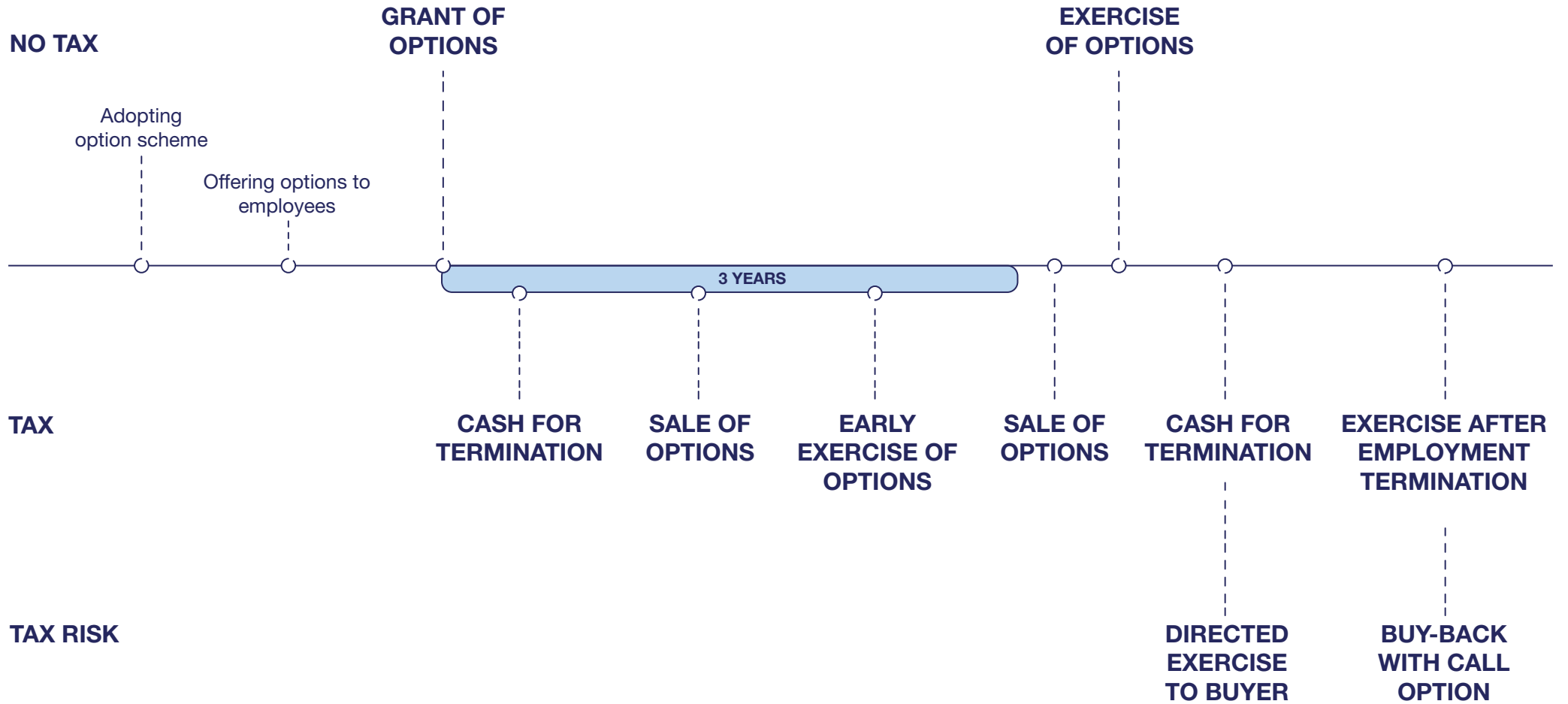


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