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Tax - Employee Notes - Your Shares: Gifted

UK	
<p>When will I be taxed in relation to my plan benefits?</p>	<p>Free shares: Award: No income tax. No social security. Removal from the Plan: (i) Forfeiture: If shares are forfeited, no income tax, no social security (ii) Withdrawal from the Plan: If the shares are withdrawn from the Plan because the employee has left Rolls-Royce for a statutory “good leaver” reason, or withdrawn 5 years or more from the award date, no income tax and no social security arises. Otherwise, income tax and social security will normally arise. The taxable amount is normally as follows: if less than three years have passed since the award date, the market value of the shares on the date they cease to be subject to the Plan; or if three years or more, but less than five years, have passed since the award date, the lower of: • the market value of the shares on the award date; and • the market value of the shares on the date they cease to be subject to the Plan. Sale by participant: Shares held in the Plan are exempt from capital gains tax. Capital gains tax may arise in relation to shares once withdrawn from the Plan on any increase the shares’ market value after their withdrawal. Shareholder distributions: please refer to attached C Share Information Brochure  C-Share_Informatio n_Brochure - Octobe</p>
<p>What is the maximum rate of income tax payable in relation to my plan benefits?</p>	<p>45% or 48% in Scotland (2024/25). Any change in tax rates usually takes effect from 6 April.</p>
<p>Income tax rates</p>	<p>Income tax bands and rates for the 2024/25 tax year. UK taxpayers subject to income tax in England, Wales and Northern Ireland (annual income in GBP):</p>

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	<ul style="list-style-type: none"> • up to 12,570 per year: 0% (personal allowance) • 12,571 to 50,270 per year: 20% (basic rate) • 50,271 to 125,140 per year: 40% (higher rate) • over 125,140 per year: 45% (additional rate). <p>UK taxpayers subject to income tax in Scotland (a taxpayer will be subject to Scottish income tax if their main place of residence is in Scotland) (annual income in GBP):</p> <ul style="list-style-type: none"> • up to 12,570 per year: 0% (personal allowance) • from 12,571 to 14,876 per year: 19% (starter rate) • from 14,877 to 26,561 per year: 20% (basic rate) • from 26,562 to 43,662 per year: 21% (intermediate rate) • from 43,663 to 75,000 per year: 42% (higher rate) • from 75,001 to 125,140 per year: 45% (advanced rate) • over 125,140: 48% (top rate). <p>Notes: Personal allowance: all UK taxpayers whose income exceeds GBP100,000 in any tax year, will lose their personal allowance at the rate of GBP1.00 for every GBP2.00 over the GBP100,000 threshold, which increases their effective tax rate. Student loan deductions: income from share or cash based awards may be subject to deductions in relation to compulsory repayment of student loans through the 'Pay As You Earn' (PAYE) withholding system. The timing and amount of the repayment will depend on each individual's repayment plan (which is based on the date they started their university course, the type of course and their UK country of residence). The repayment rate is currently 9% (6% for a Postgraduate Loan plan if relevant) above the applicable threshold. For employees, such repayments will generally be collected through PAYE withholding.</p>
Will my employer withhold income tax in relation to my plan benefits?	Yes.
Are my plan benefits subject to social security contributions?	Yes.

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Employee social security	<p>Employee social security (max rate): in the UK, social security is known as National Insurance Contributions (NICs). The standard rates for the 2024/25 tax year are:</p> <ul style="list-style-type: none"> (i) 8% for amounts between the primary threshold (GBP242 per week) and the upper earnings limit (GBP967 per week); and (ii) 2% for amounts above the upper earnings limit. <p>Employee social security (cap): There is no cap on payments.</p>
What is the maximum rate of capital gains tax?	24%, subject to passing of Finance Bill following the Autumn Budget of 30 October 2024 (tax-free annual exemption of GBP3,000 for the 2024/25 tax year).
How will I be taxed on shareholder distributions?	Dividends, where they are paid as cash are subject to income tax (no social security and no withholding) 39.35% (tax-free annual dividend allowance of GBP500 for the 2024/25 tax year). Note that a receipt of C shares in the Company as a dividend payment may be subject to a different tax treatment – please refer to the C Share Information Brochure in the first section of these notes.
Do I have to report any income in relation to the Plan to my local tax authority?	<p>Filing: for the majority of UK taxpayers, tax is withheld at source on earnings and savings and no additional reporting is required. However income is reported by the individual if they are required to, or choose to, complete a self-assessment tax return. Specific triggers are:</p> <p>Income: the most relevant is if the individual earns more than GBP100,000 per tax year;</p> <p>Dividends: tax on dividends over the dividend allowance and up to £10,000 can be paid through adjustment to the PAYE tax code or through a self-assessment tax return. For dividends over £10,000, a self-assessment tax return is required; and</p> <p>Capital gains tax on gains above the individual's annual exemption. Note: capital gains can also be accounted for through the 'real-time' capital gains service (here).</p> <p>Report name: Annual Self-Assessment Tax Return. Returns can be filed in paper form or online. Forms and information can be accessed and downloaded on the HMRC website (here). For individuals, there is no separate filing in relation to equity related incentives.</p>

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	<p>Reporting deadline: the participant must register for Self Assessment by 5 October. The Self Assessment Tax Return must then be filed as follows:</p> <ul style="list-style-type: none">for online filing, by midnight on 31 January in the year following the tax year (ending 5 April) in which the taxable event occurs;for paper returns, by midnight on 31 October of the calendar year in which the tax year ends. <p>Payment of tax: any outstanding tax must be paid by midnight on 31 January, although there may be a second payment deadline of 31 July where advance payments are made.</p>