This summary assumes that you only pay tax in one place. Different rules may apply if you pay tax in different places.

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Tax - Employee Notes - Your Shares: Gifted

Japan	
When will I be taxed in relation to my plan benefits?	**Award**: No income tax. No social security. **Unlocking**: Income tax. No social security. **Sale by participant:** Capital gains tax on increase in value since unlocking. No social security.
What is the maximum rate of income tax payable in relation to my plan benefits?	55.945% (2024). Any change in tax rates usually takes effect from 1 January.
Income tax rates	National income tax rates are progressive up to 45%. The maximum income tax rate of 55.945% includes local income tax of 10% and the 2011 earthquake recovery surcharge of 2.1%, which is assessed on the taxpayer's national income tax.
Will my employer withhold income tax in relation to my plan benefits?	Yes.
Are my plan benefits subject to social security contributions?	No.
Will my employer withhold social security contributions in relation to my plan benefits?	Not applicable.
What is the maximum rate of capital gains tax?	20.315%

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	Capital gains are taxed at a flat rate of 15.315% for national tax and 5% for local tax.
How will I be taxed on shareholder distributions?	In Rolls-Royce, if a decision is taken to make shareholder distributions, these are currently paid in the form of 'C Shares'. You will only be eligible to receive C Shares on Your Shares: Gifted once they unlock. After that, you will receive C Shares on your unlocked shares, whenever we pay them, until you choose to sell your shares. Whilst you hold your unlocked shares in your Equiniti share account, your C Shares will be redeemed for cash which will automatically be reinvested into ordinary shares. **Issue of C Shares**: taxed as a dividend subject to income tax. Rolls-Royce will not collect this tax. No social security. **Redemption of C Shares and reinvestment into ordinary shares**: no income tax or social security, **Sale of reinvested ordinary shares**: taxed as a capital gain and subject to capital gains tax. Rolls-Royce will not collect this tax. No social security.
Do I have to report any income in relation to the plan to my local tax authority?	Generally yes. If the plan benefits are paid through the local employer and are subject to Japanese withholding tax, employees resident in Japan whose annual gross salary receipt amount (including the amount of salaries other than the plan benefits) is JPY20million or less and whose income, other than salary income and retirement income, for that year is JPY200,000 or less, are not required to file annual tax returns. There is no specific filing in relation to share related incentives. Individuals are required to report foreign held assets if those assets have a market value (or estimated value as an alternative) over JPY50million as of 31 December. **Report name**: • Annual Tax Return. The return can be filed online. The tax return can be downloaded from the website here;

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Japan	
	• Foreign assets reports are filed physically or electronically on the Foreign Assets Report website (*Kokugai Zaisan Cho-sho*) here. **Tax period**: 1 January to 31 December. **Reporting deadline**: tax returns must be filed by 15 March of the subsequent year. Foreign asset reports must be filed by 30 June of the subsequent year. **Payment**: any unpaid income tax is due by the date of filing the tax return.