

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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The information provided is understood to be correct as of 18 July 2024. Changes in legislation or practice after this date may affect the tax treatment.

Tax - Employee Notes - Your Shares: Gifted

Netherlands	
When will I be taxed in relation to my plan benefits?	<p>Award: No income tax. No social security.</p> <p>Unlocking: Income tax and social security. Box 3 income tax may apply.</p> <p>Sale by participant: Box 3 income tax may apply on proceeds of sale received. No social security.</p>
What is the maximum rate of income tax payable in relation to my plan benefits?	49.50% (2024). Any change in tax rates usually takes effect from 1 January.
Income tax rates	<p>Income is divided into three boxes and each is taxed differently.</p> <p>Box 1 covers employment income (including income received under an employee incentive plan) and business profits of self-employed persons. Income in Box 1 is taxed at progressive rates up to 49.50% for income over EUR75,518 (2024). There are effectively two brackets:</p> <ul style="list-style-type: none">• one of 36.97% which includes national/employee social security (see 'Employee social security' section) for income through EUR75,518; and• the 49.50% rate that applies over that amount. <p>In certain cases a surcharge applies. For example, a 'special rate' is to be applied on stock-based compensation. This is not an explicit rate in a table but a combination of the ordinary income tax withholding rates and an additional uplift percentage, because of a reduction of the individual tax discount. The 'special rate' percentage that should be applied will depend on the employee's previous year's gross income. The resulting maximum withholding rate is 56.01% (49.5% + 6.51%). This percentage applies to earnings between EUR75,518 and EUR134,930 for employees under the retirement age. For annual income over EUR134,930 there is no surcharge and the standard rate of 49.50% applies.</p>

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	<p>Box 2 covers income (capital gains and dividends) from a substantial interest, at least 5%, in a company. From 2024, two rate brackets will apply:</p> <ul style="list-style-type: none">• 24.5% on the first EUR 67,000 of income; and• 33% above that. <p>Box 3 covers income from savings and investments. Net assets (including shares acquired under an incentive plan minus liabilities) are subject to taxation under Box 3. With regard to shares, this relates to shares that the individual owns and does not include rights to shares under a share plan before unlocking. Under Box 3, the actual income (including dividend income) or capital gain realised is not taxed but a notional income is deemed to be derived from the net assets (assets less liabilities). The reference date for the value of the net assets is 1 January of the year concerned. The notional income on shares held is 6.04%. This income is taxed at a flat rate of 36% (2024). Taxation only occurs to the extent the value of the net assets exceeds EUR57,000 (2024) for an individual. In 2027, a new, non-flat rate system of taxation on capital income should then take effect.</p>
Will my employer withhold income tax in relation to my plan benefits?	Yes (for income under Box 1).
Are my plan benefits subject to social security contributions?	Yes.
Will my employer withhold social security contributions in relation to my plan benefits?	Yes.

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Employee social security	<p>Employee social security (max rate): national insurance premium contributions are levied at 27.65% and are withheld at the same time as wage tax (therefore, no additional withholdings for national insurance premiums are required on top of the applicable income tax rate). The national insurance premiums are incorporated in the lowest income tax bracket (in 2024, up to and including EUR38,098), leading to a total withholding of 36.97% (2024). In addition, every employee is required to have a health insurance policy and to pay a nominal premium to their insurance company.</p> <p>Employee social security (cap): the maximum amount of national insurance contributions in 2024 is EUR10,534 per year (i.e. EUR38,098 x 27.65%).</p>
What is the maximum rate of capital gains tax?	<p>None, capital gains are generally exempt from tax unless they arise from the sale of business assets (business profits are treated as income) or from the sale of a substantial interest in a company (broadly, at least 5% of the company) in which case the sale proceeds would be taxed as Box 2 income.</p> <p>Although there should be no capital gains tax, the shares may be treated as savings and investment income and be taxed in Box 3.</p>
How will I be taxed on shareholder distributions?	<p>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.</p> <p>Issue of C Shares: no income tax or social security.</p> <p>Redemption of C Shares and reinvestment into ordinary shares: no income tax or social security,</p>

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	Sale of reinvested ordinary shares: taxed as a capital gain and subject to capital gains tax. This tax will not be collected by Rolls-Royce. No social security.
Do I have to report any income in relation to the plan to my local tax authority?	<p>Yes, income tax is payable on the value of the awards under an incentive plan. Tax on Box 1 income is withheld and paid by the employer and tax on Box 2 and Box 3 income is payable through the individual's tax return. The employee must report all income which, under certain circumstances, may include capital gains, in their income tax return (Box 1, 2 and 3 income). Withheld income tax (i.e. Box 1) can be credited against any other income tax payable by the individual.</p> <p>Report name: Annual Income Tax Return (<i>aangifte inkomstenbelasting</i>). The return can be filed online. The tax return can be downloaded from the website here. Please note, the URL for this website can change from year to year. The general site through which the filing can be made is here.</p> <p>Tax period: 1 January to 31 December.</p> <p>Reporting deadline: 1 May of the following year (extensions are available).</p> <p>Payment of tax: any unpaid tax is due within 6 weeks after the date of issuance of the relevant (preliminary) income tax assessment.</p>