

Tax Report



Canada	Proposed Global Share Purchase and Match Plan
Tax points	<u>Purchased shares:</u> Purchase: Income tax on any discount to the fair market value at the time of purchase. Sale by participant: Capital gains tax on increase in value since purchase. No social security. <u>Matching shares:</u> Grant: No income tax or social security (provided that the moment of tax is not accelerated by the application of the Salary Deferral Arrangement (SDA) rules). Vesting: Income tax and social security (subject to the application of the SDA rules). Transfer to participant: No income tax. No social security. Sale by participant: Capital gains tax on increase in value since time of relevant tax event. No social security.
Income tax (maximum rate)	54.8% (2026). Any change in tax rates usually takes effect from 1 January.
Income tax rates	Canada operates a system of federal and provincial or territorial taxes. The top federal tax rate is 33% for income over CAD258,482 (2026). The highest combined federal and provincial/territorial rate is 54.8% in the province of Newfoundland and Labrador. In Quebec, the highest combined rate is 53.31% and in Ontario it is 53.53%. The rate of withholding varies by province and can be higher than the marginal rate (up to the maximum rate).
Employer income tax withholding	Yes
Employer social security withholding	Yes Employee social security. Employer social security. Employer must withhold the employee contribution.
Employee social security	Employee social security (max rate): For share related and most other non-cash benefits, pension plan contributions (2026): Federal: 5.95% and 4.00% for CPP2; Quebec: 6.3% and 4.00% for QPP2.

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	For most cash payments and benefits, combined pension plan contributions and employment insurance premiums (2026): • Federal: 7.58%; • Quebec: (approximately) 7.6% or 8.03% including Quebec parental insurance premiums. Employee social security (cap): Maximum amount of earnings subject to pension plan contributions (2026): • Federal and Quebec: CAD74,600 with a basic exemption of CAD3,500. The maximum annual contribution to the pension plan is CAD4,230.45 (Federal) and CAD4,479.30 (Quebec). Pensionable earnings between CAD74,600.00 and CAD85,000.00 are subject to second additional CPP (CPP2 or QPP2 in Quebec) contributions and the maximum CPP2 contribution is CAD416.00 each for employees and employers. Maximum contribution for employment insurance (2026): the maximum insurable earnings are CAD68,900 and the maximum annual premium is: • Federal: CAD1,123.07 (EI premium rate of 1.63%); • Quebec: CAD895.70 (EI premium rate of 1.3%) plus CAD442.90 for parental insurance premiums (premium rate of 0.430% on maximum insurable earnings of CAD103,000).
Employer social security	Employer social security (max rate): For share related and most other non-cash benefits, pension plan contributions (2026): • Federal: 5.95% and 4.00% for CPP2; • Quebec: 6.3% and 4.00% for QPP2. For most cash payments and benefits, combined pension plan contributions and employment insurance premiums (2026): • Federal: 8.23%; • Quebec: approximately 8.12% or 8.72% when Quebec parental insurance premiums are included. Employer social security (cap): Maximum amount of earnings subject to pension plan contributions (2026):

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	• Federal and Quebec: CAD74,600 with a basic exemption of CAD3,500. The maximum contribution to the plan is CAD4,230.45 (Federal) and CAD4,479.30 (Quebec). Pensionable earnings between CAD74,600.00 and CAD85,000.00 are subject to second additional CPP (CPP2 or QPP2 in Quebec) contributions and the maximum CPP2 contribution is CAD416.00 each for employees and employers. Maximum contribution for employment insurance (2026): the maximum insurable earnings are CAD68,900 and the maximum annual premium is: • Federal: CAD1,572.30 (EI premium rate of 2.28%); • Quebec: CAD1,253.98 (EI premium rate of 1.82%) plus CAD620.06 for parental insurance premiums (premium rate of 0.602% on maximum insurable earnings of CAD103,000). Payroll taxes: separate payroll taxes apply in some provinces: • Manitoba, Newfoundland and Labrador, Ontario and Quebec: employers are subject to payroll taxes which range from 1.95% to 4.3%; • Quebec: employers with a payroll over CAD2million pay a 1% training levy; • Northwest Territories and Nunavut: employers withhold a payroll tax equal to 2% of employment earnings from employees' salaries. Employers should obtain specific Canadian payroll advice relative to their particular circumstances.
Share valuation for determining taxable benefit	Public/listed companies: generally determined as being the fair market value of the shares on the date they are delivered. However, the Canadian revenue authorities have developed administrative practices regarding the calculation of the share price value that may permit the use of a trading-day average methodology in certain circumstances, provided it is ten days or less. Private companies: there are no prescribed rules or methodologies in the Canadian tax legislation for determining the "fair market value" of private company shares, though certain principles (such as liquidity discounts) are generally accepted by the Canadian revenue authorities.
Capital gains tax (maximum rate)	54.8% (tax on sale is on one-half of any capital gain, that amount is then subject to marginal rate taxes).
Dividend tax (maximum rate)	54.8% (foreign dividend tax rates depend upon the employee's province of residence and their income level).

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Tax reporting - Individual	Yes, an employee is required to file an annual return and this would cover reporting on income that has been withheld, paid and reported by the employer. There is no specific filing in relation to equity related incentives. Individuals must report foreign property holdings in excess of CAD100,000 at any time during the year (Form T1135). Report name: Annual Tax Return (Form T1). The tax return can be filed online. The tax return can be downloaded from the website here. Foreign property is filed on Form T1135, the Foreign Income Verification Statement (and/or the Quebec equivalent, as applicable). The report can be obtained here. Tax period: 1 January to 31 December. Reporting deadline: tax returns and foreign income statement must be filed by 30 April. Payment of tax: any outstanding tax amount is due by 30 April.
Tax reporting - Employing company	The employer must report the employees' incentive related income on an annual basis. The filing covers all employee benefits and is not specific to equity related incentives. For certain types of employee option plans, additional reporting applies to 'non-qualified securities'. Report name: Annual employee remuneration return: Form T4 (or Relevé 1 in the case of Quebec employees). Form T4 is a summary of the remuneration paid to an employee, which will include any benefit amounts paid under an incentive plan. The return can be filed online. The return can be downloaded from the website here. Non-qualified securities must be reported on the Information Return for Non-Qualified Securities on Schedule 59 here. Reporting deadline: Award income is generally reported in Form T4 for the year of settlement (i.e. the calendar year in which the income from the award is received by the employee). Form T4 must be sent to the employee and filed with the relevant revenue authority by the last day of February of the year following the year of settlement. Schedule 59 must be filed on or before the filing due date for the tax year of the particular qualifying person (which may be a person other than the employer) that includes the day on which the option agreement is entered into. Payment of tax: withholding for income and social security amounts must be remitted monthly or in respect of such other period as is prescribed by the regulation.
Share retention/holding period	The existence of a retention/holding period will not, in and of itself, affect the tax treatment (although it could impact the value of the delivered shares).

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Recharge - Employing company	Generally, it is difficult for the local subsidiary to receive a corporate tax deduction (a deduction) with respect to the granting, vesting or settlement of share-based awards. A deduction is not available if the employees are able to claim a reduction in the tax payable on the share plan benefit (typically applicable to stock option plans). A deduction may be available in certain circumstances for stock option plans (see 'Tax beneficial treatment' section). A deduction should be available with respect to cash-based awards (in the year of settlement). A deduction should also be available with respect to the administration costs of a plan and the payment of any dividend equivalents. The position on deductibility in relation to share-based awards can, under certain circumstances, differ depending upon whether the shares are newly issued or acquired on the open market. The Canada Revenue Agency (CRA) has historically taken the position that no deduction will be available for newly issued shares. However, in April 2017, the CRA released a 'technical interpretation' indicating that a deduction may be available where the employer has the right to settle an award with cash but actually settles the award with newly issued shares. Other criteria also apply and specific advice should be obtained to ensure that a share plan complies with the guidelines set out in the technical interpretation. The CRA has taken the position that shares acquired by a corporation in the open market, held in its treasury account and then transferred to employee share plan participants, may not be eligible for a deduction. A deduction may be available if certain structures are used, such as where shares are purchased on the open market by an outside broker on the employee's behalf. Companies wishing to explore alternatives should seek specific advice.
Recharge - Individual	The existence of a recharge does not impact the tax treatment for the individual (although if an individual benefits from a reduced tax treatment, this will generally reduce the amount of recharge for which an employer can claim a deduction).
Malus and clawback - Tax reclaim	If malus or clawback are applied then, in theory, any taxes paid can be reclaimed through the individual and the corporate tax returns, although this may not always be the case and will be dependent on the particular factual circumstances.
Malus and clawback - Tax points	The existence of a malus or clawback clause does not generally affect the tax point for the individual, except possibly in connection with the application of the SDA rules (see 'Other' section). It is possible that such an event could give rise to a capital loss to the relevant individual, which could not be applied against the income inclusion realised on the receipt of the shares.
Tax beneficial treatment	Tax-qualified arrangements: there are a number of tax-qualified arrangements in Canada (such as employee profit-sharing plans (EPSPs) and deferred profit-sharing plans (DPSPs)). These arrangements are not covered in this report.

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	Tax reduction for option plans: in relation to certain types of employee option plans, the participant may be able to claim a reduction in the tax payable by 50%, if the shares are 'prescribed shares' and certain other conditions are met (including that the exercise price for the options is not less than the fair market value of the shares on the grant date). Although the tax reduction is available throughout Canada, separate rules apply in Quebec (discussed below). While every option plan must be carefully reviewed for eligibility, options with respect to common shares with an exercise price that is not less than the fair market value of the shares on the grant date will, in most cases, qualify for the preferred tax treatment. As one of the key qualification tests is that the employee has obtained a right to acquire the shares at a price that is no less than fair market value, nil-cost options (or RSUs) will usually not qualify. The following rules apply to options granted by large corporations from 1 July 2021: Annual limit: there is an annual limit of CAD200,000 per employee (i.e. the reduction will only be available for options covering shares with a value not exceeding CAD200,000). The annual limit is calculated for each year of vesting, based on the fair market value of the underlying shares at grant. If applicable, companies should use the 'relevant spot rate' (defined in the Canadian Income Tax Act) to convert the value of the shares into Canadian dollars for the purposes of calculating the annual limit. Non-qualified securities: non-qualified securities do not benefit from the 50% tax reduction. Shares may come within the definition of non-qualified securities if either: • the value exceeds the annual limit; or • the employer has designated shares as non-qualified (see below). Corporate tax deduction: an employer may take a corporate tax deduction if the shares come within the definition of 'non-qualified securities'. An employer may designate shares as non-qualified, in which case the employee will not benefit from the 50% tax reduction and the employer will be able to claim a tax deduction for the shares. Other rules apply to the availability of the deduction and specific advice should be obtained. Notification to employees: employers must notify employees within 30 days after the option agreement is entered into if: • the value of any options (as determined at the grant date) due to vest in a year will exceed the annual limit; and • if they have designated any of the options as non-qualified securities. Employers must also keep track for future option grants of the value of the options vesting each year and notify employees if the value of the options exceed the annual limit for any particular year. Reporting non-qualified shares (Schedule 59): non-qualified securities must be reported by the employer on the Information Return for Non-Qualified Securities on Schedule 59 (here). Schedule 59 must be filed on or before the filing due date for the tax

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	year of the particular qualifying person (which may be a person other than the employer) that includes the day on which the option agreement is entered into. Quebec: in Quebec, for qualifying options granted prior to 21 February 2017, the reduction is 25%. Since 21 February 2017, qualifying options granted by large public companies and meeting the prescribed criteria (including having an establishment in Quebec) may also benefit from a 50% tax reduction. The reductions do not apply to any social security contributions due on exercise or capital gains tax payable on the sale of the shares.
Other	Private companies: other than the method of valuing shares for determining taxable benefit (i.e., valuation analysis versus publicly traded share price), the tax treatment of the share plans would be the substantially the same whether the parent company is publicly listed or a privately held company, other than with respect to Canadian private companies that are Canadian controlled (where different tax considerations apply). Salary Deferral Arrangement (SDA) rules: the SDA rules are designed to impose tax on deferred income and are triggered when the right to receive income arises. There is a risk that awards that can either be settled in cash (which entitle, or potentially entitle, an employee to receive a cash payment in the future) or using market purchase shares, will be treated as deferred salary and be taxed on grant, unless they are structured to come within an exemption to, or fall outside of, the SDA rules. For example: • 3-year 'safe harbour': an award can be structured to fall outside of the SDA rules, where the award is settled within 3 years of the end of the calendar year in which the 'relevant services' (e.g. the performance or service for which the award is being granted in each case) are carried out. The presumption applied by the Canadian revenue authorities in the case of grants early in a particular calendar year is that the 'relevant services' were carried out in the calendar year prior to grant. Complicated rules apply to the calculation of the 3-year safe harbour period and specific advice should be obtained if relying on this exemption; • No cash/market purchase settlement: the SDA rules should not apply where there is no ability to settle awards in cash or using market purchase shares (i.e. shares must only be settled using newly issued or treasury shares) under the relevant plan documents (this can be addressed in an appendix or global plan document; specific advice should be obtained) as there is a separate section in the Canadian Income Tax Act dealing with share awards and the SDA rules do not apply to that section; • Election by participant: if there is the ability to cash settle a share award under the relevant plan documents, the SDA rules will generally not apply if it is the participant (and not the company) that maintains the right to choose whether to receive cash or shares.

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	Other grounds may apply to take the award outside the SDA rules, e.g. if the income is subject to a 'real risk of forfeiture' (normal 'bad leaver' provisions alone will not constitute a real risk of forfeiture). Counsel strongly recommends that specific advice be obtained in relation to the structuring of any particular award grant. Non-resident Trusts: specific rules apply to the taxation of non-resident trusts (NRT Rules) in Canada. Under NRT Rules, use of a non-Canadian trust either to make awards or to deliver shares can have serious negative tax impacts in Canada for both employers and employees. As a result of NRT Rules, an employee benefit trust (EBT) may become subject to Canadian tax on its worldwide income. There may also be joint and several liability for the Canadian employers, the trust and the Canadian employees. If a non-Canadian trust is to be used in connection with an incentive plan, local counsel strongly advises that the company takes detailed advice. The simplest solution is not to use a non-resident trust in relation to Canadian beneficiaries. Where a trust is used to hold shares, counsel suggests including wording similar to the following in the plan documents: "For greater certainty, no shares held in a Trust will be used to settle awards to Canadian participants". Additional reporting obligations on trusts have come into force and apply to tax years ending on or after 30 December 2023. The new rules require trusts to report the identity of all trustees, beneficiaries and settlors of the trust, along with those who have a measure of control over the trust, regardless of whether the trust is determined to have any income for Canadian tax purposes. NRT Rules mean that EBTs located outside of Canada, which had beneficiaries who are taxpayers in Canada at any time since 1 January 2007, may be deemed to be resident in Canada for tax purposes. NRT Rules only apply if there is a 'Canadian contributor'. However, this term is very broadly defined and in most cases will capture a global employee share plan with Canadian beneficiaries. A Canadian contribution includes a direct or indirect transfer or loan of property to the trust. For the purposes of an incentive plan, an indirect contribution could be found to exist by virtue of any recharge or reimbursement arrangement or any other direct or indirect contributions by a Canadian employer to the trust or to the parent company in respect of the trust. In addition, NRT Rules can deem a Canadian employer to have made a 'contribution' to the trust in circumstances where no such contribution was actually made by the Canadian employer. Specifically, this deeming rule can apply where another party (e.g. a non-Canadian parent company) has made a contribution to the trust in circumstances where a 'purpose or effect' of the contribution is the provision of benefits in respect of services rendered by employees of a 'specified person' (i.e. the Canadian employer). To reduce any potential tax liability: • the trust can file an election to become an 'electing trust'; and/or • the resident Canadian employer can file an election to become an 'electing contributor'.

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	If the right elections are made then only income derived from property contributed or deemed to be contributed by Canadian contributors, rather than worldwide income, will be subject to Canadian income taxation. Even if it is believed that an EBT has no income, if NRT Rules apply to the trust, it is recommended that a return be filed, in accordance with the new trust reporting requirements noted above. Consideration may be given to filing returns in respect of prior years, including the first year in which the NRT Rules are determined to have applied to the subject EBT, for the purposes of making the election noted above. The election is made by the trustees and must be filed with the trust's tax return for the first year in which the trust is deemed to be a resident of Canada under the NRT Rules. There is no prescribed form and a letter attached to the relevant tax return should be sufficient. If, on vesting, the shares required to satisfy the award are purchased in the market by a broker rather than using an EBT, the NRT rules may not be triggered. Seek specific advice.

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This summary assumes that the participants are subject only to local taxes at all relevant times. Different rules may apply if the participants are subject to multiple taxing jurisdictions at any relevant time.

This summary is only a guide. It is limited to a general description of national tax laws and does not address local, city, regional, state or other provincial tax laws that may apply to the participants.

The tax position will depend on each participant's individual circumstances. We do not warrant any particular tax result. Therefore we recommend that participants consult their own tax advisor regularly to determine their individual tax position.

The exact structure of an award is crucial to the way that award is taxed. The tax treatment can be affected by many factors including retention/holding periods and clawback. Different clawback terms and different restrictions on shares may impact the tax treatment. If companies want detailed and specific tax advice for their plans, then local counsel need to know the exact detail of how the specific plans work. The database can only give generalised tax information.

The information provided is understood to be correct as of 4 August 2026. Changes in legislation or practice after this date may affect the tax treatment.

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