

Tax - Payroll Guide - Free shares / RSU

Canada	
Tax points	<p>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).</p> <p>Vesting: Income tax and social security (subject to the application of the SDA rules).</p> <p>Transfer to participant: No income tax. No social security.</p> <p>Sale by participant: Capital gains tax on increase in value since time of relevant tax event. No social security.</p>
Income tax (maximum rate)	54.8% (2025). 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 CAD253,414 (2025). 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	<p>Yes</p> <p>Employee social security.</p> <p>Employer social security.</p> <p>Employer must withhold the employee contribution.</p>
Employee social security	<p>Employee social security (max rate):</p> <p>For share related and most other non-cash benefits, pension plan contributions (2025):</p> <ul style="list-style-type: none"> • Federal: 5.95% and 4.00% for CPP2; • Quebec: 6.40%. <p>For most cash payments and benefits, combined pension plan contributions and employment insurance premiums (2025):</p> <ul style="list-style-type: none"> • Federal: 7.59%; • Quebec: (approximately) 7.71% or 8.20% including Quebec parental insurance premiums. <p>Employee social security (cap):</p> <p>Maximum amount of earnings subject to pension plan contributions (2025):</p>

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	<ul style="list-style-type: none"> • Federal and Quebec: CAD71,300 with a basic exemption of CAD3,500. The maximum annual contribution to the pension plan is CAD4,034.10 (Federal) and CAD4,339.20 (Quebec). Pensionable earnings between CAD71,300 and CAD81,200 are subject to second additional CPP (CPP2) contributions and the maximum CPP2 contribution is CAD396.00 each for employees and employers. <p>Maximum contribution for employment insurance (2025): the maximum insurable earnings are CAD65,700 and the maximum annual premium is:</p> <ul style="list-style-type: none"> • Federal: CAD1,077.48 (EI premium rate of 1.64%); <p>Quebec: CAD860.67 plus CAD484.12 for parental insurance premiums.</p>
Employer social security	<p>Employer social security (max rate):</p> <p>For share related and most other non-cash benefits, pension plan contributions (2025):</p> <ul style="list-style-type: none"> • Federal: 5.95% and 4.00% for CPP2; • Quebec: 6.40%. <p>For most cash payments and benefits, combined pension plan contributions and employment insurance premiums (2025):</p> <ul style="list-style-type: none"> • Federal: 8.27%; • Quebec: approximately 8.234% or 8.926% when Quebec parental insurance premiums are included. <p>Employer social security (cap):</p> <p>Maximum amount of earnings subject to pension plan contributions (2025):</p> <ul style="list-style-type: none"> • Federal and Quebec: CAD71,300 with a basic exemption of CAD3,500. The maximum contribution to the plan is CAD4,034.10 (Federal) and CAD4,339.20 (Quebec). Pensionable earnings between CAD71,300 and CAD81,200 are subject to second additional CPP (CPP2) contributions and the maximum CPP2 contribution is CAD396.00 each for employees and employers. <p>Maximum contribution for employment insurance (2025): the maximum insurable earnings are CAD65,700 and the maximum annual premium is:</p> <ul style="list-style-type: none"> • Federal: 1,508.47 (EI premium rate of 2.296%);

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	<ul style="list-style-type: none"> Quebec: CAD1,204.94 plus CAD678.16 for parental insurance premiums. <p>Payroll taxes: separate payroll taxes apply in some provinces:</p> <ul style="list-style-type: none"> 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. <p>Employers should obtain specific Canadian payroll advice relative to their particular circumstances.</p>
Tax reporting - Individual	<p>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.</p> <p>Individuals must report foreign property holdings in excess of CAD100,000 at any time during the year (Form T1135).</p> <p>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.</p> <p>Tax period: 1 January to 31 December.</p> <p>Reporting deadline: tax returns and foreign income statement must be filed by 30 April.</p> <p>Payment of tax: any outstanding tax amount is due by 30 April.</p>
Tax reporting - Employing company	<p>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'.</p> <p>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.</p>

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	<p>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.</p> <p>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.</p>
Malus and clawback - Tax points	<p>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.</p>