

Tax - Payroll Guide - Free shares / RSU

India	
Tax points	<p>Grant: No income tax. No social security.</p> <p>Vesting: Income tax. No social security.</p> <p>Transfer to participant: No income tax. No social security.</p> <p>Sale by participant: Capital gains tax on increase in value since vesting. No social security.</p>
Income tax (maximum rate)	42.74% (old tax regime) / 39% (new tax regime) (2025/26) including maximum surcharge and Health and Education Cess. Any change in tax rates usually takes effect from 1 April.
Income tax rates	<p>Income tax payable at progressive rates up to 30%, adjusted up to 39% under the new tax regime, or up to 42.74% under the old tax regime. Following changes introduced in April 2023, the new tax regime (with no deductions/exemptions) is now the default regime, although taxpayers can elect to be taxed under the old tax regime. The maximum general effective tax rate (ETR) including the maximum surcharge and the Health and Education Cess is either:</p> <ul style="list-style-type: none"> • new tax regime: 39% (maximum surcharge capped at 25%); or • old tax regime: 42.74% (maximum surcharge of 37%). <p>The tax rates and salary bands in INR under the new tax regime are as follows:</p> <ul style="list-style-type: none"> • 0 - 400,000: 0% • 400,001 - 800,000: 5.2% • 800,001 - 1,200,000: 10.4% • 1,200,001 - 1,600,000: 15.6% • 1,600,001 - 2,000,000: 20.8% • 2,000,001 - 2,400,000: 26% • 2,400,001 - 5,000,000: 31.2% • 5,000,001 - 10,000,000: 34.32% • 10,000,001 - 20,000,000: 35.88% • Above 20,000,001: 39%

Tax - Payroll Guide - Free shares / RSU

	<p>Surcharge: in addition to income tax, taxpayers must contribute a surcharge on the income tax, which is calculated as follows:</p> <ul style="list-style-type: none"> • exceeding INR5million up to INR10million: 10% • exceeding INR10million up to INR20million: 15% • exceeding INR20million up to INR50million: 25% • exceeding INR50million: 37% (old tax regime) or 25% (new tax regime). <p>Health and Education Cess of 4% of the total income tax, plus surcharge, is also payable.</p>
Employer income tax withholding	Yes
Employer social security withholding	No
Employee social security	<p>Employee social security (max rate): 12%</p> <p>Employee social security (cap): no cap.</p> <p>Note: social security is only paid on salary/wages and is not payable on incentive plan income.</p>
Employer social security	<p>Employer social security (max rate): 12%</p> <p>Employer social security (cap): no cap.</p> <p>Note: social security is only paid on salary/wages and is not payable on incentive plan income.</p>
Tax reporting - Individual	<p>The employee must file an annual tax return. Equity related incentive income is included in the Statement of Perquisites (Form 12BA). The filing is not specific to equity related incentives.</p> <p>The employee must report all worldwide income and foreign assets to the relevant tax authority.</p> <p>Participants should receive a Tax Collected at Source (TCS) certificate from the Authorised Dealer Bank for TCS paid on outward remittances under the Liberalised Remittance Scheme (LRS).</p> <p>Report name: Income Tax Return. The specific tax return will depend on the employee's income. The employee should use the Tax Deducted at Source (TDS) certificate (Form 16) and Form 12BA (statement showing particulars of perquisites, other fringe benefits or amenities and profits in lieu of salary) provided by the employer to complete their annual tax return. Foreign assets and income are reported on Schedule FSI of Form ITR-2.</p> <p>For most individuals, digital filing of income tax returns is mandatory. To file online, individuals must register on the e-filing website of the Income Tax Department and, once registered, the filing process is also through the e-filing website here.</p>

Tax - Payroll Guide - Free shares / RSU

	<p>Tax period: 1 April to 31 March.</p> <p>Reporting deadline: the employer must deliver Form 16 and Form 12BA to employees by 15 June following the end of the tax year, and individual tax returns must be filed by 31 July.</p> <p>Payment of tax: any unpaid tax must be paid on or before the due date for filing the income tax return.</p>
Tax reporting - Employing company	<p>The employer must report employees' equity related incentives in the Statement of Perquisites (Form 12BA). The filing covers all employee benefits and is not specific to equity related incentives.</p> <p>Report name: the employer must:</p> <ul style="list-style-type: none"> file quarterly Tax Deducted at Source (TDS) returns (Form 24Q), reporting tax withheld to the TIN Facilitation Centres or online (here); and deliver to each employee the annual TDS certificate (Form 16) and Form 12BA to enable employees to complete their individual income tax returns. Employers are not required to deliver a Form 16 certificate to employees who earn below INR250,000 and are not subject to income tax withholding. <p>Returns can be filed online and can be downloaded from the website (here).</p> <p>Reporting deadline:</p> <ul style="list-style-type: none"> quarterly TDS returns must be filed by 31 May (for the quarter ending 31 March); 31 July (for the quarter ending 30 June); 31 October (for the quarter ending 30 September); 31 January (for the quarter ending 31 December); and Form 16 and Form 12BA must be issued to employees on or before 15 June following the end of the relevant tax year. <p>Payment of tax: TDS (income tax withholdings) must be deposited with the income tax authority by the 7th of the following month (e.g. TDS deducted by the employer in October must be deposited with the income tax authority on or before 7 November), except the TDS for March which must be deposited with the income tax authority on or before 30 April. Social security is not payable on incentive plan income. For wage income, social security contributions are reported monthly by the employer, and must be deposited with the Employees' Pension Fund within 15 days of the close of every month (e.g. for January, the due date is 15 February).</p>

Tax - Payroll Guide - Free shares / RSU

Malus and clawback - Tax points	The existence of a malus or clawback clause does not affect the tax point for the individual.
--	---