

Tax - Payroll Guide - Free shares / RSU

United States	
Tax points	<p>Grant: No income tax. No FICA taxes.</p> <p>Vesting: For non-qualified deferred compensation, FICA taxes on the lapse of any substantial risk of forfeiture, whether or not compliant with or exempt from Section 409A. Special rules may apply. If neither compliant with nor exempt from Section 409A, income tax on the fair market value of shares on the lapse of any substantial risk of forfeiture (plus 20% penalty tax and interest).</p> <p>Transfer to participant: If compliant with or exempt from Section 409A, income tax on the fair market value of shares. No additional FICA taxes.</p> <p>Sale by participant: Capital gains tax on the increase in value since the income tax point at long-term or short-term rates depending on the holding period. No additional FICA taxes.</p> <p>Note: Section 409A of the Internal Revenue Code regulates the tax treatment of non-qualified deferred remuneration for US taxpayers. Unless an exemption applies, share awards may constitute non-qualified deferred remuneration where the award is settled more than a short-period following the lapse of the risk of forfeiture or where the price paid by the participant (if any) is below the fair market value. Section 409A contains specific rules on when the time and form of payment must be fixed by and limits the ability to accelerate or delay payment. In the event of a violation of these rules, penalty taxes apply. Specific advice should be obtained to ensure that share awards are either compliant with or exempt from Section 409A to avoid additional penalty taxes.</p>
Income tax (maximum rate)	37% (2025). Any change in tax rates usually takes effect from 1 January.
Income tax rates	Progressive tax rates apply. The maximum income tax rate applies to income over USD626,350 (single taxpayer for 2025) and USD751,500 (married filing jointly for 2025). In addition, state and/or local (municipal) taxes may also be payable on income and/or investments.
Employer income tax withholding	<p>Yes</p> <p>Supplemental wages tax treatment: the employer can elect to withhold tax on income from equity awards at a flat rate of 22%, which applies to supplemental wages paid to an employee up to USD1million per year. Supplemental wages in excess of USD1million are subject to tax withholding at the highest marginal tax rate (currently 37%). The supplemental withholding tax rates are applied without reference to the amount of normal wages or any relevant withholding allowances. If applicable, the employee would be liable to pay any extra income tax when filing their annual tax return.</p>
Employer social security withholding	Yes, employer and employee FICA taxes (social security tax and Medicare tax).

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	Employer must withhold employee's portion.
Employee social security	<p>Employee FICA:</p> <ul style="list-style-type: none"> • Social security tax: 6.2% on employee's wages up to 'wage base'; • Medicare tax: 1.45% of employee's wages; and • additional 0.9% Medicare tax (for a total of 2.35%) on wages above certain thresholds (e.g. USD250,000 for 'married filing jointly' taking into account both the employee's and spouse's wages). The employer withholds the additional Medicare tax (if relevant). Although the applicability of the additional Medicare tax is determined based on the filing status of the individual and includes the spouse's wages (if any), the tax withholding is applied to the employee's wages in excess of USD200,000 regardless of whether the employee files their tax return as single, married filing jointly or married filing separately, and without consideration to the spouse's wages. <p>Employee FICA (cap): social security tax is capped on wages up to 'wage base' (USD176,100 for 2025) and no upper earnings limit for Medicare tax or additional Medicare tax.</p>
Employer social security	<p>Employer FICA:</p> <ul style="list-style-type: none"> • Social security tax: 6.2% on employee's wages up to 'wage base'; and • Medicare tax: 1.45% on employee's total wages. <p>Employer FICA (cap): social security tax is capped at 'wage base' (USD176,100 for 2025); and no upper earnings limit for Medicare tax.</p> <p>Unemployment tax: 6% capped at 'wage base' (USD7,000 for 2025). Only employers pay the tax and it cannot be deducted from employees' wages.</p>
Tax reporting - Individual	<p>An employee is required to file a federal tax return. There is no separate filing in relation to equity related incentives.</p> <p>The employee should report foreign assets by 15 April to the IRS on Form 8938 (FATCA) and to the office of Financial Crimes Enforcement Network (FinCEN) on Form 114 (FBAR).</p> <p>Report name: U.S. Individual Income Tax Return (Form 1040). Capital gains and dividends are reported on the same return. The return can be filed online. The tax return can be downloaded from the website here. The employer will provide employees with a copy of the Form W-2 (Wage and Tax Statement) and (if applicable) the additional information returns for tax-qualified Section</p>

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	<p>422 incentive stock options (Form 3921) and Section 423 employee stock plan purchases (Form 3922) by 31 January of the following year.</p> <p>Tax period: 1 January to 31 December.</p> <p>Reporting deadline: 15 April, with an extension until 15 October.</p> <p>Payment of tax: any unpaid federal tax is due by 15 April and no extension is available for payment. If the individual has significant income which is not subject to withholding, they are generally required to make quarterly payments (15 April, 15 June, 15 September and 15 January) of estimated tax due.</p> <p>State tax: employees may also be required to file state and/or local (municipal) tax returns and make payments of state and/or local (municipal) tax on income.</p>
Tax reporting - Employing company	<p>The employer must report the participants' incentive related income but the filing covers all employee benefits and is not specific to equity related incentives. Separate tax-qualified share reporting applies, as noted below.</p> <p>Information returns for employees:</p> <ul style="list-style-type: none"> • Report name: Form W-2 for (Wage and Tax Statement) ordinary income. • Reporting deadline: 31 January. <p>Employers must produce a Form W-2 for each employee, showing their total wages paid and taxes withheld in the prior calendar year. The Form W-2 must be filed online with the Social Security Administration (SSA) and a copy must also be provided to the employee.</p> <p>Withholding, Social Security and Medicare tax remittance: income, social security and Medicare taxes withheld must be deposited by electronic funds transfer (EFT) using the Electronic Federal Tax Payment System (EFTPS). Employers are required to deposit taxes withheld on a semi-weekly or monthly basis, depending on the employer's aggregate tax withholding during a lookback period. In addition, if an employer accumulates more than USD100,000 of withheld taxes on any day, the taxes must be deposited on the next business day (see IRS Publication 15 here for additional information). The amount of taxes withheld are reflected on the employee's Form W-2.</p> <p>Tax-qualified share reporting: information returns must be made available to the employee (by 31 January) and to the IRS (by 28 February if filing by paper or by 31 March if filing electronically)</p>

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	<p>for tax-qualified Section 422 incentive stock options (Form 3921) and Section 423 employee stock plan purchases (Form 3922).</p> <p>State tax: employers may also be required to file state and/or local (municipal) tax returns and withhold and pay state and/or local (municipal) tax on employee income.</p>
Malus and clawback - Tax points	<p>The existence of a malus or clawback clause does not affect the tax point for the individual. If malus or clawback are applied then, in theory, all or most of the taxes paid can usually be reclaimed through the individual's tax returns, although whether the participant can be made completely whole through a tax deduction or tax credit for a repayment made after the tax year of the initial payment may depend on the facts and circumstances. The refund process can be challenging and may not result in a full refund to the individual.</p>