TAX TREATMENT OF STOCK OPTIONS

RUSSIA

	EMPLOYEE	EMPLOYER
OVERVIEW	The position in Russia is unclear for both withholding and reporting obligations for share options received from an overseas parent company and advice should be sought on a case by case basis. A definitive tax ruling can be obtained to obtain certainty on the position.	
GRANT DATE	Generally, no tax consequences although there is a risk that tax may be charged both on grant and on exercise of the options.	No tax consequences.
EXERCISE DATE	Income tax will generally be due on the spread on exercise.	No tax consequences.
WITHHOLDING & PAYMENT OF TAX	The employee will be responsible for the reporting of income and payment of tax through their personal tax returns.	Withholding should not be required by the employer provided that the option is granted separately from the individual's employment and the local company does not 'participate' in the plan. A withholding obligation may also arise if costs for the stock option are recharged to the local company.
SOCIAL SECURITY	No employee social security due.	No employer social security should be due. However, the authorities could treat the grant of share options by a foreign parent company as avoidance of social contributions and could raise a claim on the employer.
REPORTING	Individuals must report any taxable events and pay any tax due on their annual personal tax return.	No obligations.
SALE OF SHARES	Any gain after taking into account allowable expenses will be subject to capital gains tax.	No employer action required.

For further information and to register for future updates contact:

globalequity@bdo.com

This summary has been prepared on the basis that employees are resident in Russia throughout the period from grant of stock options until the shares are sold and that the employee is employed by a local employer in Russia, which is a subsidiary of an overseas parent. The potential tax consequences may vary greatly depending on your company's equity plan's design, administration, as well as many other factors.

Should you have a need for a trusted advisor in this area, please contact BDO's Global Equity team.

This information is current as of August 2016.

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TAX TREATMENT OF STOCK OPTIONS
RUSSIA

	EMPLOYEE	EMPLOYER
IS A CORPORATION TAX DEDUCTION AVAILABLE?	It is unlikely that the local employing company will be able to claim a corporate tax deduction. If the costs of the plan are recharged to the local company, this could potentially trigger a liability to employee and/or employer social security and create a withholding obligation for the local company.	
"QUALIFYING" PLANS AVAILABLE?	None.	
INTERNATIONALLY MOBILE EMPLOYEES	The above summary has been prepared on the basis that employees are resident in Russia throughout the period from grant of the stock option until the shares are sold. The rules for internationally mobile employees are complex and there are specific rules applicable to non-resident individuals. Higher income tax rates generally apply for non residents. It is highly recommended that advice is sought on an individual case by case basis.	
OTHER POINTS FOR CONSIDERATION	This summary is provided by BDO for informational purposes only to provide an outline of the general tax and social security position based on current tax law. There are also a number of legal and regulatory issues to consider on the implementation of any employee equity plan including, but not limited to, employee entitlement claims, exchange controls, securities restrictions, prospectus requirements and data protection regulations. For example: - there is a prospectus requirement in Russia but there may be an automatic exemption from the prospectus requirements provided certain conditions are met. - Exchange controls may apply requiring funds to be paid into a Russian bank account. We recommend that legal advice is obtained prior to the implementation of any employee equity plan.	

KEY ACTION POINTS

- ✓ The position on stock options in Russia is unclear and we would recommend that a definitive tax ruling is obtained to obtain certainty on the position prior to any awards being made to employees in Russia.
- ✓ Companies need to be aware of the potential withholding and social security obligations that may arise if the stock options are considered to be part of the employee's employment. Care should be taken when structuring stock option awards to mitigate the risk of these obligations.
- ✓ Companies should obtain clarification on any exchange controls and how this affects any funds paid to employees in relation to their stock options.