TAX TREATMENT OF RESTRICTED STOCK & RSUS

RUSSIA

	EMPLOYEE	EMPLOYER
OVERVIEW	The position in Russia is unclear for both withholding and reporting obligations for stock awards 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	Restricted Stock: Generally, income tax on grant on the fair market value of the shares. Restricted Stock Units (RSUs): Where RSUs are granted by an overseas parent company or are cash settled there is a risk that RSUs could be taxable on grant and vesting.	No tax consequences.
VESTING DATE	Restricted Stock: No tax consequences. RSUs: Generally, income tax on vesting on the fair market value of the shares.	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 stock award is separate 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 awards 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 granting of stock awards 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.

For further information and to register for future updates contact:

globalequity@bdo.com

Defined terms used in this summary:

Restricted Stock - Issued shares transferred to employees on the date of grant which are typically subject to restrictions on sale or forfeiture for example if performance targets are not met.

Restricted Stock Units – Awards where employees receive a right to acquire shares. Shares are only issued following vesting and attainment of performance targets, if applicable.

This summary has been prepared on the basis that employees are resident in Russia throughout the period from grant of stock awards 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 RESTRICTED STOCK & RSUS

RUSSIA

	EMPLOYEE	EMPLOYER
SALE OF SHARES	Any gain after taking into account allowable expenses is subject to capital gains tax and paid at rates up to 13%.	No employer action required.
IS A CORPORATION TAX DEDUCTION AVAILABLE?	It is unlikely that the 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 award period 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 awards 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 awards are considered to be part of the employee's employment. Care should be taken when structuring stock 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 awards.