

TAX TREATMENT OF STOCK OPTIONS

INDIA



	EMPLOYEE	EMPLOYER
GRANT DATE	No tax consequences.	No tax consequences.
VESTING DATE	No tax consequences.	No tax consequences.
EXERCISE DATE	<p>Income tax is charged at the time of allotment or transfer of shares allotted under the share option.</p> <p>The taxable amount is based on the fair market value of shares as determined by a specified Indian Merchant Banker. The taxable income is the difference between the fair market value of the shares less the exercise price (spread).</p>	The employer is required to operate tax withholding.
WITHHOLDING & PAYMENT OF TAX	Stock options are taxed as perquisite (salary income). The employer is required to withhold tax on perquisite value of stock options.	The employer is required to withhold tax on perquisite value of shares exercised during the year.
SOCIAL SECURITY	No tax consequences.	No tax consequences.
REPORTING	The employee must file an annual individual income tax return. The return must include details of any income relating to the shares (perquisite/capital gain on sale).	The employer is obligated to perform filings quarterly, and issue an annual certificate of withholdings and income details.

For further information and to register for future updates contact:

globalequity@bdo.com

Information contained herein is intended to reflect present law and provides only a general outline of the subjects covered. Material discussed herein is meant for general informational purposes only and should not be relied on as professional advice. As such you should consult your own tax advisor regarding your specific tax matters.

This summary has been prepared on the basis that employees are resident in India throughout the period from grant of stock options until the shares are sold and that the employee is employed by a local employer in India, 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.

www.bdo.global



TAX TREATMENT OF STOCK OPTIONS

INDIA

	EMPLOYEE	EMPLOYER
SALE OF SHARES	Taxes are payable upon sale of the shares at the applicable rate. The rate of tax will depend on the period shares are held. The gain on sale is equal to the sale proceeds less fair market value considered for perquisite at the time of exercise.	No tax consequences.
IS A CORPORATION TAX DEDUCTION AVAILABLE?	A deduction may be available if the Indian subsidiary reimburses the parent issuer for the costs of the award but exchange control approval is required.	
"QUALIFYING" PLANS AVAILABLE?	Not applicable.	
INTERNATIONALLY MOBILE EMPLOYEES	<p>The above summary has been prepared on the basis that employees are resident in India throughout the period from the grant of the stock option until the shares are sold.</p> <p>The rules for internationally mobile employees are complex and there are specific rules applicable to non-resident individuals. Generally, India will have the right to tax the income if there is a link between the option which the employee has received and the work of the employee performed in India. India broadly sources equity income based on the period between grant and vesting. It is highly recommended that advice is sought on an individual by individual basis.</p>	
OTHER POINTS FOR CONSIDERATION	<p>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.</p> <p>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. We recommend that legal advice is obtained prior to the implementation of any employee equity plan.</p>	
KEY ACTION POINTS	<ul style="list-style-type: none"> ✓ Fair market value of the shares must be determined by a specified Indian Merchant Banker. ✓ Consider preparing the plan in accordance with SEBI Act (for Indian listed companies) and/or Companies Act. Separate issues exist for awards issued by a foreign company to Indian residents. ✓ A listed company will have to comply with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations. For unlisted companies, the stock option would be governed by the plan made in accordance with Articles of Company, ICAI guidance note, and Companies Act. ✓ There are also issues surrounding the forfeiture of shares and transferability of shares. ✓ Employers are responsible for the withholding of tax on the employee equity awards. Companies should review their systems to ensure that they are sufficiently robust to be able to capture, process and report stock award income through the payroll. ✓ There are specific rules applicable for Internationally Mobile Employees holding equity in India. We recommend that Companies review their systems to ensure that Internationally Mobile Employees moving in or out of India whilst holding equity can be identified to ensure correct compliance and identify any potential trailing liabilities. 	

© Brussels Worldwide Services BVBA 2016

Service provision within the international BDO network of independent member firms ('the BDO network') is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium. Each of BDO International Limited (the governing entity of the BDO network), Brussels Worldwide Services BVBA and the member firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA and/or the member firms of the BDO network. BDO is the brand name for the BDO network and for each of the BDO member firms.

AUGUST 2016