

TAX TREATMENT OF RESTRICTED STOCK

UNITED STATES



	EMPLOYEE	EMPLOYER
GRANT DATE	<p>Restricted Stock (RS):</p> <p>Assuming there is a substantial risk of forfeiture, as defined in the Internal Revenue Code, restricted stock is not taxed until vesting. However, employees may make an election under Internal Revenue Code Section 83(b) to pay income tax on awards of the restricted stock in its full "unrestricted" value at grant as compensation income.</p>	<p>Restricted Stock (RS):</p> <p>Annual income tax reporting is required at grant and taxable event. The employer will be entitled to a tax deduction equal to the amount of ordinary income recognized by an employee in connection with his or her restricted stock award in the employer's taxable year in which that employee recognizes that ordinary income.</p>
VESTING DATE	<p>Restricted Stock (RS):</p> <p>Assuming a substantial risk of forfeiture existed at grant and lapses upon vesting, and that the employee did not make an election under Section 83(b), compensation income is recognized by the employee upon the vesting of the restricted stock shares.</p> <p>Restricted Stock Unit (RSU):</p> <p>Compensation income is recognized by the employee when the shares are transferred or cash is paid in lieu of shares assuming that the RSUs are compliant with Internal Revenue Code Section 409A.</p>	<p>Restricted Stock (RS):</p> <p>The employer will be entitled to a tax deduction equal to the amount of ordinary income recognized by an employee.</p> <p>Restricted Stock Unit (RSU):</p> <p>The employer will be entitled to a tax deduction equal to the amount of ordinary income recognized by an employee.</p>
WITHHOLDING & PAYMENT OF TAX	<p>The employee's taxable compensation is subject to withholding by the employer.</p> <p>Any special rules that require backup or foreign withholding is beyond this summary. Please reach out to the BDO USA global equity contact for more information.</p>	<p>Withholding is required on the employee's taxable event. The tax must be collected from the employee either by check, reduction of shares issued, or withholding from other cash compensation payments.</p>
SOCIAL SECURITY	<p>Amounts taxable as employee compensation are subject to social security withholding to the extent the employee has not exceeded the applicable wage base.</p>	<p>In addition to collecting and remitting the employee's portion of FICA taxes, the employer must remit its share of social taxes in the same manner as income tax withholdings.</p>
REPORTING	<p>Individuals are required to file an annual income tax return to report taxable income. Employees will include the option income as included in their Form W-2 provided by the employer.</p>	<p>The company must report details of taxable compensation and withholding to the tax authorities and employees.</p> <p>Details for employee amounts must also be reported quarterly.</p>

For further information and to register for future updates contact:

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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.

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 the United States throughout the period from grant of stock awards until the shares are sold and that the employee is employed by a local employer in the United States, 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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	EMPLOYEE	EMPLOYER
SALE OF SHARES	The gain or loss on the disposition of the shares is taxed as a capital transaction on the individual's annual income tax return. If the shares are held for more than 12 months after exercise a lower rate of tax applies.	No tax consequences.
IS A CORPORATION TAX DEDUCTION AVAILABLE?	The employer will be entitled to a tax deduction equal to the amount of ordinary income recognized by an employee in connection with his or her RS award in the employer's taxable year in which that employee recognizes that ordinary income. The employer also receives a deduction for any dividends that are paid on non-vested restricted stock if the employee has not elected to be taxed on the value of the stock on the award date. The vesting of RSUs results in a tax deduction for the employer. The amount of cash paid or the then-current fair market value of a stock received upon settlement of the RSUs is deductible by the employer.	
"QUALIFYING" PLANS AVAILABLE?	No qualifying plan is available.	
INTERNATIONALLY MOBILE EMPLOYEES	The above summary has been prepared on the basis that employees are resident in the United States throughout the period from the grant of the stock award until the shares are sold. The rules for internationally mobile employees are complex and there are specific rules applicable to non-resident individuals. Generally, the United States will have the right to tax the income if there is a link between the shares which the employee has received and the work of the employee performed in the United States. The United States broadly sources equity income based on the period between grant and vesting. It is highly recommended that advice is sought on an individual case by case basis.	
OTHER POINTS FOR CONSIDERATION	This summary has been prepared assuming that RSUs comply with IRC Section 409A. 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. We recommend that legal advice is obtained prior to the implementation of any employee equity plan.	
KEY ACTION POINTS	<ul style="list-style-type: none"> ✓ RSU plans should be reviewed for compliance with Internal Revenue Code Section 409A. ✓ Federal and state securities laws govern the grant of securities under employee benefit plans. At a federal level, all securities offerings must be registered or subject to an exemption from registration. Blue Sky Laws should be reviewed for each state in which offerees reside. ✓ Employers are responsible for the withholding of tax and social security 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 the United States. We recommend that Companies review their systems to ensure that Internationally Mobile Employees moving in or out of the United States whilst holding equity can be identified to ensure correct compliance and identify any potential trailing liabilities. 	

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