Experian plc
International Sharesave

Employee Guide - Japan

The purpose of this note is to provide you with a general overview of the personal tax treatment of options under the Experian International Sharesave (the “Plan”). This information is for guidance only and may differ according to your personal circumstances. The overview is based on the tax law and practice as at March 2020 and may be subject to change.

This document assumes that you are an employee of the Japanese entity of Experian and that you are resident and domiciled in Japan, for taxation purposes, from the date you were granted the options to the date you exercised the options and the shares are sold.

If you have any doubts or any concerns about your particular tax position you should contact an independent tax advisor.

Summary of tax treatment

	Options	Interest
When is the tax point?	Exercise	Payment
Will I have to pay income tax?	Yes (this will be withheld by your employer if you sell your shares).	Yes, but this will be withheld at source by the bank.
Does a social security liability arise?	Yes, if you sell your shares on exercise and the sales proceeds are delivered via local payroll.	No
Are there any reporting requirements for my employer?	Yes	No
Are there any reporting requirements for me?	Yes	Yes

Employee actions

	Action required	Due date
Annual tax return	You are required to report the exercise of your option and any gain arising when you sell your shares on your annual income tax return for the relevant year.	by 15 March following the year in which the taxable event occurred.
Payment of tax	Any income tax payable by you on your option gain at exercise and/or any capital gain tax due on the sale of your shares should be submitted to the Japanese tax authorities.	As above.
Worldwide Assets and Liabilities Report and Foreign Asset Report	Depending on your individual circumstances with regards to assets that you hold (including any Experian share options and/or shares), you may have to file additional reports (which are separate from your annual tax return) with the tax authorities.	by 15 March following the end of the relevant tax year.

1. Tax implications

Share options

1.1 **Will I have to pay income tax when I am granted an option?**

No, there is no income tax or social security liability at the time that you are granted an option.

1.2 **Will I have to pay tax when my option vests, at the end of the savings period?**

No, there is no income tax or social security liability at the time your option vests.

1.3 **Will I have to pay tax if I choose not to exercise my option?**

Yes, any interest that you may receive on your savings will be subject to tax (see 1.7 below).

1.4 **Will I have to pay tax if I choose to exercise my option?**

Yes, you will have to pay tax on any option gain.

An income tax, local inhabitants' tax and earthquake restoration surtax liability will arise when you exercise your option. The taxable amount will be the difference between the market value of the shares on the date of exercise and the exercise price paid.

If you decide to sell all your shares on exercise and receive your sales proceeds via local payroll

Generally, your employer is required to withhold any income tax and earthquake restoration surtax payable at exercise if they transfer the proceeds of your share sale to you via payroll.

You may request that your employer deducts any local inhabitants' tax payable in relation to the option gain through the local payroll. In this case, local inhabitants' tax will be assessed in June of the year following the year of exercise (provided you are a tax resident of Japan on 1 January following the year of the taxable event) and will be withheld from any cash (e.g. salary) paid to you in that month.

Unless you have requested that your employer deducts the local inhabitants' tax due on the option through the local payroll, you will be required to pay this directly to the local authorities through "payment slips" issued by your ward / city office. The local inhabitants' tax may be paid either via a single one-off payment by 30 June following the year of exercise or in four quarterly instalments (due in June, August, October and January).

If you decide to retain your shares after exercise (i.e. no sales proceeds will be delivered to you via local payroll)

You will be required to pay the income tax and earthquake restoration surtax due on the option gain directly to the tax authorities through your annual tax return.

You will be required to pay the local inhabitants' tax directly to the local authorities through "payment slips" issued by your ward / city office (see above).

1.5 **Will I have to pay social security on my option?**

If you decide to sell all your shares on exercise and receive your sales proceeds via local payroll

If your shares are sold on exercise and the sales proceeds are delivered to you via Japanese payroll, this will trigger social tax obligation. The amount subject to social tax will be the same amount subject to income tax (i.e. the difference between the market value of the shares on the date of exercise and the exercise price paid).

If you decide to retain your shares after exercise (i.e. no sales proceeds will be delivered to you via local payroll)

No social security is payable on the option gain.

1.6 **Will I have to pay tax if I sell my shares?**

Income tax (including earthquake restoration surtax) and local inhabitants' tax at an aggregate flat rate of 20.315% is payable on any gain arising when you sell your shares. The taxable amount will be the sale proceeds less the amount subject to tax at exercise and the exercise price.

You will be required to pay any income tax and earthquake restoration surtax due on the sale of your shares directly to the tax authorities through your annual tax return.

Interest paid to you at the end of savings period

1.7 **Will I have to pay tax if I receive any interest on my savings?**

Any interest that you may receive on your savings will be subject to tax at a flat rate of 20.315 % (for the tax year ending 31 December 2020). No social security is payable on your interest income.

Any tax due on the interest you receive will be withheld at source. There is no social tax due on your interest income.

2. Reporting requirements

2.1 **Do I have any reporting requirements?**

You are required to report the exercise of your option and any gain arising when you sell your shares on your annual income tax return for the relevant year.

Your annual tax return and any tax payable by you should be submitted to the Japanese tax authorities by 15 March following the year in which the taxable event occurred.

Share options

As mentioned above, if you sell your shares on exercise and the sales proceeds are delivered to you in cash via local payroll, you should not have further reporting obligation on the basis that your employer has already reported your option gain and withheld the income and social tax due.

Interest paid to you at the end of savings period

In case you receive any interest on your savings, the tax due will generally be withheld at source by the bank (on the basis that savings will be held locally (in Japan). No social security should be payable on your interest income.

Foreign Assets Reporting

If you have annual income exceeding JPY 20 million and either:

- own worldwide assets with a total gross value exceeding JPY 300 million as at 31 December of the relevant year; or
- hold financial assets subject to "exit tax" with a total gross value exceeding JPY 100 million as at 31 December of the relevant year,

you are required to file a Worldwide Assets and Liabilities Report.

Additionally, if you hold foreign assets (i.e. assets located outside of Japan) with a total value exceeding JPY 50 million as at 31 December of the relevant year, you are also required to report these foreign assets in your Foreign Asset Report. Foreign assets includes:

- any cash you hold in accounts outside Japan;
- any vested but unexercised share options; and
- any foreign shares (including Experian shares) you hold following exercise.

If you report an asset on your Foreign Asset Report, there will be no requirement to also report this same asset on your Worldwide Assets and Liabilities Report.

Both the Worldwide Assets and Liabilities Report and the Foreign Asset Report are separate from your annual tax return and must be filed with the tax office by 15 March following the end of the relevant tax year.

Appendix 1 – Worked Example

The following worked example illustrates how the share options gains should be calculated, as well as the practical implications of (1) selling the shares on exercise and (2) retaining the shares after exercise.

This example does not consider the interest paid to you at the end of the savings period.

Example:

- Share options were granted with an exercise price of £15;
- The value of Experian's shares at the time of exercise is £25;
- You exercise options over 100 shares (using your savings under the plan);
- You elect to sell all shares immediately on exercise;
- Maximum tax rates apply.

Gain per share on exercise (£25 sales price - £15 exercise price)	**£10**
Total gain realised on exercise (100 shares x £10 gain per share)	**£1,000** Your employer will communicate this to you.
Income tax payable (£1,000 x 45.945 %)*	**£459.45**
Social tax payable (£1,000 x 15.69%)	**£156.9**
Net proceeds** (100 x £25) - £459.45 - £156.9 ***without considering any brokerage costs*	**£1,883.65**

**Based on an employee who pays income tax at a marginal rate of 45% and Earthquake restoration surtax of 2.1% i.e. at a cumulative rate of 45.945% (45%+45%*2.1%). We have assumed that the employee is paying the local inhabitants' tax separately and it is not withheld by payroll.*

Exercise and Keep

If you choose to exercise your options and keep your shares, you will still have an income tax liability, however social tax will not be due in that instance. The income tax liability will be calculated as above, however the market value of the shares at the date of exercise will be substituted for the sales price in the above example to calculate the tax due. When you ultimately dispose of the shares in the future, a capital gains tax (CGT) liability may arise. Your base cost, using the above example, for CGT purposes would be £1,000 (i.e. the amount you have paid income tax on and the exercise price paid) and any costs of sale.

The mechanics of paying the tax due to the tax authorities may vary depending on whether you sell your shares on exercise or decide to retain them, as follows.

1: You choose to sell your shares at exercise

By selling shares, you become entitled to receive sales proceeds (less any selling costs) on exercise. In practice, the net proceeds after tax has been deducted via payroll will be paid to you as set out in the example above.

2: You choose to retain the shares after exercise

If you decide to keep your shares, no sales proceeds will be payable to you at the time of exercise. However, income tax will still become due at the time of exercise and must be paid via your annual tax return (as your employer has no withholding obligation in this instance).

In order to satisfy your tax liability, you may:

- cover the taxes due from your own funds; or
- sell enough of your shares as to cover the tax liability by way of sale proceeds.