Experian plc
International Sharesave

Employee Guide – South Africa

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 South African entity of Experian and that you are resident and domiciled in South Africa, 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	On an accrual basis
Will I have to pay income tax?	Yes, your employer will be required to withhold income tax via payroll at exercise.	Yes, you will have to pay income tax via your annual return.
Does a social security liability arise?	Yes	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, any interest accrued and any gains arising when you sell your shares on your annual income tax return for the relevant year.	The submission date for tax returns is announced by SARS following the end of the relevant tax year.
Provisional tax return (if applicable)	You are required to report the exercise of your option, any interest accrued and any gains arising when you sell your shares on your provisional tax return (if you are a provisional taxpayer).	At the end of August and February during the relevant year or by September following the end of the relevant tax year (for the third optional provisional return).
Payment of tax	You will be required to pay any tax due on any interest you accrue directly to the tax authorities. Your employer is required to include the taxable benefit of your exercise of the options and income tax withheld (in relation to your award) on your IRP5 certificate. You should pay any shortfall of income tax due either as a provisional tax payment (if you are registered as a provisional taxpayer) or on receipt of your tax assessment in connection with your annual tax return.	As above.

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, you will have to pay tax on any interest you accrue on your savings (see 1.6 below).

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

Yes, income tax is payable on any option gain you receive.

Income tax will be payable at your marginal rate 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.

However, the mechanics for paying the tax due to the tax authorities may vary depending on whether:

- you choose to sell your shares at exercise; or
- you choose to retain the shares after exercise.

Please refer to Appendix 1 for more details, especially if you consider keeping your shares.

You will have to pay tax on any interest you accrue on your savings (see 1.6 below).

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

You are liable to contribute to the Unemployment Insurance Fund (UIF). However, as the contributions are capped, it is unlikely that any additional liability will arise in respect of your option.

Your employer should withhold income tax and any UIF contributions payable at exercise as directed by the tax authorities.

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

Yes, income tax is due on 40% of any net capital gains realised upon the sale of shares at your marginal rate of tax, to the extent that you have exceeded your annual exemption (see below).

The capital gain is calculated as the sales proceeds less the market value of the shares at the date of exercise.

An exemption from capital gains tax is available for the first ZAR 40,000 of the total capital gains you derive during the tax year ending 28 February 2021. 40% of any net gains after taking the exemption into account will be taxed at your marginal tax rate.

You will be required to pay any tax due on the sale of your shares directly to the tax authorities.

You should pay any tax due either as a provisional tax payment (if you are registered as a provisional taxpayer) or on receipt of your tax assessment in connection with 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?

Yes, you will have to pay tax on any interest you accrue on your savings (you will normally accrue interest once you have been saving for 12 months) at your marginal rate of income tax.

However, you are entitled to an annual local interest exemption of ZAR 23,800 for the tax year ending 28 February 2021 if you are under 65 years of age. For persons 65 and older, the annual exemption is ZAR 34,500.

You should report any interest accrued for the relevant tax year (ending 28 February) and pay any tax due directly to the tax authorities. When applicable, you will receive a statement detailing the interest accrued (if any) following the end of the relevant year.

2. Reporting requirements

2.1 Do I have any reporting requirements?

You are required to report the exercise of your option, any interest accrued and any gains arising when you sell your shares on your provisional tax return (if you are a provisional taxpayer) and annual income tax return for the relevant year.

Your provisional tax returns are due at the end of August and February during the relevant year or by September following the end of the relevant tax year (for the third optional provisional return).

Your annual tax return should be submitted to the South African Revenue Service (SARS) before the dates published by the Commissioner of SARS. The Commissioner of SARS usually publishes the submission date (in June) during the relevant 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 choose to sell all your shares immediately upon 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%)*	**£450**
Social tax payable (assumed to be capped out)	**N/A**
Net proceeds** (100 x £25) – £450 ***without considering any brokerage costs*	**£2,050**

**Based on an employee who pays income tax at 45% (and has reached the cap for UIF contributions).*

Exercise and Keep

If you choose to exercise your options and keep your shares, you will still have an income tax (and social security, if applicable) liability. This 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 capital gain is calculated as the sales proceeds less the market value of the shares at the date of exercise (i.e. £2,500).

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, your employer will pay to you the net proceeds (after tax has been deducted) via payroll.

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, tax will still become due on exercise (as explained above) and not at a later date (the due date for your annual tax return).

In order to satisfy your tax liability (and your employer's withholding requirements on exercise), your employer may:

a) Withhold taxes from other payments due to the you in the same period e.g. your salary (such that your salary would be less than usual or no salary may be payable after the deduction of income tax); or
b) Ask you to cover the taxes due from your own funds (i.e. you would pay the company an amount equal to your tax liability, and then the company would remit the taxes due to the tax authorities); or
c) Ask you to sell enough of your shares as to cover the tax liability by way of sale proceeds.