Experian plc
International Sharesave

Employee Guide - Spain

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 Spanish entity of Experian and that you are resident and domiciled in Spain, 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, 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 received and any gain arising when you sell your shares on your annual income tax return for the relevant year. Your annual tax return should be submitted to the Spanish tax authorities.	By 30 June following the year in which the taxable event arose.
Wealth tax return	You should report any cash and/or shares held at the end of each year in your wealth tax return. Your wealth tax return (if applicable) should be submitted to the tax authorities.	Same as above.
Payment of tax	You may be able to claim a refund for some of the income tax withheld the exercise of your options, if certain conditions are met (see below). You will be required to pay any tax due on the sale of your shares directly to the tax authorities through your annual tax return. You will be required to pay any wealth tax due directly to the tax authorities through your wealth tax return.	Same as above.
Form 720	If the cash you hold in foreign accounts (including your savings account), as at 31 December of each year, exceeds €50,000, you should also report details of these accounts on Form 720 ('Foreign Asset Reporting Form'). Form 720 should be submitted to the tax authorities.	By 31 March following the end of the relevant 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, you will have to pay tax on any interest you receive on your savings at progressive savings income tax rates up to 23% (for the tax year ending 31 December 2020). No social security is due on the interest payments.

Any cash you hold at the end of each year (including that held in your savings account) should be included in your wealth tax computation. Generally, if as at 31 December of the relevant tax year, either your worldwide gross wealth exceeds €2,000,000 or your worldwide net wealth exceeds €700,000, you may have a wealth tax filing obligation.

In general terms, wealth tax will be payable at a maximum rate of 2.5% for the tax year ending 31 December 2020. However, the applicable thresholds and tax rates can vary, depending on your place of residence.

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

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

Income tax will be payable at your marginal rate of tax 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.

Social security contributions are also payable on the taxable amount subject to an earnings cap. Any social security contributions you make on your option gain are deductible for income tax purposes.

If you meet certain conditions, it may be possible to reduce the taxable amount at exercise by 30% and utilise a €12,000 exemption.

Taxable amount reduction

The taxable amount may be reduced by 30% if the following conditions are met:

- the period between grant and exercise is at least two years;
- the income subject to the reduction is received in the same year; and
- the reduction has not been applied in the preceding five years.

The amount of your total employment income that may benefit from this 30% reduction is limited to €300,000 per annum.

€12,000 exemption

An exemption may be available to you if you hold your shares for a minimum of three years following exercise and your shareholding, together with your spouse and close relatives, does not exceed 5% of the share capital of the Company. Other conditions apply at the employer level which should be satisfied, however please get in touch with your employer if you have further questions as you might be eligible for this.

Providing that these conditions are satisfied, the first €12,000 of taxable gains arising at exercise would be free of income tax.

Your employer will operate income tax withholding on the full taxable amount (disregarding both the taxable amount reduction and the exemption) to avoid any under-withholding of taxes. However, you should still be able to claim a refund of income tax paid via your tax return if the taxable amount reduction and/or €12,000 exemption are available to you. We recommend you seek advice on whether you can benefit from these exemptions from your personal tax advisor.

You should include the market value of any shares held (following exercise) at the end of the year in your wealth tax computation.

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

Social security contributions are also payable on the taxable amount subject to the earnings cap. Any social security contributions you make are deductible for income tax purposes.

The 30% taxable amount reduction and the €12,000 exemption (detailed above) are not available for social security purposes.

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

Capital gains tax is payable at the progressive savings income tax rates on any gain arising when you sell your shares. The taxable amount will be the sale proceeds less the fair market value of the shares at exercise. It is important to note that where the 30% reduction applies for income tax purposes, the cost basis of the shares for capital gains purposes is the full value and not the amount subject to income tax after applying the 30% reduction.

For the year ending 31 December 2020, capital gains tax is payable at progressive rates of up to 23%.

Any cash you hold at the end of each year (including sales proceeds) should be included in your wealth tax computation.

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 receive on your savings at progressive savings income tax rates up to 23%. You will be required to pay any tax due on the interest you receive directly to the tax authorities through your annual tax return.

2. Reporting requirements

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

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

Your annual tax return should be submitted to the Spanish tax authorities by 30 June following the year in which the taxable event arose.

If you are eligible for the 30% reduction to the taxable amount or for the €12,000 exemption and your employer does not take this into account when operating income tax withholding, you may be able to claim this reduction/exemption via your tax return.

You should report any cash and/or shares held at the end of each year in your wealth tax return. Your wealth tax return (if applicable) should be submitted to the tax authorities by 30 June following the tax year in which the taxable event arose.

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

You will be required to pay any wealth tax due directly to the tax authorities through your wealth tax return.

Share options

Your employer will withhold any income tax and social security contributions due when you exercise your option.

If you do not request to sell your shares immediately at exercise, your employer may take the €12,000 exemption into account for the purposes of calculating income tax withholding. If this was taken into account by your employer at the withholding stage and then you sell your shares within 3 years of exercise you will be responsible for amending your tax return for the year of exercise and paying any additional tax due (plus any interest).

Please note that Equiniti, our administrators, will facilitate the sale of your shares if you sell them immediately following exercise. If you decide to hold your shares, you will have to make your own arrangements for the sale of these shares (via a stockbroker or share dealing service). The shares will have to be sold on the London Stock Exchange in sterling. You should therefore consider the practical arrangements required when deciding whether or not to retain your shares following exercise.

Interest paid to you at the end of savings period

You will be required to pay any tax due on the interest you receive directly to the tax authorities through your annual tax return, which would need to be filed by 30 June following the year in which the taxable event arose. .

Foreign Assets Reporting

If the cash you hold in foreign accounts (including your savings account), as at 31 December of each year, exceeds €50,000, you should also report details of these accounts on Form 720 ('Foreign Asset Reporting Form'). This reporting obligation will also arise if the average balance of all your foreign accounts in the last calendar quarter of each year exceeds €50,000.

A reporting obligation will also arise if, following exercise of your option, the total value of your Experian shares (considered together with certain other securities and investments you hold) exceeds €50,000 at any point in the tax year. If you exceed this threshold, you will be required to include certain information relating to the shares on Form 720.

If you were required to file Form 720 in a prior year, a Form 720 reporting obligation will only arise if the value of assets/rights previously reported has increased by at least €20,000 since the last year the form was filed or if you no longer hold any of the assets/rights reported in a prior year.

Form 720 should be submitted to the tax authorities by 31 March following the end of 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; • No income tax exemption is available regarding the option gain; • 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 (£1,000 x 6.35%)	**£63.50**
Net proceeds** (100 x £25) – £450 - £63.50 ***without considering any brokerage costs*	**£1,986.50**

Exercise and Keep

If you choose to exercise your options and keep your shares, you will still have an income tax and social security 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. The taxable amount for CGT purposes, using the above example, will be the sale proceeds less the fair market value of the shares at exercise (£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 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, income tax and social security (if applicable) 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 they 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.