

**EXPLANATORY NOTES FOR THE COMPLETION OF APPENDIX 8B - DETAILS OF GAINS OR PROFITS FROM EMPLOYEE STOCK OPTION (ESOP)/OTHER FORMS OF EMPLOYEE SHARE OWNERSHIP (ESOW) PLANS FOR THE YEAR ENDED 31 DEC 2019**

1. The Appendix 8B must be completed and signed by the company secretary/director, manager, honorary secretary/treasurer of Clubs and Associations, local representative of a non-resident company or a person authorised by the employer, in respect of an employee (including Singaporean and Singapore permanent resident who ceased employment or posted overseas) who has derived gains or profits directly or indirectly by reason of any office or employment:
  - from the exercise, assignment or release of any share option right or benefit; or
  - from the grant or vesting of any shares under an ESOW Plan.
  
2. Please give the completed form to your employees **by 1 Mar 2020** for them to submit with their income tax return. However, for all Singaporeans and Singapore permanent resident employees, who have **ceased employment or are posted overseas**, and derived gains from any ESOP/ESOW plan which are **taxable in Singapore**, please **send their Appendix 8B to IRAS**. For employers participating in the AIS, all salary data for the year ended 31 Dec 2019 should be submitted electronically to IRAS by 1 Mar 2020. You do not need to prepare a copy of the Appendix 8B for your employees. However, you may wish to provide your employees with a separate statement for their record. Please include in the statement that the information is not required to be reported in the employees' tax form as the information will be automatically included in their income tax assessments. Please ensure that employment income information submitted electronically to IRAS is correct and complete.
  
3. Generally, ESOP gains are taxable in the year in which it is exercised. The date of exercise is the date when the gains accrued to your employee. ESOW gains are taxable in the year in which it is granted. However, if there is a vesting period imposed on the ESOW, the gains will be taxed in the year in which it is vested. If a moratorium (selling restriction) is imposed on an ESOP/ESOW plan, the gains are accrued on the date when the moratorium is lifted. Where the exercise/ vesting of ESOP or ESOW plans result in a 'loss', there is no need to report the transactions in Appendix 8B since there is no gains derived. The 'loss' cannot be offset against the other ESOP or ESOW plans.

Taxability of ESOP/ESOW plan:

ESOP/ESOW plan granted while an individual is exercising employment in Singapore	
Granted before 1 Jan 2003	The gains from any ESOP/ESOW plans are taxable in Singapore if the ESOP/ESOW plans are exercised/vested while the employee is physically present in Singapore or holding an employment in Singapore.
Granted on or after 1 Jan 2003	The gains from any ESOP/ESOW plans are taxable in Singapore. This is regardless of where the ESOP/ESOW plans are exercised by/vested to the employee, as the gains will be taxed to the extent that they are connected with Singapore employment.
ESOP/ESOW plan granted while an individual is NOT exercising employment in Singapore (This does not apply to an employee who was temporarily away as such absence from Singapore would be treated as incidental to his Singapore employment.)	
Exercised or vested before 1 Jan 2002	The gains from any ESOP/ESOW plans are taxable in Singapore if the ESOP/ESOW plans are exercised/vested while the employee is physically present in Singapore or holding an employment in Singapore.
Exercised or vested on or after 1 Jan 2002	The gains from any ESOP/ESOW plans are not taxable in Singapore even if the ESOP/ESOW plans are exercised/vested while the employee is physically present in Singapore or holding an employment in Singapore. Please note that you need NOT report such gains.

4. Give details of the gains from each ESOP/ESOW plan derived by the employee in the year 2019 and segregate the gains into the following schemes, where applicable:
  - Section A – Employee Equity-based Remuneration (EEBR) Scheme
  - Section B – Equity Remuneration Incentive Scheme (ERIS) SMEs
  - Section C – Equity Remuneration Incentive Scheme (ERIS) All Corporations
  - Section D – Equity Remuneration Incentive Scheme (ERIS) Start-Ups

When completing Sections **B to D** of the Appendix 8B, please ensure that your company's stock plan had satisfied the required vesting or holding period as well as the qualifying and administrative requirements as elaborated in the following IRAS e-Tax Guides:

Scheme	IRAS e-Tax Guides	Date of Publication
ERIS (SMEs) (Previously known as EEEBR)	Equity Remuneration Incentive Scheme (ERIS) (Second Edition)	26 Apr 2013
ERIS (All Corporations) (Previously known as CEEBR)	Tax Treatment of Employment Stock Options and Other Forms of Employee Share Ownership (Second Edition)	24 Jun 2013
ERIS (Start-Ups)		

For more information, refer to [www.iras.gov.sg](http://www.iras.gov.sg)>Individuals>Locals>What is Taxable, What is Not>Income from Employment>Gains from the Exercise of Stock Options. To check the eligibility for partial exemption under ERIS, refer to the ERIS Calculator at [www.iras.gov.sg](http://www.iras.gov.sg)> Quick Links> Calculators> Individual Income Tax> ERIS Calculator.

5. Tax exemptions under the ERIS (SMEs), ERIS (All Corporations) and ERIS (Start-Ups), will NOT apply:

- (a) under circumstances where the employee receives cash compensation for the release of his right or benefit to acquire shares in a qualifying company by reason of **resignation or termination of employment due to misconduct. For such employee, state the amount of cash compensation in item d)1(iii) "Others" of the Form IR8A. DO NOT complete Appendix 8B;** or
- (b) to any ESOP/ ESOW gains derived on or after 1 Jan 2024.

6. Points to note:

Item	What you need to know														
(i) Company registration number	Complete these 2 columns only if the name of employer granting the stock option is <b>not the same</b> as the company making the declaration.														
(ii) Name of company															
(iii) Indicate type of plan granted	Whether it is ESOP or ESOW plan granted														
(iv) Date of exercise of ESOP or date of vesting of ESOW plan (if applicable). If moratorium (i.e. selling restriction) is imposed, state the date the moratorium is lifted.	<ul style="list-style-type: none"> <li>• If ESOP is granted without moratorium, to indicate the date the ESOP is exercised.</li> <li>• If ESOW plan is granted without moratorium but with vesting imposed, to indicate the date of vesting of ESOW plan.</li> <li>• If ESOP/ESOW plan is granted with moratorium, to indicate the date the moratorium is lifted for the ESOP/ESOW plans.</li> </ul>														
(v) Open market value per share as at the date reflected at Column (d) of Appendix 8B	<ul style="list-style-type: none"> <li>• Where the shares acquired are listed on the Singapore Exchange, please use the last done price on the listing date of the shares so acquired.</li> <li>• Where it is not possible to determine the open market value of the shares or an arm's length price for the shares and the shares are not listed on the Singapore Exchange, please use the net asset value of the shares.</li> </ul>														
(vi) Price of share for columns (e) to (m), except (h)	<ul style="list-style-type: none"> <li>• You are required to convert the share/stock option price in foreign currency to S\$ when completing the Appendix 8B. The price of the foreign share/stock option should be converted using: <table border="1" style="margin: 10px auto;"> <thead> <tr> <th>ESOW</th> <th>Exchange Rate To Use for conversion to S\$</th> </tr> </thead> <tbody> <tr> <td>Without Selling Restriction and no vesting</td> <td>Actual exchange rate on the date of grant of shares.</td> </tr> <tr> <td>Without Selling Restriction and with vesting</td> <td>Actual exchange rate on the date of vesting of shares</td> </tr> <tr> <td>With Selling Restriction</td> <td>Actual exchange rate on the date moratorium is lifted</td> </tr> </tbody> </table> <table border="1" style="margin: 10px auto;"> <thead> <tr> <th>ESOP</th> <th>Exchange Rate To Use for conversion to S\$</th> </tr> </thead> <tbody> <tr> <td>Without Selling Restriction</td> <td>Actual exchange rate on the date the employee exercised the stock option</td> </tr> <tr> <td>With Selling Restriction</td> <td>Actual exchange rate on the date moratorium is lifted</td> </tr> </tbody> </table> </li> </ul>	ESOW	Exchange Rate To Use for conversion to S\$	Without Selling Restriction and no vesting	Actual exchange rate on the date of grant of shares.	Without Selling Restriction and with vesting	Actual exchange rate on the date of vesting of shares	With Selling Restriction	Actual exchange rate on the date moratorium is lifted	ESOP	Exchange Rate To Use for conversion to S\$	Without Selling Restriction	Actual exchange rate on the date the employee exercised the stock option	With Selling Restriction	Actual exchange rate on the date moratorium is lifted
ESOW	Exchange Rate To Use for conversion to S\$														
Without Selling Restriction and no vesting	Actual exchange rate on the date of grant of shares.														
Without Selling Restriction and with vesting	Actual exchange rate on the date of vesting of shares														
With Selling Restriction	Actual exchange rate on the date moratorium is lifted														
ESOP	Exchange Rate To Use for conversion to S\$														
Without Selling Restriction	Actual exchange rate on the date the employee exercised the stock option														
With Selling Restriction	Actual exchange rate on the date moratorium is lifted														

- |  |   |
|--|---|
|  | <ul style="list-style-type: none"><li>• Where the actual exchange rate on the date of grant/vesting/exercise or the date moratorium is lifted is not available, IRAS will accept the exchange rate from any one of the following sources:<ul style="list-style-type: none"><li>○ Company's in-house exchange rate</li><li>○ Local banks</li><li>○ Locally circulated newspapers</li><li>○ Reputable news agencies</li></ul></li><li>• The company may use any of the above mentioned sources of exchange rates provided that it:<ul style="list-style-type: none"><li>i) uses the same source for all employees;</li><li>ii) applies the same source for all years; and</li><li>iii) has communicated to all employees on the exchange rates that it will be using for the purpose of foreign currency conversion in reporting their ESOP/ESOW gains to IRAS.</li></ul></li></ul> |
|--|---|

7. Section E - Total Gross amount Of Stock Option Gains [**This amount must be reflected in item d8 of the Form IR8A**].