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Tax Treatment of Employee Stock Options And
Other Forms of Employee Share Ownership
Plans
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1 Aim and Legal Status

- 1.1 This document provides details on the tax treatment of the gains and profits derived from employee share options (“ESOP”) and other forms of Employee Share Ownership (“ESOW”) plans granted on and after 1 Jan 2003 as well as the relevant administrative requirements.
- 1.2 It also covers details of the Qualified Employee Equity-based Remuneration Scheme (“QEEBR Scheme”) and the “deemed exercise” rules in relation to gains from ESOP and ESOW plans. In addition, it sets out the relevant conditions or requirements imposed by the Comptroller of Income Tax (“CIT”) pursuant to statutory provisions that allow such gains to be taxed under the “tracking option” in lieu of the “deemed exercise” rule.
- 1.3 It will be relevant to individuals who are granted the shares under ESOP or ESOW plans and companies that grant shares under these plans to any individual by reason of any office or employment held by the person (e.g. a director).
- 1.4 For the avoidance of doubt, where this document sets out conditions and requirements imposed by the CIT pursuant to statutory provisions, such conditions and requirements **shall have force of law**.

2 At a glance

- 2.1 For shares granted on or after 1 Jan 2003 under any ESOP or ESOW plans, the gain derived from the plans is taxable if the individual is granted the options or shares while he is exercising employment in Singapore.
- 2.2 Where there is a moratorium on shares granted under any ESOP or ESOW plans, the taxable options or shares derived by an individual will only constitute gains accruing to him on the date the moratorium is lifted.
- 2.3 Generally, the amount of taxable gains or profits is the difference between the open market price of the shares at the time of exercising/accruing/vesting of the ESOP/ESOW and the amount paid by the individual for such shares.
- 2.4 As a tax deferral scheme, QEEBR was introduced in 1999 to ease the cash flow problems faced by some employees who do not sell their shares after exercising the option (paragraph 7).
- 2.5 Deemed exercise rule applies when a foreigner ceases employment or Singapore Permanent Residents (“SPRs”) leave Singapore permanently. Under the rule, the gains from unexercised ESOPs, or other relevant ESOPs or ESOWs are deemed to be income derived by the individual one month before the date of cessation of employment or the date the right or benefit is granted, whichever is later (paragraph 12). If the actual gains are lower than the deemed gains, CIT may reassess the tax liability based on the actual gains in the year of assessment to which the deemed gains relate.

2.6 As an alternative to “deemed exercise” rule and subject to certain conditions, employers are allowed to track when the “income realization event” of the foreign employee occurs under the Tracking Option (paragraph 14).

3 Glossary

3.1 Employee share options (“ESOP”) plans

The plans give the right, usually to employees, to purchase shares in the company at a future date. They include “stock options”.

3.2 Employee Share Ownership (“ESOW”) plans

The plans allow an employee of a company to own or purchase shares in the company or in its parent company. They include share awards and other similar forms of employee share purchase plans. They exclude phantom shares and share appreciation rights.

3.3 Exercise of ESOP

To purchase shares of the company. For tax purposes, “exercise” includes the assignment or release of the right to acquire shares to other individuals.

3.4 Moratorium (Selling restriction) period

The period of time within which the individual is not allowed to sell the shares after the ESOPs or shares under ESOW plan are exercised/vested.

3.5 Restricted Shares

Shares that are subject to selling restriction.

3.6 Vesting period

The period of time within which the individual is not allowed to exercise the ESOP, or acquire the shares granted under ESOW.

4 Background

4.1 With effect from 1 Jan 2003¹, any ESOP or ESOW gains will be taxed in Singapore to the extent that there is a nexus between the ESOP or ESOW and the employment exercised in Singapore, i.e. the ESOP or ESOW are granted while the individual is exercising employment in Singapore.

¹ For shares granted prior to 1 Jan 2003 under any ESOP or ESOW plans, the gain is subject to tax if the individual is physically present in Singapore or exercising employment in Singapore while he exercises the stock option under ESOP or the shares granted under ESOW are vested to him

- 4.2 Under section 10(6) of the Singapore Income Tax Act 1947 (“ITA”), the full amount of ESOP or ESOW gains of an individual who is granted the ESOP or ESOW while exercising employment in Singapore is regarded as gains or profits from his employment from Singapore and is taxable under S10(1(b)). This is irrespective of where the ESOP is exercised or where the shares under ESOW are vested.
- 4.3 On the other hand, any gains derived by an individual from the exercise of ESOP or vesting of the ESOW granted to him in respect of his employment exercised overseas, is not regarded as income derived from Singapore and is not taxable in Singapore. This is regardless of whether the individual is in or outside Singapore as at the date of exercise or vesting.
- 4.4 The examples in Annex A illustrate the tax treatment of gains from ESOP. Annex B provides the illustrations for the tax treatment of gains from shares granted under any ESOW plans (with vesting period).

5 Timing of taxing the ESOP/ESOW gains

5.1 ESOW plans with NO vesting imposed

The gains are taxable in the year when the shares are granted.

5.2 ESOP or ESOW plans with vesting imposed

ESOP/ESOW plans	Granted on or after 1 Jan 2003 while the individual is exercising employment in Singapore.
Without selling restriction (moratorium)	Taxable in the year when <ul style="list-style-type: none">• the individual exercised the ESOP or• the shares under ESOW plan are vested on the individual
With selling restriction	Taxable in the year when the selling restriction is lifted

The examples in Annex C illustrate when the gains derived from restricted ESOPs and restricted ESOW Plans are to be taxed.

6 Computation of the gains from ESOP/ESOW plans

- 6.1 The rules for valuing the gains or profits derived from the exercise of share options are prescribed in section 10(6) of the ITA. The gains are computed based on the open market price of the shares on the relevant date (see scenario 1 and 2 below), less any amount paid for them.

Scenario 1: Computation of the gains from ESOP/ESOW without selling restriction

	ESOP	ESOW plan (with vesting imposed)	ESOW plan (with no vesting imposed)
Open market price of share on	Date of exercise	Date of vesting	Date of grant
Less	Price paid by the individual for the shares (exercise price)		
Equals to	Taxable gain		

Scenario 2: Computation of the gains from ESOP/ESOW with selling restriction (moratorium)

$$\boxed{\text{Open market price of the shares on the date the selling restriction is lifted}} - \boxed{\text{Exercise price of the shares}} = \boxed{\text{Taxable gain}}$$

- 6.2 Where the open market price of the shares is not readily available, the Comptroller may use the net asset value of the shares, less any amount paid for the shares, as the basis to determine the gains or profits of the shares.
- 6.3 Notwithstanding the above, for shares of company listed on the Singapore Exchange (“SGX”), the open market price is determined based on the type of shares acquired.

a) Newly-issued shares

When an individual exercises his options and new shares have been issued to him, the new shares cannot be traded on the SGX until they are listed on the SGX.

Section 10(6)(d)(i) of the ITA provides that the gains or profits derived from the exercise of such options will be computed based on the last done price on the date they are first listed on SGX, following their acquisition, less the amount paid for the shares.

b) Treasury shares²

When an individual exercises his options and treasury shares have been issued to him, there is no requirement for the shares to be re-listed.

However, the individual does not have the legal rights of ownership over the treasury shares or a free right of disposal of the treasury shares until the shares are delivered and registered in his name.

Section 10(6)(d)(ii) of the ITA provides that the gain or profit to acquire treasury shares of a Singapore incorporated company listed on the SGX shall be computed based on the last done price of the company's shares in the open market on the date the shares are credited to his CDP account, less the amount paid for the shares.

7 Qualified Employee Equity-based Remuneration (QEEBR) Scheme

- 7.1 Under the QEEBR scheme, the payment of tax arising from stock option gains can be deferred for up to 5 years with interest charge.
- 7.2 The purpose of the QEEBR scheme is:
 - a) to ease the cash flow problems faced by employees who do not sell their shares after exercising the option; and
 - b) to facilitate the use of stock options as a remuneration tool.
- 7.3 The scheme applies to:
 - a) share options granted under a qualified ESOP Plan which are exercised on or after 1 Jan 1999; and
 - b) restricted shares under a qualified ESOW plan which are granted on or after 1 Jan 2002.

8 Qualifying criteria

- 8.1 ***For the avoidance of doubt, the conditions and/or requirements in paragraphs 8.2 to 8.5 have the force of law.***
- 8.2 To qualify for the QEEBR scheme, the applicant must meet certain criteria.

² Treasury share as defined in Section 2 of the ITA:

(a) In relation to a company incorporated under the Companies Act 1967 or any corresponding previous written law, means a treasury share as defined in section 4(1) of that Act; and
(b) In relation to a company incorporated under the law of a country/region other than Singapore, means a share issued by the company which is subsequently acquired and held by it.

(A) Qualified ESOP/ESOW plan

8.3 A qualified ESOP/ESOW plan is one which meets the vesting period requirement as prescribed by the SGX for companies listed on the SGX. The same requirement applies to ESOP or ESOW plans in respect of shares of companies not listed on the SGX.

a) The vesting period requirement for ESOP is as follows:

Where exercise price is	Period which the ESOP may not be exercised
= or > the open market price at the time of grant	within 1 year from the grant of the option
< the open market price at the time of grant	within 2 years from the grant of the option [Refer to example in f) below]

b) An ESOW plan will qualify for the scheme if there is a minimum holding period requirement for such shares under the plan that achieves a similar effect as the vesting period requirement in ESOPs.

The minimum holding period requirement for restricted shares granted under an ESOW plan is as follows:

Where price payable is	Period which the ESOW may not be disposed of
= or > the open market value at the time of grant	within 1/2 year from the grant of the share
0 or < the open market value at the time of grant	within 1 year from the grant of the share

- c) For ESOP or ESOW plans of companies listed on the SGX, the open market value is the average market price during the price fixing period immediately before the options are granted. The price fixing period is explicitly defined for each share option scheme in the company circulars to shareholders, which inform them of the proposed motion to approve the share option scheme. The computation of the average market price is decided by the company and is also stated in the company circulars.
- d) If SGX changes the above vesting period rules, companies will have to ensure that their ESOP or shares under ESOW plans comply with the amended rules from the date the change in rules takes effect.
- e) For unlisted companies where the market value of the shares is not readily available, the net asset value of the shares will be used instead.

f) Companies may have ESOP/ESOW plans with staggered vesting period. ESOP or shares under an ESOW plan that meet the vesting period requirement will also qualify for the QEEBR scheme.

Example

Year	Percentage of Option Exercisable					Total
	1 20%	2 20%	3 20%	4 20%	5 20%	
						100%

In this example, 40% of options may be exercised within 2 years and 60% of options may be exercised after 2 years. Assuming the vesting period requirement is 2 years, the 60% of options that satisfy the requirement will qualify for the QEEBR scheme.

g) Companies need not apply to IRAS for approval to have such plans considered as qualified ESOP or ESOW plan. However, they need to:

- keep sufficient documentation to prove that the ESOP or ESOW plan satisfy the vesting/holding period requirements; and
- certify on the employee's application form for deferral tax that the ESOP or ESOW is a qualified ESOP or ESOW plan.

(B) Qualifying Employee

8.4 IRAS will consider an employee's application only if the following conditions are satisfied:

- The employee is employed in Singapore at the time of grant of the ESOP/ESOW;
- The ESOP/ESOW was granted to the employee by:
 - the company which he was working for at the time of grant of the ESOP/ESOW; or
 - an associated company of the company which he was working for at the time of grant of the ESOP/ESOW plan; and
- The tax on the ESOP/ESOW gains are not borne by any employer of the employee.

8.5 Approval will not be given to the employee if:

- he is an undischarged bankrupt;
- he is ascertained to be a delinquent taxpayer based on IRAS' record;
- his tax on the stock option gains is less than \$200;
- he is granted area representative status; or
- he is not allowed to settle his tax by instalments under existing guidelines.

9 Terms and conditions for the QEEBR scheme

9.1 ***For the avoidance of doubt, the conditions and/or requirements in paragraphs 9.2 to 9.7 have the force of law.***

The terms and conditions for the QEEBR scheme are set out below.

9.2 Computation of tax on stock option gains

- a) Employee's tax payable on his income, including the stock option gains, will be computed in the usual manner to arrive at the final tax payable;
- b) Marginal tax rate(s) will be applied on the stock gains to arrive at the amount of tax to be deferred;
- c) If tax rebate is given for that year of assessment, the tax on stock option gains shall be the amount after deducting the corresponding amount of tax rebate;
- d) The amount of tax to be deferred will be limited to the actual tax payable arising from the assessment and it will be adjusted if there is a change to the chargeable income due to subsequent revisions to the assessment (refer to examples 1 to 3 of Annex D).

9.3 Period of deferment

Qualified employees can choose to defer the payment of tax on the gains from ESOP or ESOW plan for any period of time (e.g. 2 or 3 years) up to maximum of 5 years.

The period commences from the first day of the year of assessment for which the ESOP or ESOW gains are assessed. For example, the deferral of tax payment on ESOP or ESOW gains for the year of assessment 2024 can be deferred up to 31 Dec 2028 (i.e. 1 Jan 2024 to 31 Dec 2028).

The same deferral period should apply to all gains derived from the qualified ESOP/ESOW that are taxable in the same year of assessment.

9.4 Interest charge

With effect from 1 April 2023³, the interest rate chargeable for the deferral of tax will be computed based on a 1.5%-point above the applicable 3-month compounded Singapore Overnight Rate Average (SORA) published by the Monetary Authority of Singapore (<https://www.mas.gov.sg>) on 1st March and

³ Prior to 1 April 2023, the interest rate chargeable for the deferral of tax was pegged to the average prime lending rate.

1st September respectively⁴. The interest will be computed annually. Simple interest method will be used to compute the interest charge. The interest charge will only start to accrue after the expiry of the 1-month period allowed for payment of tax assessed.

9.5 Payments of tax deferred and interest charge

The tax deferred and the interest charged will become due on the expiry of the deferral period.

The employee may settle the deferred tax early in one lump sum or partially. If he makes a partial settlement, it will be treated as payment for the principal amount of the deferred tax. The interest charge will be adjusted accordingly (refer example 4 in Annex D).

9.6 Termination of QEEBR scheme

The amount of tax deferred and the interest charged will become due immediately in the following events:

- a) In the case of a foreign employee and SPR, when:
 - he ceases his employment in Singapore and leaves Singapore; or
 - he is posted overseas; or
 - he leaves Singapore for any period exceeding 3 months, unless he can prove that he is not leaving Singapore permanently.
- b) When the employee becomes bankrupt; or
- c) When the employee passes away (the deferred tax and the appropriate interest charge will be recovered from the estate of the deceased).

9.7 Once the employee's application for the QEEBR scheme is approved, it will not be terminated even if the following events occur:

- a) the employee sells the shares which tax deferral on the gains has been granted;
- b) a Singaporean ceases employment with his employer, who had granted the options to him, and tax deferral on the gains has been approved.

⁴ For example, the 3-month compounded SORA published on 1 Mar 2023, 1 Sep 2023, 1 Mar 2024 and 1 Sep 2024 were 3.2%, 3.6%, 3.6% and 3.5% respectively. The interest rates for the purposes of computing the value of interest benefits for the relevant periods are as follows:

- a) From Apr 2023 to Sep 2023 – 4.7% (3.2% + 1.5%)
- b) From Oct 2023 to Sep 2024 – 5.1% (3.6% + 1.5%)
- c) From Oct 2024 to Mar 2025 – 5.0% (3.5% + 1.5%)
- d) From Apr 2025 to Sep 2025 - 4.2% (2.7% + 1.5%)
- e) From Oct 2025 to Mar 2026 – 3% (1.5% + 1.5%)

10 Application procedure for the QEEBR scheme

10.1 Any employee, who wishes to defer the tax payment on the gains from qualified ESOP or ESOW plans, must:

- a) complete the Application Form which is downloadable from IRAS' website at <https://www.iras.gov.sg>;
- b) obtain his employer's certification on the Application Form that the ESOP or shares under ESOW plans meet the vesting period requirement in paragraph 8.2. If the stock option was granted under a Group ESOP plan, the certification may be done by the parent company or his employer within the group; and
- c) submit the Application Form either separately or together with his tax return to the CIT no later than the annual income tax filing due date.

10.2 Employees who have applied for the QEEBR scheme will be notified in writing of the outcome of their applications.

11 Tax treatment on stock gains derived by foreign employees upon cessation of employment in Singapore – “Deemed Exercise” rule and “Tracking Option”

11.1 When a foreign employee ceases employment in Singapore, he may have some unexercised ESOPs or unvested ESOWs. The gains from these unexercised ESOPs or unvested ESOWs are subject to tax on a “deemed exercise” basis under section 10(7) of the ITA.

The following employees are affected:

- a) Foreigners (non-citizens of Singapore);
- b) Singapore Permanent Residents leaving Singapore permanently;
- c) Singapore Permanent Residents posted to work overseas.

11.2 The “deemed exercise” rule applies to any ESOPs or ESOW plans granted on or after 1 Jan 2003 to foreign employees while exercising employment in Singapore.

12 Deemed exercise rule

12.1 Under “deemed exercise” rule, the foreign employee is deemed to have derived a gain from the following when he ceases employment in Singapore:

- a) unexercised ESOPs;
- b) restricted ESOPs where the moratorium has not been lifted;

- c) ESOWs with vesting imposed where the beneficial interest from the ownership of the shares has not yet vested; and
- d) restricted ESOWs where the moratorium has not been lifted.

12.2 The gains are deemed to be income derived by the individual one month before the date of cessation of employment or the date the right or benefit is granted, whichever is later. The deemed gains are computed as follows:

	ESOP (not exercised yet) or restricted ESOP (moratorium not lifted yet)	ESOW (vesting imposed but not vested yet) or restricted share under ESOW (moratorium not lifted yet)
Open market price ⁵ of the shares as at	<u>One month before the foreign employee ceases employment in Singapore; or date of grant, whichever is later</u>	
Less:	Exercise price	Price paid or payable by employee
Equals to		Deemed gains

The examples in Annex E illustrate the computation of deemed gains under “deemed exercise” rule.

12.3 If the actual gains (refer to paragraph 6) derived by the foreign employee are lower than the deemed gains computed as above, CIT may, subject to section 10(7AA) of the ITA, reassess the tax liability based on the actual gains in the year of assessment to which the deemed exercise relates.

13 Administrative requirements under the “Deemed Exercise” rule

13.1 ***For the avoidance of doubt, the conditions and/or requirements in paragraphs 13.2 to 13.4 have the force of law***

13.2 The employer is required to furnish details of deemed gains computed in accordance with paragraph 12.2 above when it seeks tax clearance for such foreign employees.

13.3 The foreign employee can apply to revise his assessment within 5 years after the year in which the later of the dates in section 10(7)(c)⁶ falls if any of these scenarios occurs:

⁵ The net asset value of the shares may be used if the open market price of the shares is not readily available.

⁶ One month before the date of cessation of employment or the date the right or benefit is granted, whichever is later. For example, the employee ceased employment on 1 Feb 2024 and the share

- a) He exercises, assigns, releases or acquires the right or benefit to the shares (or any restrictions on selling the shares are lifted) and the gains or profits computed in accordance with paragraph 6 is lower than the amount computed under paragraph 12.2; or
- b) His right or benefit to acquire the shares lapses, was forfeited or cancelled.

Refer to Annex F for an example to illustrate the reassessment of deemed gains.

13.4 The foreign employee who wishes to have a reassessment of his tax liability based on the actual gains must submit documentation (e.g. letter from employer) with the following information to CIT:

For shares acquired under ESOP	For shares acquired under ESOW plan
<ul style="list-style-type: none"> • the date of exercise of ESOP or the date the moratorium is lifted; • the open market price of the shares on the date of exercise of ESOPs or the date the moratorium is lifted; and • the exercise price of the options 	<ul style="list-style-type: none"> • the date of vesting or the date the moratorium is lifted; • the open market price of the shares on the date of vesting or the date the moratorium is lifted; and • the price paid or payable for the shares.

14 Tracking Option

14.1 Tracking option⁷ is an alternative to the “deemed exercise” rule. This option allows the employer to track when the “income realization event” of the foreign employee occurs and report the gains to CIT then.

14.2 The “income realisation event” refers to the following:-

- a) when the foreign employee exercises options that were unexercised; or
- b) when the shares acquired under any ESOP plan are no longer subject to any restriction; or
- c) when the shares under any ESOW plan that were unvested or restricted at the time he ceases employment in Singapore become vested or are no longer subject to any restriction.

options was granted on 1 Dec 2023. Since the cessation date is later, the last day to apply for revision of the assessment is 31 Dec 2029 (i.e. 2024+5).

⁷ This is provided for under sections 10(7A) to (7C) of the ITA.

- 14.3 Upon occurrence of such events, the employer will:
 - a) compute and report the actual gains from the income realization event of that employee to the CIT; and
 - b) undertake to collect and pay the tax on such actual gains to the CIT.
- 14.4 The “deemed exercise” rule will not be applied if the employer has been approved to adopt the Tracking Option.
- 14.5 Cases for which “deemed exercise” rule has been applied and assessment has been already finalised will not be eligible for the Tracking Option.

15 Qualifying Criteria for Tracking Option

- 15.1 ***For the avoidance of doubt, the conditions and/or requirements in paragraphs 15.2 to 15.7 have the force of law.***
- 15.2 This section sets out the conditions imposed by the CIT pursuant to section 10(7A) of the ITA. An employer must satisfy these conditions to be approved for Tracking Option.

(A) Qualifying Employer

- 15.3 The employer that grants the ESOPs or ESOW plans (“stock plans”) must be:
 - a) a Singapore incorporated company; or
 - b) a branch of a foreign incorporated company registered in Singapore under the Companies Act 1967 and carrying on business activities in Singapore.
- 15.4 Where the stock plans are granted by a parent company, who is operating a Group stock plan, the employer can still qualify for the tracking option if:
 - a) it satisfies the condition in paragraph 15.3; and
 - b) it does not separately operate any stock plan on its own at the time of the grant of the ESOPs or ESOWs.

(B) Human Resource (HR) or computer system

- 15.5 The employer must have a HR or computer system that is able to track the status of stock plans. It must furnish in writing to CIT specifying the details of:
 - a) tracking mechanism with samples of the entire tracking process (e.g. excel spreadsheet or other documents showing the details of the stock plans being tracked);

- b) computer or HR system which effects the tracking. If the management of the stock plans is outsourced to an external entity, it is necessary to enclose:
 - i. a copy of the outsourcing agreement; and
 - ii. documentation to show that the employer has regular audits of the management of the stock plans;
- c) the number of years it has been tracking the stock plans of all its employees (including those who are overseas or posted from one country to another). Only employers with at least 2 years of tracking experience will be eligible for the Tracking Option;
- d) how the system alerts the company's HR or finance department when an employee's ESOPs are exercised or ESOWs are vested;
- e) how the system separately tracks those stock plans that are granted while the employee is exercising employment in Singapore and those while the employee is exercising employment overseas; and
- f) whether there are any mechanisms in place to ensure compliance with tax payments under the Tracking Option (e.g. compulsory sale of a portion of the ESOPs or ESOWs);

(C) Capital Requirement

15.6 The employer must meet adequate capital requirements. The following information must be furnished to CIT:

- a) details of whether the company or its parent company is listed and the name of exchange where it is listed;
- b) details of capitalisation at the date of application:

For Singapore-incorporated company:

- information to show that its capitalisation is within the top 25% of market capitalisation in the Straits Times Industrial Index; and

For a branch of a foreign-incorporated company registered in Singapore:

- information to show that the capitalisation of its parent company is within the top 25% of capitalisation in one of the leading and universally recognised (by equity research houses) stock index

(see Annex G) in the parent company's country/region of incorporation.

15.7 If the employer does not meet the capital requirement but has met all the other requirements (A, B and D), the employer may provide a banker's guarantee for each employee whom it intends to place under the Tracking Option.

(D) Excellent taxpaying record for past 3 years

15.8 The employer must not have any record of the following for the 3 years immediately before the date of application:

- a) late filing of tax returns;
- b) late payment of taxes; or
- c) committed any offence under the ITA.

16 Further conditions for compliance after obtaining approval for the Tracking Option

16.1 *For the avoidance of doubt, the conditions and/or requirements in paragraphs 16.2 to 16.5 have the force of law.*

16.2 Once the Tracking Option is approved, the employer will need to track all the unexercised ESOPs and/or unvested ESOWs held by the particular foreign employee when he ceases employment in Singapore. The employer will not be allowed to selectively apply the Tracking Option only to certain tranches of shares held by the employee or to subsequently opt out of the "Tracking Option".

16.3 The employer is also required to provide a Letter of Undertaking (LOU) (see specimen at Annex H) for each foreign employee to whom the Tracking Option will apply. As provided in the LOU, the employer must do the following for each of its foreign employees covered under the Tracking Option:

- a) keep track of the occurrence of the income realisation event (see paragraph 14.2 above), regardless of whether the foreign employee remains in the employer's employment;
- b) compute and report the amount of gains from any income realisation event to CIT within 30 days from the occurrence of such event, via the Form IR21 (Notification of a Non-Citizen Employee's Cessation of Employment or Departure from Singapore);
- c) furnish an annual return by 31 January each year to CIT providing details of the status of the unexercised ESOPs as of 31 Dec of the previous year;

- d) notify CIT at least 30 days in advance of the company's intention to cease carrying on business in Singapore due to corporate restructuring, merger etc, and report amount of gains for any unexercised ESOPs and/or unvested ESOWs, via the Form IR21;
- e) notify CIT immediately in the event of the death of the foreign employee and report the amount of gains for any unexercised ESOPs and/or unvested ESOWs, via the Form IR21;
- f) collect and pay the income tax due on the actual gains that arises from the income realization event, upon receipt of CIT's notification; and
- g) Notwithstanding (f), make immediate payment upon demand of the tax assessed on any gains (whether upon actual exercise of the said ESOPs or lifting of restriction on the said shares acquired under the said ESOPs, the vesting or lifting of restriction of ESOWs or under the "deemed exercise" rule) on the said ESOPs or ESOWs

16.4 If an employer fails to meet any of the requirements under (a) to (f) of paragraph 16.3:

- a) CIT will raise an assessment under the "deemed exercise" rule for the remaining unexercised ESOPs and unvested ESOWs. The deemed gains will be deemed to accrue in the year in which it fails to meet the requirement, or the year of notification given under (d) & (e) of paragraph 16.3 above;
- b) CIT may impose a penalty of up to 200% of the tax assessed on the employer; and
- c) CIT may disallow the employer from adopting the Tracking Option in future for other foreign employees.

16.5 For all other foreign employees whom the employer did not opt for the Tracking Option, the "deemed exercise" rule will continue to apply.

17 Administrative requirements under the Tracking Option

17.1 ***For the avoidance of doubt, the conditions and/or requirements in paragraphs 17.2 to 17.6 have the force of law.***

17.2 An employer who wishes to opt for the Tracking Option must:

- submit a written application to CIT two months before the foreign employee ceases employment in Singapore;
- furnish the details required under paragraphs 15.5 and 15.6. If condition in paragraph 15.6 cannot be met, to indicate its intention to provide a banker's guarantee for each employee whom it intends to place under the Tracking Option; and
- confirm that it has met all the other qualifying criteria under paragraphs 15.3, 15.4 and 15.8.

17.3 Once the application for Tracking Option is approved, the employer must provide the LOU for each foreign employee to whom the Tracking Option will apply. It must attest, by way of the LOU, to the fact that it has made an irrevocable option to track the gains from the unexercised ESOPs and account the tax on gains from the tracked ESOPs after the occurrence of the income realisation event, to CIT. The LOU must be submitted together with the foreign employee's Form IR21 .

17.4 For the avoidance of doubt, even with the grant of the Tracking Option, the employer is still required to seek tax clearance for all other income of the employee to whom the Tracking Option will apply. The Form IR21 must be submitted within the applicable periods. Details of the employee's unexercised ESOPs/unvested ESOWs must be furnished in Appendix 3 of the Form IR21 which is available on the IRAS website.

17.5 By 31st Jan every year, the employer must furnish CIT with the complete details of the status of the unexercised ESOPs held by the foreign employee as of 31st Dec of the previous year, until the occurrence of the income realisation event.

17.6 On the occurrence of an income realisation event, the employer is required to report the actual gains derived from the ESOPs or shares under ESOW Plans in an additional Form IR21. The form must be submitted to CIT within 30 days from the date of the income realisation event. CIT will raise an assessment on such gains. The clearance directive will be sent to the employer for payment to be made within 10 days from the date of the directive.

18 Contact information

- 18.1 For enquiries on this e-Tax Guide, please contact us at www.iras.gov.sg (select “Contact Us” > “Individual Income Tax”).

Updates and amendments

	Date of amendment	Amendments made
1	29 Jun 2012	<p>IRAS had issued an e-Tax Guide “Relief for Double Taxable of Gains from Employee share options” dated 31 Mar 2000. Due to the change of basis of taxation with effect from 1 Jan 2003, the Ministerial remission to relieve a resident individual from any double taxation on ESOP gains [in paragraph 5.3 (b)] is no longer relevant. Hence, this e-Tax guide does not cover the relevant details.</p> <p>Paragraph 7.3 (b) has been inserted to include tax change in the manner of computing the gains derived from a right or benefit to acquire treasury shares in any company listed on the SGX.</p>
2	24 Jun 2013	Revised paragraph 13.1 to include the categories of affected employees and paragraph 14.2 to make it clear that when an individual is deemed to derive the final gains under the deemed exercise rule.
3	25 Feb 2022	Replaced Income Tax Act (Cap. 134) in Annex G with Income Tax Act 1947.
4	16 Feb 2024	Replaced Country with Country/Region in footnote 7 and page 17
5	1 Apr 2025	<p>Updated paragraph 10.3 on the use of SORA with effect April 2023.</p> <p>Updated paragraph 11.1 (c) on the deadline to submit the application form for tax deferment.</p> <p>Updated the examples in the Annexes</p>
6	30 Jan 2026	<p>Remove tax treatment prior to YA2003</p> <p>Added force of law clause in paragraphs 8.1, 9.1, 13.1, 15.1, 16.1, 17.1</p> <p>Updated paragraphs 1, 2, 5, 6, 13, 18</p> <p>Added paragraph 16.3(g)</p> <p>Updated the examples in the Annexes</p> <p>Updated employer's undertaking in Annex H</p>

Annex A - Illustrations of the Tax Treatment of Gains from ESOP

Example 1

ESOP granted while an individual is exercising employment in Singapore

Mr Mahan, a Singapore citizen, was employed by XYZ Company Ltd, a Singapore incorporated company. He was granted ESOP on 25 Feb 2023. During his employment with XYZ Company Ltd, Mr Mahan performed his employment duties substantially in Singapore. However, he was required to travel out of Singapore occasionally to render services to XYZ Company Ltd's clients in the Asia Pacific region.

Mr Mahan was seconded to work for a related overseas company from 1 Jan 2024 onwards. During his secondment overseas, Mr Mahan exercised his ESOP on 15 Nov 2025 and ESOP gains amount to \$100,000.

The gains from the exercise of ESOP is taxable in Singapore as the options are **granted** while Mr Mahan is exercising employment in Singapore.

It will be taxed as income of the year in which the ESOP is exercised. Since he exercised the ESOP in year 2025, it is taxed in the year of assessment 2026.

Example 2

ESOP granted while the individual is exercising employment outside Singapore⁸

Mr Bravo is an American citizen. He was employed by EFG-US, a US parent company and was granted ESOP on 15 Jul 2022. Subsequently, he was seconded to head its related subsidiary in Singapore, EFG Singapore from 21 May 2024.

On 15 Jan 2025, Mr Bravo exercised the ESOP that was previously granted during his employment with EFG-US. He derived ESOP gains amounting to \$250,000.

The gains from the exercise of ESOP are not taxable in Singapore as the options are granted while Mr Bravo is exercising employment outside Singapore

⁸ This does not apply to an employee who was temporarily away. Such absence from Singapore will be treated as incidental to his Singapore employment.

Annex B - Illustrations of the Tax Treatment of Gains from Shares Granted under ESOW Plan

Example 1

Shares granted under any ESOW Plan (with vesting imposed but with no moratorium) while an individual is exercising employment in Singapore

Mr Chen is a Singapore citizen. He was employed by TCF Singapore Pte Ltd, a Singapore incorporated company. He was granted share awards under the TCF PLC group share ownership plan on 11 Jan 2022. TCF PLC is the UK parent company of TCF Singapore Pte Ltd.

Under the group plan, he was entitled to receive his share according to the following schedule:

	Yr 0	Yr 1	Yr 2	Yr 3
Share award	Grant 100% 11.1.2022	Vest 33 1/3% 11.1.2023	Vest 33 1/3% 11.1.2024	Vest 33 1/3% 11.1.2025

Mr Chen left Singapore on
21.11.2022

Mr Chen was seconded to work in a related subsidiary in China for a 5-year period from 21 Nov 2022. The share awards granted to him under the TCF PLC group share ownership plan, continue to vest to him on the dates shown above.

The gains from share awards accrued to him are \$70,000, \$75,000 and \$72,000 for the years 2023, 2024 and 2025 respectively.

The gains from the exercise of ESOW is taxable in Singapore as the share awards are **granted** while Mr Chen is exercising employment in Singapore.

This is irrespective of where the individual is on the date of vesting. The gains will be taxed as income of the year in which the shares are vested to him.

Annex B - Illustrations of the Tax Treatment of Gains from Shares Granted Under ESOW Plan

Example 2

Shares under any ESOW Plan (with vesting imposed but no moratorium) granted while an individual is exercising employment overseas (i.e. prior to his posting to Singapore)

Mr Adams is a British national. He was employed by OPQ-UK Inc. He was granted share awards under the OPQ group share ownership plan on 14 Feb 2022.

Under the OPQ group share ownership plan, he was entitled to receive his share according to the following schedule:

	Yr 0	Yr 1	Yr 2	Yr 3
Share award	Grant 100% 14.2.2022	Vest 25% 14.2.2023 \$250,000	Vest 25% 14.2.2024 \$280,000	Vest 25% 14.2.2025 \$520,000
Mr Adam arrived in Singapore on				
	13.12.2022			

Mr Adam arrived in Singapore on 13.12.2022

The gains from the vesting of ESOWs are not taxable in Singapore as the shares are **granted** while Mr Adams is exercising employment outside of Singapore.

Annex C - Examples illustrating taxability of gain derived from restricted ESOPs and Restricted Shares under ESOW Plans

Example 1 (Restricted ESOPs)

Mr Lai is a Singapore citizen. He is employed by YY Singapore Ltd. He was granted restricted ESOP on 1 Mar 2022 under the YY ESOP plan. He was given the option to acquire shares of YY Ltd at an exercise price of \$5 (same price as the open market price of the shares on the date of grant).

On 4 May 2023, Mr Lai exercised the ESOP to acquire 5,000 YY Ltd's shares at \$5 each, when the open market price was \$7.50.

Under the YY ESOP plan, Mr Lai was not allowed to sell the shares within 2 years from the date he exercises the ESOP to acquire the shares. On 4 May 2025 (i.e. the date on which the moratorium was lifted), the open market price of YY Ltd's shares was \$7 per share. On 19 Dec 2025, Mr Lai disposed all his 5,000 shares at \$8 per share.

At a glance

Open Market Price per share as at the date of grant (i.e. 1 Mar 2022)	\$5.00
Price paid by Mr Lai for the share (exercise price)	\$5.00
Open Market Price per share as at the date of exercise (i.e. 4 May 2023)	\$7.50
Open Market Price per share as at date the moratorium was lifted (i.e. 4 May 2025)	\$7.00
Open Market Price per share as at the date of disposal (i.e. 19 Dec 2025)	\$8.00
Number of Shares	5,000

Even though Mr Lai has exercised the option on 4 May 2023, the gains derived by Mr Lai from the restricted ESOPs will only be brought to tax as income of the year 2025. This is because the moratorium was lifted on 4 May 2025.

The amount of ESOP gains made by him is computed as follows:

Open Market Price of YY Ltd's share as at date the moratorium was lifted (i.e. 4 May 2025)	\$7.00
Less: Exercise price	\$5.00
ESOP gains per share	\$2.00
Number of shares acquired	5,000
Total amount of ESOP gains (\$2 x 5,000 shares)	\$10,000

Annex C - Examples illustrating taxability of gain derived from restricted ESOPs and Restricted Shares under ESOW Plans

Example 2 (Restricted Shares granted under any ESOW Plans)

Mr Sri is a Singapore permanent resident. He is employed by YC Singapore Pte Ltd. He was granted 10,000 restricted shares with moratorium i.e. restricted shares awards under the YC share award plan on 1 Jun 2022. The market price on 1 Jun 2022 (i.e. the date of grant) was \$3.50.

All share awards granted under the YC share award plan have 2-year moratorium from date of grant. Therefore, Mr Sri is not allowed to dispose of the shares any time before 1 Jun 2024. On 1 Jun 2024 (i.e. the date on which the moratorium was lifted), the open market price of YC Singapore Pte Ltd's shares was \$3.20 per share. Mr Sri sold off all his 10,000 shares at \$4.20 per share on 1 Feb 2025.

At a glance

Open Market Price per share as at the date of grant (i.e. 1 Jun 2022)	\$3.50
Price paid by Mr Sri for the shares	NIL
Open Market Price per share as at date the moratorium was lifted (i.e. 1 Jun 2024)	\$3.20
Open Market Price per share as at the date of disposal (i.e. 1 Feb 2025)	\$4.20
Number of Shares	10,000

Even though the shares were granted to Mr Sri on 1 Jun 2022, the gains derived from the restricted shares granted under ESOW plan will only be brought to tax as income of the year 2024. This is because the moratorium was lifted on 1 Jun 2024.

The amount of gains made by him from restricted share awards is computed as follows:

	\$
Open Market Price of YC Singapore Pte Ltd's share as at date the moratorium was lifted (i.e. 1 Jun 2024)	\$3.20
Less: Price paid by Mr Sri for the shares	NIL
Share award gains per share	\$3.20
Number of shares acquired	10,000
Total share award gains (\$3.20 x 10,000 shares)	\$32,000

Annex D - Computation of Tax on ESOP Gains and Interest Charged on Deferred Tax

Example 1: Computation of tax applicable to ESOP gains

Tax computation for the Year of Assessment 2020

<u>Income</u>	\$	\$
Salaries		110,000
ESOP gains		<u>100,000</u>
Total income		210,000
Less: Personal reliefs		<u>22,900</u>
Chargeable income		<u>187,100</u>
Tax payable on first \$160,000		13,950.00
Tax payable on balance \$27,100 @ 18%		<u>4,878.00</u>
Tax payable		<u>18,828.00</u>

Computation of tax on ESOP gains to be deferred

(assuming taxpayer elects for the tax on the full amount of ESOP gains to be deferred)

Amount of ESOP gains		<u>100,000</u>
Tax on ESOP gains applying the marginal tax rates:		
Tax payable on	\$ 27,100 @ 18%	4,878.00
	\$ 40,000 @ 15%	6,000.00
	<u>\$ 32,900 @ 11.5%</u>	<u>3,783.50</u>
Tax payable on	<u>\$100,000</u>	<u>14,661.50</u>

The amount of tax on ESOP gains deferred will be limited to \$14,661.50.

Computation of interest charge

Date of original assessment: 1 Jul 2020 (payment due on 31 Jul 2020)

Deferral period: Up to 31 Dec 2024

Interest charge will be computed as follows:

Period	Tax Deferred Amount	Interest Rate (%)	Interest Amount
1 Aug 2020* – 31 Mar 2021 = 243 days	\$14,661.5	5.5	\$536.85
1 Apr 2021 – 31 Mar 2022 = 365 days	\$14,661.5	5.5	\$806.38
1 Apr 2022 – 31 Mar 2023 = 365 days	\$14,661.5	5.5	\$806.38
1 Apr 2023 – 30 Sep 2023 = 183 days	\$14,661.5	4.7	\$345.48
1 Oct 2023 – 31 Mar 2024 = 183 days	\$14,661.5	5.1	\$373.87
1 Apr 2024 – 30 Sep 2024 = 183 days	\$14,661.5	5.1	\$373.87
1 Oct 2024 – 31 Dec 2024 = 92 days	\$14,661.5	5.0	\$184.27
Total interest charge (payable on 31 Dec 2024)			\$3,427.11

*Interest charge starts to accrue after expiry of the 1-month period allowed for payment of tax

Annex D - Computation of Tax on ESOP Gains and Interest Charged on Deferred Tax

Example 2

Computation of revised amount of tax on ESOP gains and interest charge arising from the making of an additional assessment subsequent to the original assessment in Example 1

Additional Assessment for the Year of Assessment 2020

<u>Income</u>	\$
Salaries	110,000
Director's fee	10,000
ESOP gains	<u>100,000</u>
Total income	220,000
Less: Personal reliefs	<u>22,900</u>
Chargeable income	<u>197,100</u>
Tax payable on first \$160,000	13,950.00
Tax payable on balance \$37,100 @ 18%	<u>6,678.00</u>
Tax payable	20,628.00
Less: Tax previously assessed	<u>18,828.00</u>
Additional tax payable	1,800.00
Less: Additional amount of tax on ESOP gains deferred (see computation below)	<u>650.00</u>
Additional tax payable under normal arrangement	<u>1,150.00</u>

Revised computation of tax on ESOP gains to be deferred

Amount of ESOP gains	<u>\$100,000</u>
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Tax on ESOP gains applying the marginal tax rates:

\$37,100 @ 18%	\$6,678.00
\$40,000 @ 15%	\$ 6,000.00
<u>\$22,900 @ 11.5%</u>	<u>\$</u>
	<u>2,633.50</u>
Tax payable on	\$100,000
Less: Tax on ESOP gains originally deferred	<u>\$14,661.50</u>
Additional Tax on ESOP gains to be deferred	<u>\$ 650.00</u>

Computation of interest charge

Date of original assessment: 1 Jul 2020 (payment due on 31 Jul 2020)

Date of additional assessment: 1 Oct 2020 (payment due on 31 Oct 2020)

Deferral period: Up to 31 Dec 2024

Interest charge will be computed as follows:

Period	Tax Deferred Amount	Interest Rate (%)	Interest Amount
1 Aug 2020* – 31 Oct 2020 = 92 days	\$14,661.5	5.5	\$203.25
1 Nov 2020* – 31 Mar 2021 = 151 days	\$15,113.5	5.5	\$343.88
1 Apr 2021 – 31 Mar 2022 = 365 days	\$15,113.5	5.5	\$831.24
1 Apr 2022 – 31 Mar 2023 = 365 days	\$15,113.5	5.5	\$831.24
1 Apr 2023 – 30 Sep 2023 = 183 days	\$15,113.5	4.7	\$356.14
1 Oct 2023 – 31 Mar 2024 = 183 days	\$15,113.5	5.1	\$385.39
1 Apr 2024 – 30 Sep 2024 = 183 days	\$15,113.5	5.1	\$385.39
1 Oct 2024 – 31 Dec 2024 = 92 days	\$15,113.5	5.0	\$189.95
Total interest charge (payable on 31 Dec 2024)			\$3,526.48

* Interest charge for additional amount of tax deferred will start to accrue after expiry of the 1-month period allowed for payment of the additional tax

Annex D - Computation of Tax on ESOP Gains and Interest Charged on Deferred Tax

Example 3

Computation of revised amount of tax on ESOP gains and interest charge arising from the making of an amended assessment subsequent to the original assessment in Example 1

Amended Assessment for the Year of Assessment 2020

<u>Income</u>	\$
Salaries	70,000
ESOP gains	<u>100,000</u>
Total income	170,000
Less: Personal reliefs	<u>22,900</u>
Chargeable income	<u>147,100</u>
Tax payable on first \$120,000	7,950.00
Tax payable on balance \$27,100 @ 15%	<u>4,065.00</u>
Tax payable	12,015.00
Less: Tax previously assessed	<u>18,828.00</u>
Amount of tax to be discharged	<u>(6,813.00) #</u>

Revised computation of tax on ESOP gains to be deferred

Amount of ESOP gains	<u>\$100,000</u>
Tax on ESOP gains applying the marginal tax rates:	
Tax payable on	\$27,100 @ 15%
	\$4,065.00
	\$40,000 @ 11.5%
	\$4,600.00
	<u>\$32,900 @ 7%</u>
	<u>\$2,303.00</u>
Tax payable on	<u>\$100,000</u>
	<u>\$10,968.00</u>
Revised amount of tax on ESOP gains to be deferred	<u>\$10,968.00</u>

#Assuming that the taxpayer has paid up the original amount of tax not under deferral, i.e. \$4,166.50 (\$18,828 - \$14,661.50), the amount of tax to be refunded to the taxpayer arising from the amendment will be \$3,119.50 [\$4,166.50 - (\$12,015 - 10,968)].

Computation of interest charge

Date of original assessment: 1 Jul 2020 (payment due on 31 Jul 2020)
Date of amended assessment: 1 Oct 2020 (payment due on 31 Oct 2020)

Deferral period: Up to 31 Dec 2024

Interest charge will be computed as follows:

Period	Tax Deferred Amount	Interest Rate (%)	Interest Amount
1 Aug 2020* – 31 Mar 2021 = 243 days	\$10,968	5.5	\$401.61
1 Apr 2021 – 31 Mar 2022 = 365 days	\$10,968	5.5	\$603.24
1 Apr 2022 – 31 Mar 2023 = 365 days	\$10,968	5.5	\$603.24
1 Apr 2023 – 30 Sep 2023 = 183 days	\$10,968	4.7	\$257.75
1 Oct 2023 – 31 Mar 2024 = 183 days	\$10,968	5.1	\$294.97
1 Apr 2024 – 30 Sep 2024 = 183 days	\$10,968	5.1	\$280.45
1 Oct 2024 – 31 Dec 2024 = 92 days	\$10,968	5.0	
Total interest charge (payable on 31 Dec 2024)			\$2,441.26

* Where the tax deferred on ESOP gains is reduced as a result of an amended assessment, the interest charge will be computed based on the reduced amount of tax deferred over the period of deferral commencing from the date of the first deferral.

Annex D - Computation of Tax on ESOP Gains and Interest Charged on Deferred Tax

Example 4

Assuming that the taxpayer in Example 3 made partial repayments on the following dates:

31 Mar 2024 **\$ 6,000**

The interest charge on the deferment of the payment of tax of \$6,000 will be computed and payable on 31 Dec 2024 as follows:

Interest payable:

Period	Tax Deferred Amount	Interest Rate (%)	Interest Amount
1 Aug 2020* – 31 Mar 2021 = 243 days	\$10,968	5.5	\$401.61
1 Apr 2021 – 31 Mar 2022 = 365 days	\$10,968	5.5	\$603.24
1 Apr 2022 – 31 Mar 2023 = 365 days	\$10,968	5.5	\$603.24
1 Apr 2023 – 30 Sep 2023 = 183 days	\$10,968	4.7	\$257.75
1 Oct 2023 – 31 Mar 2024 = 183 days	\$10,968	5.1	\$294.97
1 Apr 2024 – 30 Sep 2024 = 183 days	\$10,968 - \$6,000 = \$4,968	5.1	\$127.03
1 Oct 2024 – 31 Dec 2024 = 92 days	\$4,968	5.0	
Total interest charge (payable on 31 Dec 2024)			\$2,287.84

Annex E - Application of “Deemed Exercise Rule”

Example 1

Mr Greg is an American. He was employed by TK Singapore Ltd. He exercised employment in Singapore from 1 Nov 2021 to 30 Sep 2023. During his employment in Singapore, he was granted ESOPs on 1 Sep 2022 by his employer.

TK Singapore Ltd sought tax clearance for Mr Greg on 2 Sep 2023. A Form IR21 was submitted to IRAS showing employment income of \$200,000. Mr Greg has unexercised ESOPs of 50,000 shares as at 2 Sep 2023. The exercise price was \$1 per share. The open market price of the share was \$1.50 on 30 Aug 2023 (one month before the date of cessation of employment).

Under the “deemed exercise rule”, the ESOPs granted to Mr Greg are deemed to be exercised on 30 Aug 2023 (one month before the date of cessation of employment) and the ESOP gains are computed as follows:

Open market price of TK shares as at 30 Aug 2023 (A)	\$1.50
Less: Exercise Price (B)	\$1.00
“Deemed” ESOP gains per share (derived from Singapore) = (A – B)	\$0.50
Number of shares	50,000
Total “deemed” ESOP gains (derived from Singapore) = \$0.50 x 50,000	\$25,000

Annex E - Application of “Deemed Exercise Rule”

Example 2

Same information as in example 1 except that Mr Greg was granted ESOPs by TK Singapore Ltd only on 15 Sep 2023 instead of 1 Sep 2022.

Under the “deemed exercise rule” (see paragraph 12), the ESOPs granted to Mr Greg are deemed to be exercised on 15 Sep 2023 (the later of the date of grant of ESOP or one month before the date of cessation of employment). Assuming that the open market price of TK shares as at 15 Sep 2023 was \$1.20, the ESOP gains are computed as follows:

Open market price of TK shares as at 15 Sep 2023 (A)	\$1.20
Less: Exercise Price (B)	\$1.00
“Deemed” ESOP gains per share = (A – B)	\$0.20
Number of shares	50,000
Total “deemed” ESOP gains = \$0.20 x 50,000	\$10,000

Annex F - Application of “Reassessment of Deemed Gains”

Example 1

Same information as in example 1 of Annex E. The deemed ESOP gains derived by Mr Greg are computed as follows:

Open market price of TK shares as at 30 Aug 2023 (A)	\$1.50
Less: Exercise Price (B)	\$1.00
“Deemed” ESOP gains per share (derived from Singapore) = (A – B)	\$0.50
Number of shares	50,000
Total “deemed” ESOP gains (derived from Singapore) = \$0.50 x 50,000	\$25,000

Subsequently, Mr Greg’s ESOPs vested on 31 Aug 2027 and he exercised the ESOPs on 31 Aug 2027. The open market price of the share was \$1.20 on 31 Aug 2027. His actual ESOP gains are computed as follows:

Open market price of TK shares as at 31 Aug 2027 (C)	\$1.20
Less: Exercise Price (B)	\$1.00
ESOP gains per share (derived from Singapore) = (C – B)	\$0.20
Number of shares	50,000
Total ESOP gains (derived from Singapore) = \$0.20 x 50,000	\$10,000

Mr Greg exercised his ESOPs on 31 Aug 2027 and his actual ESOP gains (\$10,000) are lower than the deemed ESOP gains (\$25,000). Given that the exercise period is still within 5 years from 2023, Mr Greg may apply to the Comptroller to revise his YA2024 assessment to tax his actual ESOP gains of \$10,000.

Annex G - List of Acceptable Indices

Australia – S&P /ASX 200 Index or the All-Ordinaries Index

Belgium – Bel-20

Britain – Financial Times Stock Exchange (FTSE) 100

Canada – Toronto 300 Composite

China – Shanghai Stock Exchange Composite Index

Denmark – Copenhagen Stock Exchange Index (KFX)

France – Paris CAC 40

Finland – Helsinki Stock Exchange Index (HEX 20)

Germany – Frankfurt Xetra DAX

Hong Kong – Hang Seng Index

India – Bombay Sensex

Ireland- Ireland Stock Market Index

Israel – Tel Aviv 25

Italy – Milan MIBtel

Japan – Nikkei 225

Netherlands – Amsterdam AEX

Norway – Oslo Stock Exchange Index

South Africa – Johannesburg All-Share

South Korea – KOSPI 200

Spain – IBEX 35

Sweden – SX All-Share

Switzerland – Zurich Swiss Market

Taiwan – Taiwan Weighted Index

USA – Dow Jones Industrial Average, NASDAQ or Standard & Poors (S&P) 500

Annex H - Specimen

Letter of Undertaking for Employers Who Would Like To Opt for The Tracking Option

To: The Comptroller of Income Tax
55 Newton Road
Revenue House
Singapore 307987

GUARANTEE AND UNDERTAKING TO TRACK GAINS FROM EXERCISE OR VESTING OR LIFTING OF RESTRICTION OF EMPLOYEE STOCK OPTION (ESOP) PLANS AND SHARES UNDER OTHER FORMS OF EMPLOYEE SHARE OWNERSHIP (ESOW) PLANS

AS A CONDITION AND IN CONSIDERATION of the Comptroller of Income Tax ("Comptroller") acceding to our request not to apply the "deemed exercise" rule under section 10(7) of the Income Tax Act 1947, to the unexercised employee share options (ESOP), unvested shares under any form of employee share ownership (ESOW) plans, or shares acquired pursuant to such ESOP or ESOW plans that remain subject to any restriction on sale (as the case may be) granted on (date)*, to (name of employee) of (address of employee) (Taxpayer identification no.) (the "Employee"), as listed in the same form as that provided in Appendix 3 of the Form IR21 and attached hereto, upon his departure from Singapore.

NOW WE (name of employer) of (registered address) AGREE WITH YOU as follows:

- 1 We undertake to -
 - a) track the gains from the exercise of the said ESOPs or lifting of restriction on the shares acquired under the said ESOP or the vesting of or lifting of restriction on the said shares under the ESOW plans (as the case may be) whether the said (name of employee) remains in our employment or otherwise;
 - b) furnish a report annually by 31 January of each year providing details as to whether the said ESOPs or the said shares under the ESOW plans (as the case may be) have been exercise/vested/or are no longer subject to restriction and such gains accrued to the said (name of employee);
 - c) compute and file IR21 to report the amount of any gains to you within thirty (30) days of the exercise of the said ESOPs or lifting of restriction on the shares acquired under the said ESOPs or the vesting of or lifting of restriction on the said shares under the ESOW plans;

- d) give you at least thirty (30) days notice in advance if we were to cease to carry on business in Singapore, by reason of any corporate restructuring, merger or otherwise; and file IR21 to report the amount of deemed gains to you within thirty (30) days on the unexercised ESOPs and/or unvested ESOWs of the said (name of employee);
- e) give you immediate notice in the event of the demise of the said (name of employee) and file IR21 to report the amount of deemed gains to you within thirty (30) days from the death of the employee on his/her unexercised ESOPs and/or unvested ESOWs; and
- f) collect and to pay over to you any tax assessed on actual gains that arises from the income realisation event, upon receipt of the Comptroller's notification

2 If we fail to comply with paragraph 1, you may assess the said (name of employee) to tax under the "deemed exercise" rule.

3. Notwithstanding paragraph 1(f), we irrevocably and unconditionally guarantee the immediate payment to you upon demand of the tax assessed on any gains (whether upon actual exercise of the said ESOPs or lifting of restriction on the said shares acquired under the said ESOPs, the vesting or lifting of restriction on the said shares under the ESOW plans or under the "deemed exercise" rule) on the said ESOPs or shares under the ESOW plans.

4 If we fail to comply with our undertaking in paragraph 1 or fail to make payment to you within 30 days of your demand under paragraph 3, we will pay to you a penalty of up to two hundred per cent (200%) of any tax that may be payable by us under paragraph 3.

Date this day of 20__.

Seal

Signature

Full Name and Designation