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Singapore

EMPLOYEE INCENTIVES

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This country-specific Q&A provides an overview of employee incentives laws and regulations applicable in Singapore.

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EMPLOYEE INCENTIVES

1. What kinds of incentive plan are most commonly offered and to whom?

Share plans such as share award and share option plans are commonly offered as company incentive plans to employees as well as non-executive directors. It is common for public listed companies, public unlisted companies, and private companies to offer share plans in Singapore. Share plans are used as a form of incentive arrangement for employees, including executive directors, and non-executive directors. Their purpose is to align the interests of the participants with the interests of the shareholders of the company.

Share option plans are more commonly offered by private companies and public unlisted companies. Public companies listed on the Singapore Securities Exchange ("**SGX-ST**") tend to offer share award plans rather than share option plans.

2. What kinds of share option plan can be offered?

In general, all Singapore companies can offer share option plans. The committee administering the plan usually has discretion to select participants based on criteria defined in the plan. Companies can grant options with different specified conditions within the same plan, such as time-based or performance-based conditions. Participants can subscribe for and acquire the shares once they have met the conditions attached to the option, if any.

Companies listed on the SGX-ST ("**SGX Listcos**") must comply with the SGX-ST listing manual ("**SGX Listing Manual**") when implementing share option plans, and such rules include limits on participants, limits on the number of participants in certain classes within the plan, and limits on the maximum entitlement each class can receive. A SGX Listco must obtain its shareholders' approval to implement a share option plan.

There are no tax-qualified programmes that result in favourable tax treatment for the employee under an employee share option plan.

3. What kinds of share acquisition/share purchase plan can be offered?

Under share award plans, companies grant fully paid-up shares either outright or subject to time-based and/or performance-based conditions. These plans give participants the right to receive fully paid-up shares, their equivalent value in cash, or a combination of both. Participants typically do not pay the company for the shares.

Share award plans are a common form of incentive arrangement for Singapore companies.

SGX Listcos must comply with the SGX Listing Manual when implementing share award plans. These rules include:

- Obtaining shareholders' approval before the implementation of the plan.
- Limits on the shares available under the plan.
- Limits on the number of participants in certain classes.
- Limits on the maximum entitlement each class can receive.

There are no tax-qualified programmes that result in favourable tax treatment for the employee under a share award plan.

4. What other forms of long-term incentives (including cash plans) can be offered?

Phantom share plans or cash-settled awards can also be offered as incentives to employees, although phantom share plans are not as common as share option and share award plans. Phantom share plans provide eligible participants with the benefits of equity ownership without actual issuance of shares to the participants. Companies can also offer share options or share awards

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that are wholly or partly in the form of cash rather than shares under share option and share award plans.

One advantage of phantom share plans and plans settled purely in cash is that companies do not need to obtain shareholders' approval because no shares will be issued under the plan.

There are no tax-qualified programmes that result in favourable tax treatment for the employee.

5. Are there any limits on who can participate in an incentive plan and the extent to which they can participate?

Discretionary plans

Generally, companies can grant incentives (e.g. share options, share awards, phantom shares, cash-settled awards) on a discretionary basis to individuals. Companies do not need to grant the incentives to all employees on the same terms. Under the plan rules or the letter of grant given to participants at the time of grant, the committee administering the plan usually has the discretion to select participants and set conditions to the grant.

Non-employee participation

SGX Listcos must restrict participation in share option and share award plans to directors and employees of the company and its subsidiaries, subject to the following exceptions:

- Directors and employee of an associated company can participate in the plan if the SGX Listco has control over the associated company. A company is an associated company if the SGX Listco or its group holds between 20% and 50% the shares in that company.
- Directors and employees of the SGX Listco's parent company and subsidiaries who have contributed to the success and development of SGX Listco can participate in the plan.

SGX Listcos must also obtain independent shareholders' approval in separate resolutions for each grantee in the following circumstances:

- Participation in a share option plan or share award plan by controlling shareholders and their associates. A controlling shareholder is a person who (a) holds directly or indirectly 15% or more of the total voting rights in the SGX Listco (unless otherwise determined by the SGX-ST); or (b) in fact exercises control over the SGX Listco. An associate, in relation to a controlling shareholder that is an individual, includes (a) his immediate family; (b) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (c) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.
- Any grant of options or awards to a director or employee of the SGX Listco's parent company and its subsidiaries that, together with options or awards already granted to the person under the scheme, represents 5% or more of the total number of options or awards available to such directors and employees.

In private companies and public unlisted companies, there are no restrictions on non-employee participation and such companies can grant incentives to non-employees such as non-executive directors, consultants, and prospective employees.

In respect of phantom shares and cash-settled awards, a company can grant phantom shares or cash-settled awards to non-employees such as non-executive directors, consultants, and prospective employees.

Limit on share option exercise period

In respect of share option plans, for both listed and unlisted public companies, there is a five-year limit on the exercise period for share options. This increases to ten years if the grantee is an employee or salaried director of the company, its subsidiary, holding company, or a subsidiary of its holding company.

6. Can awards be made subject to performance criteria, vesting schedules and forfeiture?

Incentive awards can be made subject to performance criteria, vesting schedules and forfeiture events.

In respect of performance criteria, a company can attach any conditions it considers appropriate to achieve the purposes of the plan. Performance conditions vary widely. Targets can be:

- Company performance targets (for example, EBITDA (earnings before interest, taxes, depreciation and amortisation) or revenue targets).
- Individual performance targets.
- A combination of both.

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In respect of vesting schedules, typically, the vesting conditions, vesting date, and vesting schedule are determined either:

- in the terms of the plan; or
- by the committee implementing the plan and notified to participants on the grant of the incentives.

In respect of forfeiture, it is common for incentive awards to be forfeited in the event that a participant becomes a bad leaver (e.g. the participant's employment is terminated for misconduct). Also, Singapore courts have held that a forfeiture clause providing that the deferred payment of an award will be forfeited if the participant breaches a non-compete covenant within a certain period after cessation of employment with the company, may constitute a restraint of trade, and if so, will be subject to the laws on enforceability of restraint of trade clauses.

7. Can awards be made subject to post-vesting and/or post-employment holding periods. If so, how prevalent are these provisions both generally and by reference to specific sectors?

Vested share options may be subject to post-vesting holding periods where the share options can only be exercised upon the occurrence of a trigger event (e.g. an initial public offering or change of control of a company). Such conditions are fairly common for private and public unlisted companies.

Typically, companies will cancel or buyback awards that have been granted to a participant who has left the employment of the company, whether the participant is a good or bad leaver. However, in certain instances, good leavers may be permitted to continue holding on to their vested awards and in such cases, it is common to require the participants to exercise their options within a limited period of time from their date of cessation of employment with the company.

8. How prevalent malus and clawback provisions are and both generally and by reference to specific sectors?

It is increasingly common for incentive plans to include malus provisions and/or clawback provisions that, in the event of poor business performance or personal misconduct that results in harm to the company, its customers and other stakeholders (e.g. financial loss, misstatement of results):

- allow the company to reduce or claw back the number of shares that employees can acquire under an incentive plan.
- require the employee to pay a cash sum equivalent to such a reduction.

In particular, the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (the "**Relevant Entities**") dated 9 November 2021 published by the Monetary Authority of Singapore ("**Guidelines**") encourages the Relevant Entities to adopt remuneration policies for all key management personnel and other material risk takers that contain mechanisms and provisions to facilitate *ex-post* adjustments to variable remuneration after it is awarded or paid. *Ex-post* remuneration adjustment tools include malus and clawback arrangements. The Guidelines also provide guidance on the indicative criteria and scenarios that could trigger adjustments, including cases where there are significant losses or adverse outcomes for customers, or where there is fraud, gross negligence, material failure of risk management controls or breach of regulations.

9. What are the tax and social security consequences for participants in an incentive plan including: (i) on grant; (ii) on vesting; (iii) on exercise; (iv) on the acquisition, holding and/or disposal of any underlying shares orf securities; and (v) in connection with any loans offered to participants (either by the company operating the incentive plan, the employer of the participant (if different) or a third party) as part of the incentive plan.

Share Option Plan

i. Grant

There are no Singapore income tax implications on the grant of a share option.Employers are statutorily required (subject to certain exceptions) to contribute to a state provident fund known as the Central Provident Fund ("**CPF**").

Singapore does not have a social security scheme, but employers are statutorily required (subject to certain exceptions) to contribute to a state provident fund, known as the CPF, for employees who are Singapore citizens or Singapore permanent residents. Part of the CPF contributions can be deducted from the employee's monthly salary. The CPF contribution rates depend on

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whether the employee is a Singapore citizen or permanent resident and the employee's age and income. For Singapore citizens earning at least SGD750 in monthly wages, the contribution rates generally range from 7.5% to 17% of monthly wages (employer) and from 5% to 20% of monthly wages (employee).

CPF contributions must only be made in respect of any remuneration in money due or given to an employee in respect of their employment. Therefore, the employee and employer need not pay CPF in respect of the grant of options provided that no cash payment is made on grant of the options.

ii. Vesting

There are generally no Singapore income tax implications on the vesting of an option.

The employee and employer need not pay CPF contributions on the vesting of an option provided that the employer does not make any cash payments to the employees when the performance or time-based vesting conditions are met.

iii. Exercise

Income Tax

Gains from a share option plan are taxable in the year when the employee exercises the share option. However, if there is a selling restriction in place, the gains are taxable in the year when the selling restriction is lifted.

The taxable gain is the market price of the shares on the date of exercise or the date the selling restriction is lifted, minus the exercise price. If the open market price of the shares is not readily available, the net asset value of the shares can be used instead.

The employee must pay any applicable income tax on the gains from a share option plan. An employee's total income, including any gains from share option plans, is subject to income tax at the following rates:

- Singapore tax residents: at a progressive rate of up to 22% (up to 24% with effect from year of assessment 2024).
- Non-Singapore tax residents: at flat rate of 15% or at the progressive tax rates for residents, whichever is higher.

Deferred Tax Payment

Under the Qualified Employee Equity-based Remuneration ("**QEEBR**") Scheme, employees can defer paying tax on share option gains for up to five years, with interest. A share option plan will qualify under this scheme if it meets the following vesting period requirements:

- If the exercise price is equal to or above the market price at the time of grant, the employee cannot exercise the share option within one year from the grant of the option.
- If the exercise price is less than the market price at the time of grant, the employee cannot exercise the share option within two years after grant.

The QEEBR Scheme generally applies if all the following conditions are met:

- The employee is employed in Singapore at the time of grant.
- The company for which the employee was working at the time of grant (or an associated company) granted the share option.
- The employer is not liable for the tax on any gains from the share options.

CPF Contributions

CPF contributions are not payable on the exercise of share options provided that the options are not cash-settled. If a participant elects to receive cash instead of shares on the exercise of the options, both employer and employee must pay CPF contributions in respect of the cash amount received.

iv. Disposal of underlying shares

There is no capital gains tax in Singapore. A sale of the underlying shares acquired on exercise of the option by an individual is generally considered capital in nature and not subject to Singapore income tax. A sale of shares acquired on exercise of an option is also not subject to Singapore income tax.

If employees are selling shares held in their own names, CPF contributions are not payable on sale proceeds.

Share Award Plan (Share Acquisition or Purchase Plans)

i. Grant

There are no Singapore income tax implications on the grant of a share award.

CPF contributions must only be made in respect of any remuneration in money due or given to an employee in respect of their employment. Therefore, the employee and employer need not pay CPF in respect of the grant of share awards provided that no cash payment is made

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on grant of the share awards.

ii. Vesting

Gains from share awards are taxable in the year in which the shares vest. If there is a selling restriction, the gains are taxable in the year when the selling restriction is lifted. The taxable gains are the market price of the shares on the date of vesting or the date the selling restriction is lifted, minus the price paid (if any) for the shares.

CPF contributions are not payable if no cash payments are made to the employee on vesting.

There are no tax-qualified programmes that result in favourable tax treatment for the employee under a share award plan.

iii. Disposal of shares

Gains from the subsequent sale of shares acquired under a share award plan are generally not subject to Singapore income tax (see paragraph (iii) of the "Share Option Plan" section above in relation to "Income Tax").

There is no capital gains tax in Singapore.

CPF contributions are not payable on the sale of shares acquired under a share award plan if employees are selling shares held in their own names.

Phantom or Cash-Settled Plans

i. Grant

There is no specific Singapore income tax applicable to phantom shares or cash-settled awards. Employees are not subject to income tax on the grant of phantom shares or cash-settled awards.

Employer and employee CPF contributions are payable when the award entails a payment of cash to the employee.

ii. Vesting

Income tax liability arises if the vesting of phantom shares or cash-settled awards entitles the employee to payments under the plan. The taxable amount is the value of the payments under the phantom shares or cash-settled awards.

The employee must pay the applicable income tax (see paragraph (iii) of the "Share Option Plan" section above in relation to "Income Tax").

Employer and employee CPF contributions are payable if the employee receives cash payments when performance or time-based vesting conditions are met.

iii. Pay-out (i.e. when phantom or cash-settled award is paid out)

Income tax liability arises when the phantom or cash-settled awards are paid out. This is also on the assumption that the employee had not already been taxed at the time when the phantom or cash-settled awards vested in the employee.

The employee must pay the applicable income tax. See paragraph (iii) of the "Share Option Plan" section above in relation to "Income Tax" for the applicable income tax rates.

Employer and employee CPF contributions are payable when cash payments are made to an employee in respect of phantom shares or cash-settled awards.

Loans in connection with incentive plans

Generally, there should not be any CPF contributions required in relation to loans offered to participants as part of the incentive plan. However, CPF contributions may be payable by the employee for any amount of loan that is written off as that may be viewed as a cash gift to the employee which will attract CPF contributions.

Other than tax and social security implications, public companies or private companies whose holding company or ultimate holding company is a public company should also consider potential financial assistance issues. These companies are generally prohibited from giving financial assistance for the acquisition of shares in the company, its holding company, or its ultimate holding company. However, an exception may apply for share option plans, if the financial assistance is given for the acquisition or proposed acquisition of shares in the company, holding company, or ultimate holding company, to be held by or for the benefit of employees (including salaried directors) of the company or a related corporation.

In addition, the company granting the loan should also consider potential moneylending issues.

From a Singapore tax perspective, employees would generally be taxed on interest benefits (if any) received in respect of interest-free/concessionary rate loans as employment benefits.

10. What are the tax and social security consequences for companies operating an

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incentive plan? (i) on grant; (ii) on vesting; (iii) on exercise; (iv) on the acquisition, holding and/or disposal of any underlying shares orf securities; (v) in connection with any loans offered to participants (either by the company operating the incentive plan, the employer of the participant (if different) or a third party) as part of the incentive plan.

In respect of social security consequences, see the employer CPF contribution requirements set out in the response to Q9 above.

11. What are the reporting/notification/filing requirements applicable to an incentive plan?

Unless an employee has received a notification from the Inland Revenue Authority of Singapore ("**IRAS**") informing the employee that the employee has been selected for the No-Filing Service, an employee is generally required to file their individual income tax returns each year, by 15 April for a paper filing or 18 April for an e-filing. If the employee needs to paper file their income tax returns, the IRAS will generally send this employee the relevant paper tax return between February and March each year. More information on e-filing can be found on the IRAS website.

An employer participating in the Auto-Inclusion Scheme must report the employee's employment income to the Singapore tax authorities, including any taxable benefits from incentive plans. In this case, the employee does not need to include details of share plan benefits in their individual tax return.

If the employer is not participating in the Auto-Inclusion Scheme, it must provide employees with details of their employment income, including any taxable benefits from share plans by 1 March, in time for the employee to file and declare their return by 15 April for a paper filing or 18 April for an e-filing.

Also see notification requirements in relation to data protection requirements set out in the response to Q13 below.

12. Do participants in incentive plans have a right to compensation for loss of their awards when their employment terminates? Does the reason for the termination matter?

A participant's entitlement to compensation for loss of awards is determined in accordance with the terms of the incentive plan or in their contract of employment or service.

13. Do any data protection requirements apply to the operation of an incentive plan?

The Personal Data Protection Act 2012 ("**PDPA**") sets out the regulatory framework for the protection of personal data, alongside other data protection statutes, common law, and sector-specific legislation and regulations. Any company that collects, uses, or discloses personal data to offer an incentive plan to its employees must comply with the PDPA and other relevant legislation.

Under the PDPA, personal data is data, true or not, about an individual who can be identified either:

- from that data; or
- from that data combined with other information to which the organisation has access or is likely to have access.

Under the PDPA, any organisation must obtain the consent of the individual to collect, use, or disclose personal data, unless a statutory exception applies under the First or Second Schedule to the PDPA.

There are various statutory exceptions to this consent obligation that are often applicable in employee related contexts.

For example, companies can collect, use, and disclose employees' personal data without consent if such personal data is necessary for "evaluative purposes" as defined in the PDPA which includes, amongst other things, the purpose of determining the suitability of an individual for the awarding of awards or other similar benefits, and whether any such awards should be continued modified or cancelled. Organisations can also collect, use, and disclose employees' personal data without consent to manage or terminate employment relationships, where such use is reasonable. Various requirements must also be complied with when relying on these exceptions. Further, and in addition to ensuring that consent is obtained for disclosure to overseas recipients, organisations must not transfer any personal data outside Singapore except in accordance with the requirements of the PDPA, to ensure that organisations provide a standard of protection that is comparable to the protection under the PDPA. In practice, a common

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way to comply with this requirement is to enter into a data transfer agreement with the overseas recipient which addresses the requirements of the PDPA.

14. Are there any corporate governance guidelines that apply to the operation of incentive plans?

SGX Listcos' annual reports in respect of a financial year ending on or after 31 December 2024 must contain the names, exact amounts and breakdown of remuneration paid by the SGX Listco and its subsidiaries to each individual director and the Chief Executive Officer. Such breakdown must include (in percentage terms) base or fixed salary, variable or performance-related income or bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.

Further, the Code of Corporate Governance 2018 (the "**CG Code**") sets out the following mandatory principles in relation to remuneration:

- The board must have a formal and transparent procedure for:
    - developing policies on director and executive remuneration; and
    - fixing the remuneration packages for individual directors and key management personnel.
- No director can be involved in deciding their own remuneration.
- The level and structure of remuneration of the board and key management personnel must be appropriate and proportionate to the sustained performance and value creation of the company, taking into account its strategic objectives.
- The company must be transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance, and value creation.

In particular, the CG Code provides that companies should ensure that:

- A significant, appropriate proportion of executive directors' and key management personnel's remuneration is linked to corporate and individual performance.
- Performance-related remuneration aligns with the interests of shareholders, stakeholders, and the company's long-term success.
- The remuneration of non-executive directors is appropriate to their contributions, such as effort, time, and responsibilities.
- Remuneration is designed to:
    - attract, retain, and motivate the directors in their role; and
    - encourage key management personnel to manage the company for long-term success.

SGX Listcos must describe in its annual report its corporate governance practices with specific references to the principles and provisions of the code. Compliance with the principles of the CG Code are mandatory. If a SGX Listco's practices vary from provisions of the CG Code, it must explicitly state in its annual report the provision from which it has varied and the reason for the variation. The company must also explain how its own practices are consistent with the objectives of the relevant underlying principle.

See also the response to Q8 above which considers corporate governance guidelines pertaining to the operation of malus and clawback provisions.

15. Are there any prospectus or securities law requirements that apply to the operation of incentive plans?

Prospectus Requirements

Under the Securities and Futures Act 2001 ("**SFA**"), an offer of securities or securities-based derivatives contracts to persons in Singapore must be accompanied by a prospectus lodged and registered with the Monetary Authority of Singapore, unless an exemption applies.

The definition of "securities" under the SFA is very wide and includes:

- Shares.
- Units in a business trust.
- Any instrument conferring or representing a legal or beneficial ownership interest in a corporation, partnership, or limited liability partnership.
- Debentures.

"Securities-based derivatives contracts" is defined as any derivatives contract of which the underlying thing or any of the underlying things is a security or a securities index, but does not include any derivatives contract that is, or that belongs to a class of derivatives contracts that is prescribed by regulations made under the SFA.

An offer of shares under a share option or share award

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plan may constitute an offer of securities under the SFA, which must be accompanied by a prospectus unless exempted. A company making an offer in reliance of an exemption does not need to make any filings.

Exemptions

The SFA sets out exemptions to the prospectus requirement. Below are the key features of the exemptions that companies most often rely on when offering incentive plans. The exemptions may be subject to other conditions and restrictions under the SFA which are not specified in detail below, including restrictions on advertisements and selling or promotional expenses (see Subdivision (4), Division 1, Part 13, SFA).

These exemptions do not apply if both:

- The company makes the offer on the basis that the person will sell the securities or securities-based derivatives contracts to another person.
- The subsequent offer does not qualify for an exemption.

In these cases, the company will be deemed to be making an offer to the final offeree and therefore subject to the prospectus requirements. Any document used to make the subsequent offer will be deemed to be a prospectus issued by the company.

Qualifying Persons Exemption

A company may not need to produce a prospectus if both:

- A qualifying person will hold the securities or securities-based derivatives contracts, or these will be held for the benefit of a qualifying person.
- The securities or securities-based derivatives contracts are those of the company or its related corporations.

A qualifying person includes:

- A bona fide director or equivalent person.
- A former director or equivalent person.
- A consultant or adviser.
- An employee or former employee of the entity or of a related corporation.
- The spouse, widow or widower, child, adopted child, or step-child below the age of 18 of any of the above.

A related corporation includes a holding company, a subsidiary, or a fellow subsidiary of the entity.

Small Offers Exemption

A person offering securities or securities-based derivatives contracts to another person may not need to prepare a prospectus if both:

- The total amount raised by the offeree within any 12-month period does not exceed SGD5 million or its equivalent in a foreign currency.
- For each offer, the offeror gives the offeree:
  - a prescribed written statement that the offer is made reliant on an exemption under the SFA without a prospectus registered with the Monetary Authority of Singapore; and
  - a notification in writing that the securities or securities-based derivatives contracts to which the offer relates must not be subsequently sold to any person unless certain specified requirements under the SFA are met.

Private Placement Exemption

A person making offers of securities or securities-based derivatives contracts to no more than 50 persons within a 12-month period may not need to prepare a prospectus. The limit is on the number of offerees rather than the number of people accepting the offer.

16. Do any specialist regulatory regimes apply to incentive plans?

There are no specialist regulatory regimes, but the following, amongst others, may impact the operation of incentive plans:

- Code of Corporate Governance 2018;
- Employment Act 1968.
- Income Tax Act 1947;
- Securities and Futures Act 2001;
- SGX Listing Manual; and
- Personal Data Protection Act 2012.

Also, if the company holds a licence issued by the Monetary Authority of Singapore and the incentive plan relates to interests in funds managed by the company, there may be additional regulatory issues to consider.

17. Are there any exchange control restrictions that affect the operation of

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incentive plans?

There are no foreign exchange control requirements in Singapore.

Note also that no prior approval is required on payment, remittance, and capital transfers in any currency to any country.

However, a person transferring over SGD20,000 of any physical currency or bearer negotiable instruments in and out of Singapore must submit a NP727 form to the Immigration Counter on arrival or on departure from Singapore.

18. What is the formal process for granting awards under an incentive plan?

Typically, companies and employees will enter into contracts relating to employee incentive plans. It is generally recommended that participating employees sign a formal acceptance form or letter to acknowledge and accept the conditions of the incentive plan.

19. Can an overseas corporation operate an incentive plan?

Companies in Singapore can offer employees participation in an incentive plan where the shares are in a foreign parent company, subject to compliance with Singapore securities offering laws.

20. Can an overseas employee participate in an incentive plan?

An employee outside Singapore can participate in a plan operated by a Singapore company, subject to compliance with the applicable laws of the overseas jurisdiction (including, without limitation, the applicable securities offering laws in that overseas jurisdiction).

21. How are share options or awards held by an internationally mobile employee taxed?

See response to Q9 above on the tax consequences for participants in respect of share options and share awards.

Further, if a non-Singapore citizen ceases to be employed in Singapore, he is deemed to have received the gain from all unexercised share options, unvested share awards, and shares with active selling restrictions. These gains are treated as income received by the employee one month before the end of their employment or the date the right or benefit was granted, whichever is later.

The taxable amount is the share's market price on that date, less the exercise price or price paid or payable by the employee. If the gains in fact derived by the employee are lower than this amount, an employee can make an application for reassessment of their tax liability based on the actual gains. The employee must apply within four years from the year of assessment following the year when the deeming event occurred.

Note that if an employee receives share options or awards before residence or employment in Singapore, these will not be subject to Singapore income tax, even if the employee is resident in Singapore when the taxable event occurs.

22. How are cash-based incentives held by an internationally mobile employee taxed?

See response to Q9 above on the tax consequences for participants in respect of cash-settled awards.

23. What trends in incentive plan design have you observed over the last 12 months?

It is increasingly common for incentive plans to include malus provisions and/or clawback provisions that, in the event of poor business performance or personal misconduct:

- Allow the company to reduce or claw back the number of shares that employees can acquire under an incentive plan.
- Require the employee to pay a cash sum equivalent to such a reduction.

24. What are the current developments and proposals for reform that will affect the operation of incentive plans over the next 12 months?

There are currently no official reform proposals that will affect the implementation of incentive plans in Singapore.

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