Important tax information for globally mobile employees

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Below you will find important tax information affecting mobile employees:

- Transferring from Australia, Belgium, Canada, Denmark, Germany, Israel, Japan, Malaysia, The Netherlands, New Zealand, Switzerland, the United Kingdom, or the United States.
- Transferring to Belgium, China, Germany, Malaysia, Taiwan, The Netherlands, or the United Kingdom.
- Transferring between US states and from Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Georgia, Iowa, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Massachusetts, Maryland, Maine, Michigan, Minnesota, Missouri, Mississippi, Montana, North Carolina, North Dakota, Nebraska, New Jersey, New Mexico, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Utah, Virginia, Vermont, Wisconsin, and West Virginia.

Tax and regulatory requirements for mobile employees in certain locations require taxation and/or reporting of stock award transactions based on time spent in each location as opposed to location at exercise or vesting.

For example, if an employee receives a stock award while in the United States and then transfers to another country, the portion of income related to the US employment is subject to US reporting and tax withholding requirements at the time of vest. This type of taxation is referred to below as "mobility taxation".

Based on continual reviews of local tax rules, the countries where mobility taxation is implemented are subject to change at any time.

Important note for employees on assignment through Microsoft Global Resources (MGR): Mobility taxation does not impact MGR employees as the Microsoft Stock team receives award level tax information from MGR for each stock award held by MGR assignees.

What is mobility taxation?

When an impacted employee has a stock award vest, mobility taxation, if applicable, is handled systematically. Income attributable to the location at award, in addition to income and related withholding for the current location, will be calculated in accordance with the employer reporting rules for each location. Stock award income has an earning period that generally stretches between the award and vest dates for each award. Income on such awards will generally be allocated based on the days in the issued location and the days in the location at the time of vest. Applicable taxes, if any, will also be withheld on the pro-rated portion of the income in each location and be remitted to subsidiaries to facilitate remittance to the proper tax authorities. Note that the actual tax liability due could be higher or lower than the amount withheld, as the final liability depends on individual circumstances in certain locations. You are responsible for complying with any individual income tax return filing obligations as required by each location.

Review the examples and calculations below for more information.

Examples

In the following examples, an employee had a stock award issued in August 2018 when they were in Location 1. In February 2020, the employee transferred from Location 1 to Location 2. The stock award will vest in November 2020 (after the transfer date).

Number of Shares Vesting: 50 Shares
Fair Market Value (FMV): USD 300 per share
Total Income: USD 15,000 (50 shares * USD 300 per share)

A	B	C	D	E	F
Award Date	**Transfer From Location 1 to Location 2**	**Vest Date**	**Total Days in Location 1 (Award Date to Transfer Date)**	**Total Days in Location 2 (Transfer Date to Vest Date)**	**Total Days (Award Date to Vest Date)**
			(B - A)	*(C - B)*	*(D + E)*

8/31/2018	2/3/2020	11/30/2020	521	302	823

Calculations (country to country transfers)

Example 1: Transferring from Australia, Belgium, Canada, Denmark, Germany, Israel, Japan, Malaysia, The Netherlands, New Zealand, Switzerland, the United Kingdom, or the United States to other countries

The below example assumes a tax withholding rate of 22% for the awarded country (country 1) and 45% for the country at vest (country 2). Actual withholding rates would reflect the rates as provided by payroll for each location.

G	H	I	J	K	L
% of Vest in Country 1	**Country 1 Income**	**Country 1 Tax Withholding**	**% of Vest in Country 2**	**Country 2 Income**	**Country 2 Tax Withholding**
(D / F)	(G * USD 15,000)	(H * 22%)	(E / F)	(J * USD 15,000)	(K * 45%)
63%	USD 9,450	USD 2,079	37%	USD 5,550	USD 2,498

Note that the current country in which you are working or the country from which you transferred may still require reporting of gross income and the number of vested shares.

Example 2: Transferring to Belgium, China, Germany, Malaysia, Taiwan, The Netherlands, or the United Kingdom

(except transferring from Australia, Belgium, Canada, Denmark, Germany, Israel, Japan, Malaysia, The Netherlands, New Zealand, Switzerland, the United Kingdom, or the United States. For these, please see example 1.)

The below example assumes a tax withholding rate of 28% for the country at vest (country 2) and assumes the awarded country (country 1) does not require withholding on transfers out. Actual withholding rates would reflect the rates as provided by payroll for each location.

G	H	I	J	K	L

% of Vest in Country 1	Country 1 Income	Country 1 Tax Withholding	% of Vest in Country 2	Country 2 Income	Country 2 Tax Withholding
(D / F)	Not Applicable	Not Applicable	(E / F)	(J * USD 15,000)	(K * 28%)
63%			37%	USD 5,550	USD 1,554

Country specific notes:

Transfers from Australia, Denmark, New Zealand, and Malaysia: Income taxes are not currently withheld from the stock transactions; however, the income attributable to the country will be reported on your behalf.

Transfers from Canada: Income attributable to Canada will be reported on a T4 at year-end. Income taxes are not currently withheld from stock transactions. However, the Canada Revenue Agency requires employers to withhold and remit to the Canadian tax authorities, contributions to Canada Pension Plan ("CPP") on stock award income allocated to Canada.

Transfers from Israel: The shares are transferred to the Israel Trustee to fund the Israeli tax liability.

Transfers from the United Kingdom: Income and taxes will be reported to you on a UK pay slip in the month following the transaction. You will not receive a year-end tax statement from the United Kingdom.

Transfers to United States: The United States requires FICA (Social Security and Medicare) to be withheld on the full value, not the pro-rated portion. Social Security is withheld on income up to the annual limit. Additionally, the United States requires reporting on worldwide income; therefore, the full value (USD 15,000) would be reported as income on a Form W-2.

Calculations (the United States state to state transfers)

Example 1: Transferring from California to Washington State (or to another state with no income taxes)

G	H	I	J	K
% of Vest in California	California State Income	California State Tax Withholding	% of Vest in Washington	Washington State

				Tax Withholding
(D / F)	(G * USD 15,000)	(H * 10.23%)	(E / F)	
63%	USD 9,450	USD 967	37%	Not Applicable
The employee will expect the following on the paystub and annual Form W-2: **California State Income:** USD 9,450 **California State Tax Withholding**: USD 967 **Washington State Income:** Not Applicable **Washington State Tax Withholding:** Not Applicable				

Example 2: Transferring from California to Massachusetts (or to another state with income taxes)

G	H	I	J	K
% of Vest in California	**California State Income**	**California State Tax Withholding**	**% of Vest in Massachusetts**	**Massachusetts State Tax Withholding**
(D / F)	(G * USD 15,000)	(H * 10.23%)	(E / F)	(J * USD 15,000 * 5.05%)
63%	USD 9,450	USD 967	37%	USD 280
The employee will expect the following on the paystub and annual Form W-2: **California State Income:** USD 9,450 **California State Tax Withholding:** USD 967 **Massachusetts State Income**: USD 15,000 **Massachusetts State Tax Withholding**: USD 280				

Note The current state you are working and/or residing might still require reporting of gross income.

Questions? Send an email to [Transfer Tax (Stock)].

This page provides general information regarding tax consequences which may apply when an employee receives Microsoft stock awards under the Microsoft Stock Plans. The actual tax consequences to a particular employee will be affected by that employee's specific facts and circumstances. For example, different rules may apply to employees who are subject to tax in another jurisdiction due to their citizenship, residency or immigration status. Tax laws are complex and subject to change. You should consult your personal tax advisor to discuss your personal situation and the specific impact of stock awards to you. Any fees associated with this independent, personal consultation will not be paid for or reimbursed by Microsoft Corporation or its affiliates (referred to as the "Company" in the following questions and answers). Neither Microsoft Corporation nor its affiliates are responsible for an employee's tax and legal obligations under the Plans.

Did this content help you answer your question?