



November 2020

Information regarding Roche Connect

Roche Connect is a global programme, in which Roche employees can opt to take part. You have the possibility to buy Roche-Genussscheine (non-voting shares) with a discount of 20%. This allows you to participate in the future development of Roche and benefit from a possible increase in value of the non-voting shares.

Earnings from the Roche Connect programme cannot be guaranteed. However, you buy the shares with a discount of 20% of the market price, which reduces the risk of the investment.

Participation is possible upon joining Roche, please be aware that registration is only possible during the first six weeks of your employment. Otherwise you have to wait for the next annual enrolment period, which generally takes place during three weeks in April/May.

Before you decide whether to participate, please read the following documents:

- Roche Connect Employee Tax Fact Sheets

If you decide to take part in Roche Connect, you can initiate your participation directly in Workday: [https://wd3.myworkday.com/roche/d/inst/autocomplete/search/247\\$138275.html#TABINDEX=0&SUBTABINDEX=0](https://wd3.myworkday.com/roche/d/inst/autocomplete/search/247$138275.html#TABINDEX=0&SUBTABINDEX=0) (please click the link or paste it into the URL bar of your web browser)

You can already do so on your first day of employment.

For further information, please visit: <https://sites.google.com/roche.com/rocheconnect/home>

Please do not hesitate to contact us if you have any questions.

Sincerely,

Roche Connect Administrator Switzerland



February 2020

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Roche Connect

Global Employee Share Purchase Plan

If you have any questions about *Roche Connect*,
please contact your local *Roche Connect* Administrator.



Where your investment means more

What is

Roche Connect?

Roche Connect is a world-wide plan that Roche employees can choose to join. It gives you a way to invest for the future and share financially in the success of Roche by purchasing Roche Genussscheine.

The purpose of this guide is to give you an overview of the most important aspects of *Roche Connect*. If you have any questions, check our website connect.roche.com or contact your local *Roche Connect* Administrator.

What are Genussscheine?

Roche offers investors two ways to invest: through regular voting shares and also through non-voting equity securities (Genussscheine).

Genussscheine are by far the most common securities traded in Roche. Unlike the regular shares, the Genussscheine do not carry voting rights, but in all other respects they confer the same ownership and dividend rights as the regular shares.



The great thing about *Roche Connect* is that in most countries Genussscheine are available for you at a discount of 20% relative to market value. In Chile, Canada and India, you purchase the Genussscheine at market value, but you receive a cash bonus of 20% of the amount you invest in *Roche Connect*. You purchase these Genussscheine with your own money.

Each year, you choose how much to invest in your local currency. This annual election remains in place until the next Open Enrollment period. At this point, you can choose whether to alter your contribution, or to stop contributing for the following year. If you do not make any changes, your contribution level will automatically continue.

The Plan not only helps 'connect' employees to our business, but also links personal investments to the Company. This way, you can benefit from any growth in the price of Genussscheine as a result of our strategy to be a leading independent healthcare company.

How does it work?

Here's a quick look at how the Plan works:

- You decide if you want to join *Roche Connect* and, if you do, how much you want to contribute. You can contribute between 0.5% and 10% (0.625% to 12.5% in Canada and India) of your annual gross base salary.
- Enroll and set the amount of your total annual contributions by completing and returning your *Roche Connect* enrollment form to your local *Roche Connect* Administrator.
- You make monthly contributions to *Roche Connect*. In almost all countries, payroll deducts the respective amounts directly from your salary.
- Every month, the contributions are used to buy Roche Genussscheine. Those Genussscheine are then held in your personal *Roche Connect* account.
- You decide, each year, whether to change your contributions or to stop contributing to *Roche Connect* for the following year.
- After retaining them for the holding period (three to five years depending on the country in which you participate in *Roche Connect*) you are free to keep or sell your Genussscheine.

It's that simple!





Who can join?

Roche Connect is offered in a number of countries around the world.

Although details vary slightly from country to country for tax and legal reasons, where we offer the Plan, all permanent Roche employees, including part-time employees, can join *Roche Connect*.

The Plan is voluntary: you choose whether or not you want to join and how much you want to contribute.

When can I join?

Employees can join the Plan at one of three points:

- When the Plan is first launched in their country
- When they start working for Roche (if hired after the initial launch)
- During the annual Open Enrollment periods for the Plan (usually each April / May).

Enrollment	First contribution	First purchase of Genussscheine	Next Open Enrollment period
April to May	June	July	April to May

What else is important?

The holding period

In most of the countries, Roche requires participants in the Plan to hold their Genussscheine for three years. This period is known as the holding period and reflects the goal of the Plan to encourage long-term employee identification with the interests of Roche.

In order to make the Plan more tax advantageous for the respective employees, the holding period is four years for all Swiss participants. In Austria, the holding period finishes at the end of the 5th calendar year after the Genussscheine were allocated.

After the holding period

At the end of the holding period, you may choose to:

- Keep your Genussscheine
- Sell your Genussscheine
- Transfer them from the Plan to an individual brokerage account (varies in certain countries, not possible for example in India, Brazil, Pakistan and China).

Follow your investment

Our plan administrator provides *Roche Connect* participants with details on how to access a web site where they can view account information, check the daily price of Genussscheine and enter transactions.

You will also receive regular statements from the plan administrator showing recent transactions, as well as the value of the balance of your Plan account.

You are responsible for paying transaction fees arising from your sale/transfer of Genussscheine. Also, be sure to consider the potential tax liability. Select your country on connect.roche.com and go to section "Questions & Answers" for detailed information on transaction costs. You also find there a *Roche Connect* User Guide explaining how you can sell or transfer your Genussscheine and a country tax fact sheet.

Things to consider

Before investing in *Roche Connect*, it is important to consider:

- How much you can afford to invest and if you want to invest in shares or securities and, in particular, Roche Genussscheine
- How long you can afford to be without the money you have invested
- Whether or not you can commit to contribute for the whole Plan Year
- Your attitude towards risk, as the value of Roche Genussscheine may fall as well as rise and exchange rate movement may affect the value of your holding.

Investing is very much a personal decision and you need to decide what is right for your situation. With so many other investments to choose from, you may wish to talk to an independent financial adviser. Please note that neither the Company nor any of its employees or representatives may provide you with financial advice.



Taxation

Roche Connect is designed to be as tax effective as possible. However, you may be liable for taxes on the amount of the discount applied to the price of the Genussscheine you purchased, on any gains, and on any dividends that you receive.

Roche will not meet any tax liability on your behalf and reserves the right to withhold these taxes from your salary where required by local law. Please refer to the Tax Fact Sheets on connect.roche.com for further information. You may also wish to consult your tax adviser for further guidance.

Termination of employment

In most of the countries, all of the Roche Genussscheine you have bought are made available to you upon termination of your employment, including those you have held for less than the full length of the holding period. For tax reasons, different rules apply for Swiss retirees and all Belgian participants. Please ask your local *Roche Connect* Administrator for details or visit our website connect.roche.com.

An important note

This guide provides a summary of the Roche Genussscheine Purchase Plan, also known as *Roche Connect*. The Plan is governed by detailed Regulations that will prevail in the event of a discrepancy with this guide. Copies of the Regulations may be obtained from your local *Roche Connect* Administrator.

The investment offering described in this document is made to you as an employee of Roche by your local employing company. This offering does not change or supplement, in any way, the terms of your employment or create any employment rights. You are not required to participate in this offering. Your decision to participate or not is entirely up to you. Your choice will have no impact on your employment or your career. Participation in the Plan does not confer upon any Participant any legal right to continue to be employed by Roche, regardless of the length of time the Participant has been granted benefits under the Plan. This document does not constitute an employee handbook or an employment contract between you and any Roche company.

We recommend that you seek independent financial advice when deciding whether or not to participate in *Roche Connect* or any other investment.

Roche reserves the right to suspend, change, amend or supplement the terms of this offering, in whole or in part, for any reason at any time.

Securities offered outside the United States of America have not been registered with the Securities and Exchange Commission and may not be resold in the US unless registered or unless an exemption from registration is available.



Employee Tax Fact Sheet

Please bear in mind that the comments made below are for your guidance only. Your individual circumstances will have a significant impact on your liability to tax and social security. This guidance assumes you are a resident for tax purposes in Switzerland. Please refer to the respective fact sheets pages if you are either a French or German cross-border commuter.

The rules governing the tax and legal treatment of the Roche Genussscheine Purchase Plan (“Roche Connect”) are subject to change. The detail given here reflects our understanding of the position in Switzerland as of 1 January 2020.

A) Personal Taxation

At what point in time will the local authorities seek to tax my Genussscheine (GS) purchased under “Roche Connect”?

The discount applied to the GS purchased under “Roche Connect” is not considered employment income because of the four-year blocking period. Therefore the Swiss tax authorities will only require you to pay income tax on the value of the discount in cases of premature unblocking (see below).

Any private capital gains realised upon the sale of the GS are tax-free.

How will my dividends be taxed?

Any dividend you receive from your holding of Roche GS is taxed as investment income, subject to Swiss income tax at your personal marginal rate. The withholding tax of 35 % (Verrechnungssteuer) can be claimed back when declaring the gross dividend income in your individual income tax return.

Do I have to pay any taxes when leaving Roche prior to the expiry of the four-year blocking period of the GS?

Yes. Your GS will immediately be unblocked when leaving Roche. Due to this premature unblocking of the GS, a pecuniary benefit is calculated by taking into consideration the reduced blocking period and the market value of the GS at the time of the premature unblocking.

B) Social Security

Do I have to pay any social security on the purchase or sale of the GS?

As no taxable employment income is realised when purchasing the GS, no social security contributions are due at this point in time. However, when leaving Roche prior to the expiry of the four-year blocking period, the pecuniary benefit calculated at the time of the premature unblocking is subject to social security.

C) Other

Will any other taxes be payable e.g. wealth tax?

Yes. GS held at 31 December are subject to annual wealth tax on the value of the GS as published by the Swiss Federal Tax authorities (depending on Cantonal differences). Blocked portions of the GS may be discounted (depending on the applicable cantonal tax law) for wealth tax purposes.

What documents do Switzerland’s tax and/or legal authorities require the employer to provide me with, detailing the purchases and/or sale?

Your employer is required to provide you with an annual salary certificate and the enclosure of employee stock ownership plan. In addition, Equatex will provide you with your “Roche Connect Plan” account statements quarterly. For your annual tax declaration you need the dividend confirmation statement and the wealth tax statement as of 31. December of the respective tax year. German and French cross-border commuters will receive an addendum to their salary statement. You have to enclose these documents to your annual tax declaration.

What impact does the Automatic Exchange of Information (AEOI), which is in force since 1 January 2017, have in Switzerland?

The AEOI involves the systematic and periodic transmission of taxpayer information concerning the financial accounts held by Swiss non-residents (from a tax perspective) with financial institutions operating in a participating country provided that you are tax resident in another jurisdiction that has also signed the Multilateral Competent Authority Agreement (MCA Agreement) and agreed to exchange information on an automatic basis.

Your information is transmitted from the financial institution to the Swiss tax authorities, who in turn transmit it to the relevant tax authorities of your country of residence (again from a tax perspective). The information to be transmitted includes:

- Identification information (e.g. name, address, country of domicile, date of birth and/or tax identification number)
- Account information (e.g. name of financial institution and account number)
- Financial information (e.g. account/portfolio balance, dividends, interests, other source of income and sales proceeds)

Example of what happens if non-voting equity securities (Genussscheine) are unlocked prematurely

If an employee leaves Roche before the end of the four-year holding period, the pecuniary benefit is calculated. Accordingly, the original 20% price discount financed by Roche has consequences for the employee because the earned income that arises from the reduced blocking period is subject to income tax and social security deductions at the time the Genussscheine (GS) are unlocked.

Roche will prepare a calculation similar to the one below to determine the taxable earned income resulting from the premature unblocking of the GS. This amount will then be shown (gross) in the employee's annual salary statement.

Example:

The stock market price of the employee's GS was CHF 165.20 on the date they were acquired, e.g. on 18 January 2015. To ensure that this 20% discount on the purchase price remains exempt from income tax and social security contributions, the GS have to remain blocked up until 18 January 2019. The situation at the outset is thus as follows:

Stock market price of the GS at the date of purchase on 18 January 2015:	CHF -	165.20
Purchase price (80 % of the stock market price)	CHF -	132.15
Pecuniary benefit (CHF 165.20 ./ CHF 132.15)	CHF -	33.05
Tax discount for the four-year blocking period = 20% (CHF 165.20 * 20%)	CHF	<u>33.05</u>
Taxable pecuniary benefit arising from compliance with 4-year blocking period	CHF	<u>0.00</u>

In case the employee decides to leave Roche in October 2017.

Premature termination of the blocking period is 2 years and 9 months after purchase of the GS

Stock market price of the GS at the date of the premature unblocking (assumption)	CHF -	205.00
Time remaining until the full blocking period: 1 year and 3 months		
Legal formula value * for 1 year and 3 months: 92.98% (CHF 205.00 * 92.98%)	CHF -	190.60
Taxable gross employment income at the time of the premature unblocking per GS (CHF 205.00 ./ CHF 190.60)	CHF	<u>14.40</u>

A similar calculation will be prepared for all other GS purchased in the last four years, determining the pecuniary benefit resulting from the reduced blocking period for every month of the blocking period. There is no premature unblocking provision for the GS purchased four or more years before the employee's departure date. There is therefore no additional pecuniary benefit for these GS, and there is no additional income tax due.

***Legal formula used to determine the additional pecuniary benefit for the chosen point in time:**

Years until the end of the blocking period	3.5	3	2.5	2	1.5	1.25	1	0.5
Formula value	81.55%	83.96%	86.44%	89.00%	91.63%	92.98%	94.34%	97.13%

Employee Tax Fact Sheet

German cross-border commuters

This summary outlines the general tax and social security implications for German cross-border commuters of Roche who participate in Roche Connect. All employees who reside in Germany but work in Switzerland and return regularly home to Germany after work are considered German cross-border commuters.

This summary is provided for informational purposes only and should not be relied upon as being either complete or conclusive. The tax consequences included below are in accordance with Swiss tax and social security law and practices as of 1 January 2020. These laws and practices may change over time.

GENERAL TAXATION OF GERMAN CROSS-BORDER COMMUTERS

In principle, the employment income of German cross-border commuters is taxable in Germany. According to the double tax treaty between Switzerland and Germany, Switzerland has the right to withhold tax of 4.5% on the gross employment income earned in Switzerland. Your Swiss employer will deduct this preferential Swiss withholding tax from employment income only if you have filed an official confirmation of German residence with your Swiss employer (otherwise Swiss tax is withheld at a full rate).

In general, the employment income of German cross-border commuters in Switzerland is subject to Swiss social security charges provided the commuters are EU or EFTA citizens who are employed solely in Switzerland.

UPON THE PURCHASE OF THE GENUSSSCHEINE

Switzerland

When participating in Roche Connect, employees may purchase Genussscheine at a discount equal to 20% of the reference price. The difference between the purchase price and the reference price (i.e. the discount of 20%) is considered employment income subject to Swiss income tax. However, since the Genussscheine are blocked for 4 full years from the purchase date, the Swiss authorities grant a tax discount in the range of 20%. Since the tax discount equalizes at least the discount on the reference price, no taxable employment income should be realized upon the purchase of the Genussscheine under Roche Connect.

Since social security charges generally follow direct federal taxes (taxable amount and moment), no Swiss social security liability will arise upon the purchase of the Genussscheine.

In case of early deblocking of the Genussscheine in the event of termination of employment, additional gross employment income arises, which is subject to income tax and social security liabilities at the date of deblocking.

Germany

The tax discount granted in Switzerland is not applicable for German tax purposes. The difference between the purchase price and the reference price (i.e. the 20% discount on the reference price) is considered employment income subject to German income tax. You must declare this employment income to the German tax authorities for income tax purposes.

UPON THE SALE OF GENUSSSCHEINE

Switzerland

No tax liability will arise upon the sale of the Genussscheine.

Germany

Purchase of Genussscheine after December 31, 2008:

Capital gains from sale of Genussscheine is taxable with a flat rate of 25% income tax plus 5.5% solidarity surcharge and if applicable 8-9% church tax - irrespective of the holding period. There is an exemption of EUR 801 (EUR 1,602 for married couples filing jointly) available for all capital income received in one year. In case the capital gains exceed the tax-exempted amount the amount has to be declared in the income tax return (Anlage KAP).

Purchase of Genussscheine before January 01, 2009:

If the Genussscheine are held more than 12 months, the capital gain realised upon sale will be tax exempt (unless you owned at least 1% of the company's nominal shares during the 5 years immediately preceding the sale). Since the Genussscheine purchased under Roche Connect are subject to a four-year blocking period, generally no capital gain tax should be due.

TAXATION OF DIVIDEND PAYMENTS

Switzerland

Dividends paid to you in cash or directly reinvested in additional Genussscheine are subject to Swiss withholding tax of 35%. However, based on the double tax treaty between Switzerland and Germany, such withholding tax may be reduced to a rate of 30%, provided you timely file the relevant forms.

Germany

Dividends are taxable with a flat rate of 25% income tax plus 5.5% solidarity surcharge and if applicable 8-9% church tax, if all capital income exceed the tax-exempted amount of EUR 801 (or EUR 1,602 for married couples filing jointly).

You may claim a tax credit against your German income tax payable for any Swiss dividend tax withholding deducted at source (max. 15%).

WEALTH TAX

Switzerland

German cross-border commuters are not subject to Swiss wealth tax.

Germany

There is no wealth tax in Germany.

AUTOMATIC EXCHANGE OF INFORMATION (AEOI)

Switzerland

Switzerland has introduced new due diligence and reporting obligations as of 1 January 2017 for the automatic exchange of information. The AEOI involves the systematic and periodic transmission of taxpayer information concerning the financial accounts held by non-residents (from a tax perspective) with financial institutions operating in a participating country provided that you are tax resident in another jurisdiction that has also signed the Multilateral Competent Authority Agreement (MCA Agreement) and agreed to exchange information on an automatic basis.

Your information is transmitted from the financial institution to the Swiss tax authorities, who in turn transmit it to the relevant tax authorities of your country of residence (again from a tax perspective). The information to be transmitted includes:

- Identification information (e.g. name, address, country of domicile, date of birth and/or tax identification number)
- Account information (e.g. name of financial institution and account number)
- Financial information (e.g. account/portfolio balance, dividends, interests, other source of income and sales proceeds)

Employee Tax Fact Sheet

French cross-border commuters

This summary outlines the general tax and social security implications for French cross-border commuters of Roche who participate in Roche Connect. All employees who reside in France but work in the border zone of Switzerland and are not spending more than 45 nights outside of France for professional reason are French cross-border commuters.

This summary is provided for informational purposes only and should not be relied upon as being either complete or conclusive. The tax consequences included below are in accordance with Swiss and French tax and social security law and practices as of January 1, 2020. These laws and practices may change over time.

GENERAL TAXATION OF FRENCH CROSS-BORDER COMMUTERS

In principle, employment income of French cross-border commuters is taxable in France. According to the agreement between France and some Swiss cantons (Bern, Solothurn, Basel-Stadt, Basel-Landschaft, Waadt, Wallis, Neuenburg and Jura), France pays financial compensation of 4.5% of the annual gross employment income of all French cross-border commuters to the canton where they work. Therefore, Swiss tax will not be deducted from employment income.

For cantons which have not signed the above-mentioned agreement the following rules are applicable: gross employment income of cross border commuters working in these cantons is subject to Swiss wage tax withholding. However, provided that the income has effectively been subject to Swiss income tax, the French cross border commuter will be granted a credit on their French tax return in application of the double tax treaty between France and Switzerland (signed on September 9, 1966). This is a deemed tax credit: it is equal to the French tax which would be due on the employment income taxed in Switzerland and not to the actual Swiss income tax paid.

Since January 1st, 2019, the current year withholding tax system has been implemented in France. This tax reform does not change the calculation method of French income taxes but removes the one-year lag between receiving income and paying the corresponding income tax.

In principle, the income received by the individual such as employment income, pension, life annuities, income from industrial, commercial and agricultural activities, non-commercial profits and rental income, are subject to tax withholding at source.

This tax reform is impacting French tax residents, as well as French non-tax residents who receive French sourced income in scope of the withholding tax system.

Specific income categories are excluded from the withholding tax system. These types of income are taxed at a progressive scale or proportional rate. The types of incomes are, for example:

- Capital gains;
- Real estate gains;
- Gains from the sale of tangible personal property;
- Gains from the sale of securities and corporate rights (shares, bonds, etc.) as well as income and similar gains;
- Long Term Incentives (for the ones which are qualified under French domestic tax legislation).

Tax withholding for the cross-border commuters working in cantons not covered by the cross-border workers agreement between France and Switzerland

By way of exception, in accordance with the provisions of the double tax treaty between France and Switzerland, foreign income, subject to a tax credit equal to French taxes on such income, is not subject to the new withholding tax system. Consequently, income taxable in Switzerland which gives rise to a French tax credit, is not subject to the withholding tax.

Tax withholding for the cross-border commuters working in cantons covered by the cross-border agreement between France and Switzerland.

Since January 1st, 2019, foreign sourced income paid by a debtor/employer located in Switzerland, and taxable in France according to the applicable rules, will not be subject to the withholding tax system but triggers the payment of a direct debit instalment from the individual's bank account. This instalment is triggered even if the income is eligible to a tax credit equal to the foreign tax.

This rule is applicable to the employment income of cross-border commuters covered by the agreement, tax residents in France and working for a Swiss employer.

Reference period for the direct debit instalment

The basis for the direct debit instalment is the taxable profit and/or income of the last tax year, for which the tax was assessed at the payment date. In other words, the instalment payable in year N is determined based on the last profit or income known by the tax authorities.

The basis for the direct debit payment on foreign sourced income paid by a debtor/employer located in Switzerland and taxable in France according to the applicable rules is identical to income of French source: it is the net amount subject to income tax.

The implementation of the withholding tax system does not eliminate the tax return filing obligation for the taxpayers. Taxpayers must submit in year N an annual income tax return to declare the income received during year N-1. This tax return filing will allow the tax administration to off-set the withholding taxes by calculating the balance remaining to be paid or refunded.

SOCIAL SECURITY REGIME APPLICABLE TO FRENCH CROSS-BORDER COMMUTERS

Employees who reside in France but work in the border zone of Switzerland are in principle subject to the Swiss social security system, including health insurance (LAMal). They benefit from health care coverage in France as if they were affiliated to the French social security system.

However, cross-border commuters who reside in France can be exempt from the Swiss health insurance system and opt, as an alternative, for affiliation to the French health insurance system ("Couverture Maladie Universelle – CMU") by joining the CPAM they depend on based on their home address. The annual contribution is assessed by and payable to the CNTFS (National Centre for the Swiss Cross-border commuters). The cross-border commuters who opt for CMU are subject to a specific contribution of 8 % of their reference fiscal income "revenu fiscal de référence" Y-2 (i.e. 2017 for 2019) after a flat deduction of € 10,131 which is doubled should both taxpayers be cross-borders ; no CSG- CRDS contributions are due (applicable rates for 2019).

The option for the French CMU must be made by the cross-border commuter within a three month period in each of the four following situations:

- i. the start of a professional activity in Switzerland;
- ii. the recovery of the professional activity in Switzerland after an unemployment period;
- iii. the transfer of residence to France;
- iv. the change of status from cross-border commuter to retired.

Once the allotted time has passed, the cross-border commuter is automatically affiliated to the Swiss health insurance (LAMal).

In case the requisite documentation is not provided, the French social authorities will compute the social contributions due based on five times the French social security cap (i.e. € 202,620 for 2019). In case the documentation is provided late and catch up is requested, an updated calculation will be processed based on the income reported, but an increase of 10% will be applied on the taxable basis due to late reporting.

The choice of the health insurance regime, either in the country of residence (France) or in the country where the professional activity is performed (Switzerland), is irrevocable and shall remain in force except if the cross-border's situation changes (new professional activity in Switzerland after a period of unemployment, repatriation to France, switch of status from employee to retiree).

PURCHASE OF GENUSSSCHEINE

Switzerland

The difference between the purchase price and the reference price (i.e. the discount equal to 20% of the reference price) is considered net employment income, and therefore, subject to tax withholding and Swiss social security charges. However, since the Genussscheine are blocked for 4 full years from the purchase date, the Swiss authorities grant a tax discount in the range of 20%. Given that the tax discount equalizes at least the discount on the reference price, no employment income arises upon the purchase of Genussscheine under Roche Connect, and therefore, no tax withholding and social security liability should arise.

In case of early deblocking of the Genussscheine in the event of termination of employment, additional gross employment income arises, which is subject to income tax and social security liabilities at the date of deblocking.

France

The tax discount granted in Switzerland is not applicable for French tax purposes. The difference between the purchase price and the reference price (i.e. the 20% discount) is considered as taxable employment income, and therefore, subject to French income tax. You must declare this employment income to the French tax authorities for income tax purposes.

UPON THE SALE OF GENUSSSCHEINE

Switzerland

No tax liability will arise upon the sale of the Genussscheine.

France

The difference between the sales price and the fair market value of the Genussscheine at acquisition date is subject to capital gains tax.

Since January 1st, 2018, capital gains are subject to a flat tax called "*Prélèvement Forfaitaire Unique – PFU*" with an overall rate of 30% (made up of income tax at 12,8% and social surtaxes at a rate of 17,2% (with 6,8% deductible from taxable income in the following year).

The Exceptional High Earners Contribution ("CEHR") at 3% or 4% is also due for those who are subject to it (see below)

However, the taxpayer may elect to be taxed using progressive rates. This election is global (covering all income otherwise subject to the PFU) and irrevocable. In this case, the amount subject to capitals gains tax can be reduced for certain holding periods, but exclusively on securities acquired prior to January 1st, 2018 ("*Clause de sauvegarde*") The reduction depends on the number of years the shares were held: 50% for shares held between two and eight years and 65% for shares held for more than eight years.

The holding period runs from the date of purchase of shares to the date of sale. The reduction applies to the net overall gain once capital gains are offset by capital losses.

This reduction is only applicable for income tax purposes and not for social surtaxes.

It does not apply to any shares acquired on or after January 1, 2018.

Capital gains may also be subject to the Exceptional High Earners Contribution (for unmarried individuals, 3% applies to income between EUR 250,000 to EUR 500,000, and 4% to the excess / for married couples, the 3% rate applies to income between EUR 500,000 to EUR 1 million, with 4% on the excess). The Exceptional High Earners Contribution is calculated on 100% of the gain, before any reduction for holding periods.

TAXATION OF DIVIDEND PAYMENTS

Switzerland

Dividends paid to you in cash or directly reinvested in additional Genussscheine are subject to Swiss withholding tax of 35%. However, based on the double tax treaty between Switzerland and France, such withholding tax may be reduced to a rate of 15%, provided you timely file the relevant forms.

France

You must report dividend income in the French income tax return in the year the dividends are received (e.g. dividend income received in 2019 must be reported in the 2019 French income tax return, to be filed in May 2020).

You may benefit from a tax credit to offset your French income corresponding to the lower of the following amounts:

- i. either Swiss tax withheld as provided for by the tax treaty between France and Switzerland (but only to the extent of your French tax liability on this same dividend income), or;
- ii. the amount of income tax actually paid in Switzerland on such income should it be lower than the tax as provided for by the treaty.

Since January 1, 2018 investment income is subject to a flat rate tax called “Prélèvement Forfaitaire Unique – PFU”. The tax rate is a flat 30% and is made up of income tax at 12.8% and social surtaxes at 17/2%. (6.8% of which is deductible in Y+1). As concerns dividends from Switzerland, French residents must declare the income and pay the tax by the 15th of the month following the receipt of the income. The tax form (form 2778-div-sd) is now available on the tax administration’s website. Alternatively, you can ask the Swiss bank/broker to handle this formality for you.

Taxpayers can opt to have their investment income taxed at progressive rates when they file their individual income tax return. The option is global and covers all the investment income covered by the PFU for any given year (all or nothing principle). The option is irrevocable.

WEALTH TAX

Switzerland

French cross-border commuters are not subject to Swiss wealth tax.

France

Since January 1, 2018, French cross-border commuters may be subject to a new wealth tax called “Impôt sur la Fortune Immobilière – IFI”. This new tax replaces the old wealth tax called « Impôt de Solidarité sur la Fortune – ISF”.

Taxpayers with net real estate assets, held directly or indirectly, worth more than EUR 1.3 million on January 1st of the tax year are subject to IFI at rates ranging between 0.5% and 1.5%. Net value means the gross value of real estate less related debts existing on January 1.

While net wealth under EUR 1.3 million remains exempt, once the threshold is reached, the progressive rates will apply to net wealth in excess of EUR 800,000.

AUTOMATIC EXCHANGE OF INFORMATION (AEOI)

Switzerland

Switzerland has introduced new due diligence and reporting obligations as of 1 January 2017 for the automatic exchange of information. The AEOI involves the systematic and periodic transmission of taxpayer information concerning the financial accounts held by non-residents (from a tax perspective) with financial institutions operating in a participating country provided that you are tax resident in another jurisdiction that has also signed the Multilateral Competent Authority Agreement (MCA Agreement) and agreed to exchange information on an automatic basis.

Your information is transmitted from the financial institution to the Swiss tax authorities, who in turn transmit it to the relevant tax authorities of your country of residence (again from a tax perspective). The information to be transmitted includes:

- Identification information (e.g. name, address, country of domicile, date of birth and/or tax identification number)
- Account information (e.g. name of financial institution and account number)
- Financial information (e.g. account/portfolio balance, dividends, interests, other source of income and sales proceeds)