



## CAPGEMINI GROUP EMPLOYEE SHARE OWNERSHIP PLAN 2022 LOCAL SUPPLEMENT FOR INDIA

*You are invited to invest in the shares of Capgemini SE through the Capgemini Group Employee Share Ownership Plan 2022 ("ESOP 2022"). You will find below a summary of the terms of ESOP 2022 and specific terms applicable to employees in India, including principal tax and social security consequences relating to ESOP 2022.*

*For a complete description of ESOP 2022, please refer to the Employee Information Brochure, the Key Investor Information Document ("KIID") "ESOP Leverage P 2022" compartment of the "ESOP CAPGEMINI" FCPE provided together with this supplement, and also available on <https://esop.capgemini.com/2022>.*

*Please note that the decision to participate in ESOP 2022 is yours, considering your own situation and any independent advice you may require. Please also note that ESOP 2022 and its terms will not form part of your individual employment relationship with your Employer. Neither your Employer nor Capgemini SE will give you investment advice with respect to ESOP 2022. You are encouraged to consult Capgemini SE's Registration Document and any interim financial reports, which contain important information on its activities, strategy, financial results and certain risks associated with its business and investment in Capgemini SE shares.*

*This ESOP 2022 relies on the exemption from publishing a prospectus provided for in Article 1.4(i) of the EU Regulation 2017/1129/EC.*

### General description of Esop 2022

#### Eligibility

All current employees of Capgemini Group companies in India, including the employees of the direct or indirect majority-owned (Indian) subsidiaries of Capgemini SE, the French parent company of the Capgemini group, are eligible to participate in ESOP 2022, provided they have completed a minimum employment period of three (3) months in the Capgemini Group since January 1, 2021 up to November 9, 2022 (date of the closing of the revocation period), and who has also been employed with Capgemini Group companies in India (including the direct or indirect majority-owned (Indian) subsidiaries of Capgemini SE) for at least one day between November 7 and November 9, 2022.

## Reservation/Subscription Period

The reservation/subscription period starts on September 14, 2022, and lasts until 5 pm, October 3, 2022 (inclusive). During the reservation/subscription period, you will be able to submit your subscription orders to subscribe to Capgemini SE shares (through the compartments of the "ESOP Capgemini" FCPE<sup>1</sup>).

## Subscription/Revocation Period

During the reservation/subscription period, the subscription price for the Capgemini SE shares will not be known. Capgemini SE will set the subscription price on November 3, 2022.

The revocation period starts on November 7, 2022, and lasts until 5 pm, November 9, 2022 (inclusive). During the revocation period, you are permitted to cancel/revoke your subscription order in total. Partial cancellation is, however, not possible. Upon the expiration of the revocation period, the outstanding orders shall become final, irrevocable, and binding on you.

## Subscription Price

The CEO of Capgemini SE will set the subscription price and communicate to you on November 3, 2022, via postings in your workplace and on the internet site dedicated to ESOP 2022.

The subscription price for Capgemini SE shares will be at a discount of 12.5% from the 'reference price'. The reference price will be determined based on the arithmetic average of the daily volume-weighted average of the Capgemini SE share price over the 20 consecutive trading days ending November 2, 2022. As a result, the subscription price will equal the reference price, less a 12.5% discount.

It is to be noted that your subscription price will be in euros (€). Consequently, for subscription purposes, the amount of your payment in Indian Rupees (INR) will be converted using the exchange rate communicated to you before the revocation period. In all other circumstances than those referred to above, exchange rates may affect the value of your investment as they are governed by the market and are not guaranteed.

***Important Note: During the life of your investment, the value of the Capgemini SE shares subscribed through the FCPE will be affected by fluctuations in the currency exchange rate between the euro (€) and INR. As a result, if the € strengthens relative to INR, the value of the shares expressed in local currency will increase. On the other hand, if the value of the € weakens relative to INR, the value of the shares expressed in INR will decrease.***

## Method of Payment – What are the payment methods available for my subscription?

The following payment methods are made available to subscribe to Capgemini SE shares:

- deduction by single disbursement from your monthly salary for December 2022; or
- availing of the finance facility offered by your Employer and repayment in four equal monthly instalments deducted from your salary commencing December 2022<sup>2</sup>.

The choice of the payment method will need to be indicated in the Reservation/Subscription Form.

## Financing by Employer

On request, your Employer will offer financing to you for the full subscription price. Financing would be in the form of a short-term 'interest-free' loan, which would be repayable/recoverable from you over a period of four (4) months through the monthly payroll commencing December 2022.

Although the said financing would be interest-free, under the Income-tax Act, a notional interest as per the Income-tax Act would be chargeable and treated as a perquisite and taxable in your hands until repayment<sup>3</sup>.

<sup>1</sup> "ESOP Capgemini" FCPE (Fonds Commun de Placement d'Entreprise) is an employee shareholding vehicle (commonly used by French companies), through which employees can own Capgemini SE shares.

<sup>2</sup> As per the Companies Act, 2013 and the Rules made thereunder, where your Employer company is a public limited company (including a private company which is a subsidiary of a public company), your Employer can provide finance facility/assistance to its employees to subscribe to Capgemini SE shares (under ESOP 2022) provided shareholders' approval has been obtained. Accordingly, wherever relevant, the shareholders' approval has been obtained in accordance with the law.

<sup>3</sup> Further details are provided in the section on taxation.

## Maximum & Minimum Subscription Amount

During the reservation/subscription period (September 14 to October 3, 2022), you will be able to submit your subscription orders to subscribe to Capgemini SE shares (through the compartments of the "ESOP Capgemini" FCPE) for a maximum of 2.5% of your estimated gross annual salary for 2022. However, if you could not subscribe during the reservation/subscription period, in that case, you may still subscribe during the subscription/revocation period (November 7 to 9, 2022), wherein your subscription order shall be limited to 0.25% of your estimated gross annual salary for 2022. Gross annual salary is defined as your Annual Total Cash Compensation (including Variable Pay at target for 2022).

Your responsibility is to ensure that the investment does not exceed the above limits, calculated based on the 2022 calendar year (January 1 2022, to December 31 2022). You will need to estimate the remuneration you expect to receive by the end of the year in making the calculation. So, we suggest you estimate your remuneration without including variable pay elements and other benefits you are not guaranteed to receive. If the amount of your subscription exceeds the limit, your subscription may be accordingly reduced.

The minimum subscription amount is INR 8,500.

## Currency Exchange Control

All Indian resident individuals, who are either employees or executive directors of Capgemini India, are permitted to acquire foreign securities under ESOP schemes without any monetary limit. However, for ESOP 2022, the maximum subscription amount per employee is given above.

Subject to the terms and conditions of ESOP 2022, you may transfer by way of sale the foreign securities acquired under ESOP 2022 provided that the proceeds thereof are repatriated immediately on receipt thereof, and in any case, not later than 90 days from the date of sale of such securities. All remittances made by you under ESOP 2022 shall be under and subject to all the applicable Indian foreign exchange control laws and regulations in force.

## Securities Notices

This document and the offer made herein are addressed only to Capgemini group employees eligible to participate in the ESOP 2022. Presently, no Indian securities law or other filing or reporting requirements apply to this ESOP 2022.

## Custody of your Units/Shares

Your units/shares will be subscribed to and held on your behalf by a collective shareholding vehicle, known as Fonds Commun de Placement d' Entreprise (FCPE), commonly used in France for the custody of shares held by employee-investors. The subscription to the Capgemini SE shares will be made by the FCPE, acting on your behalf. You will be issued units of the FCPE corresponding to the shares you will have subscribed to and held on your behalf by the FCPE. Thus, for each amount invested corresponding to the subscription price of one share, you will receive one unit of the FCPE. The units of FCPE will not be listed on a stock exchange and are not transferable to a third party. The units can be redeemed only in the manner provided hereinabove.

## Dividends

You will not be entitled to receive any dividend on the units you hold through the FCPE "ESOP Capgemini" in exchange for units of the "ESOP Leverage P 2022" Compartment.

## Voting Rights

On your behalf, the voting rights attached to your Capgemini SE shares will be exercised by the Supervisory Board of the FCPE.

## Early Exit Events - In which cases may I ask for early redemption?

In consideration of the benefits granted under ESOP 2022, your investment must be held for a five years lock-up period ending on December 15, 2027, except in the case of early exit events listed below, wherein you may request the redemption of your units before the end of the five-year lock-up period:

- termination/resignation/superannuation of the employment contract,
- disability of the employee (resulting in a permanent or temporary (of at least 6 months) disability to exercise professional activity), and
- death of the employee.

It is clarified that in the event of a change of Employer (within Capgemini Group), where the new Employer is an entity that has participated in or is participating in the ESOP in a country under the same structure as India, i.e. the FCPE's « ESOP Leverage P » compartments, it shall not constitute an early exit case. On the other hand, a change of Employer (within Capgemini group), where the new Employer is an entity that has participated in or is participating in the ESOP in a country under a different structure or in a non-participating country, may constitute, upon Capgemini SE's sole decision, an early exit case. In addition, at Capgemini SE's sole discretion, early redemption may also apply if your Employer ceases to be a Capgemini SE subsidiary.

In these circumstances, you (or your personal representatives) would need to request an early redemption/exit as this would not be automatic. The above summarises the current early exit provisions permitted under French laws. However, you should not conclude that an early exit event is applicable unless you have described your specific situation to your Employer in the prescribed form and your Employer has confirmed that the same applies to your situation subject to you providing the requisite supporting documents. For further information on the early exit events and/or redemption procedure, please contact your Human Resources Department.

If you submit an early exit request, the FCPE manager will execute your request after being validated by your Employer and transfer the value of your investment to you or your Employer. Please see the relevant FCPE information notice regarding the timing of execution of early exit requests.

## Redemption

Your investment becomes available for redemption on the expiry of the 5-year lock-up period (ending on December 15, 2027) or earlier in the case of an early exit event as set out above. At the end of the lock-up period, you will be intimated of the expiry of the lock-up period and the availability of your investment and the redemption process.

After the expiry of the lock-up period, you may either request the redemption of your investment - **(1)** in a cash payment, or **(2)** wherever permitted, elect to transfer the units into another FCPE offered within the employee group savings plan.

## Labour Law Disclaimer

Please note that this ESOP 2022 is provided to you by the French company, Capgemini SE, not by your local Employer. The decision to include a beneficiary in this or any future ESOP 2022 is taken by Capgemini SE at its sole discretion. ESOP 2022 does not form part of your employment agreement and does not amend or supplement such an agreement. Participation in ESOP 2022 does not entitle you to future benefits or payments of a similar nature or value and does not entitle you to any compensation if you lose your rights under ESOP 2022 due to the termination of your employment. Benefits or payments that you may receive or be eligible for under ESOP 2022 will not be considered in determining the amount of any future benefits, payments or other entitlements that may be due to you (including in cases of termination of employment).

## Change of Date or Cancellation/Termination

Please note that the dates provided in the documentation relative to ESOP 2022 are indicative and may be changed at any time by Capgemini SE. Furthermore, Capgemini SE may also, at its discretion, choose to cancel ESOP 2022.

## Further Information

- You understand that your investment value is tied to Capgemini SE's share price changes. Therefore, you risk the amount of your personal contribution invested in the ESOP 2022 and understand the importance of diversifying your investments. Neither Capgemini nor your Employer nor any subsidiaries, directors, officers, or employees provides financial, investment, tax or other advice connected with ESOP 2022.
- Capgemini SE or your Employer shall not be liable for any act done or omitted to be done in connection with ESOP 2022, except for its willful misconduct or as expressly provided by the law.
- The ESOP 2022 is subject to the laws of the Republic of France and should be interpreted following such laws. These laws have been chosen to apply because Capgemini SE is a company organized under the laws of France. In case of any dispute regarding the interpretation, validity or application of ESOP 2022, the relevant parties will strive to find an amicable solution. If such a solution cannot be found, the dispute shall be heard by a competent court in France.
- If you have any questions regarding this offer, you should contact your local Plan Officer. Their details appear on <https://esop.capgemini.com/2022>.



## Tax information for employees resident in India

*This document aims to answer some of your questions regarding income tax and social charges consequences arising from your participation in the Capgemini Group Employee Share Ownership Plan 2022 ("ESOP 2022").*

*This summary sets forth general principles that are expected to apply to employees who (i) are residents of India under the tax laws of India and the Convention between India and the French Republic for the avoidance of double taxation dated September 29, 1992 (the "Treaty"), and (ii) are entitled to the benefits of the Treaty; and who would continue to remain, residents of India, until their rights to the units in ESOP 2022 will have ended. The tax consequences listed below are described under India and certain French tax laws, tax practices and the Treaty, all of which are applicable as of date.*

*Please note that this Country Supplement is based on the laws in force as of July 1, 2022. These laws, practices, and the Treaty are subject to change, affecting your tax position. For more specific and definitive personal advice and to take care of any possible changes in the personal tax legislation, it is recommended that you consult your tax advisors regarding the tax consequences of subscribing to Capgemini SE shares through the compartment "ESOP LEVERAGE P 2022" of the Fonds Commun de Placement d'Entreprise ("FCPE") "ESOP CAPGEMINI" in this Offering.*

*This summary is given for informational purposes only and should not be relied upon as being either complete or conclusive. While every effort has been made to provide information as precise as possible, the employing company ("Employer") does not take responsibility for its accuracy.*

This tax note should be read in conjunction with the Brochure and other materials distributed to you and available at <https://esop.capgemini.com/2022>.

### Upon subscription

#### **I. Will I be required to pay any tax or social security charges at the moment of subscription?**

##### **(i) Taxation in France - At the time of Subscription**

Provided your investment is held through the FCPE "ESOP CAPGEMINI" in exchange for units of the "ESOP Leverage P 2022" Compartment, you will not be subject to tax or social charges in France.

##### **(ii) Taxation in India – at the time of Subscription**

###### **In the hands of Employees:**

Your investment in Capgemini SE shares will be contributed and held in a collective employee shareholding vehicle (FCPE) called FCPE "ESOP CAPGEMINI" in exchange for units of the "ESOP Leverage P 2022" Compartment.

For the financial year 2022-2023, at the time of allotment, you would be liable to pay tax on the amount of difference between the fair market value of Capgemini SE shares (which is to be determined by a Merchant Banker) and the subscription price paid by you. Such amount shall be treated as "perquisite" income and taxable in your hands under section 17(2) of the Income-tax Act, 1961.

The valuation of perquisite is calculated on the difference between:

- (i) the "fair market value" of the shares on the specified date, as determined by a "category I merchant banker" registered with the Security and Exchange Board of India<sup>4</sup>; and**
- (ii) the subscription amount paid by you.**

In terms of ESOP 2022, the Capgemini SE shares are offered at a 12.5% discount. Therefore, the proposed discount on the fair market value of the shares would be treated as a perquisite under Section 17 of the Income-tax Act, 1961 and, as a result, would form part of your compensation and liable to be taxed in your hands as income under the head "Salaries". Ordinarily, perquisite tax would apply to the discount on the shares subscribed with your own contribution. Employer will withhold tax at the rate applicable to you and remit the withheld tax to the tax authorities (for applicable tax rates, please refer to the table below).

Consequently, a share valuation certificate issued by a category I merchant banker would be required for determining the "fair market value" of Capgemini SE shares, and the difference between the subscription price paid by you and such "fair market value" will be treated as perquisite income and taxed at the applicable tax rate. Your Employer will procure such a share valuation certificate.

<sup>4</sup> The merchant banker will consider the listed price of Capgemini SE share on the Euronext Paris (the Paris stock exchange) on the specified date (i.e., date of subscription or any date within 180 days earlier to the date of subscription) as one of the considerations.

**Illustration:**

Fair Market value of 1 Capgemini SE share:	Rs. 100.00
Subscription price paid by you @ 12.5% discount:	Rs. 87.50
Discount :	Rs. 12.50

**Discount of Rs. 12.50 will be treated as “perquisite” income and added to your taxable salary.**

You would have no social tax consequences when you subscribe to units/shares through the FCPE.

**In the hands of the Employer:**

There will be no liability on the Employer to pay tax.

**II. Will the interest-free loan be taxable?**

Under Section 17(2)(vi) of the Income-tax Act, 1961, read with Rule 3 of Income-tax Rules, 1962, perquisite includes the value of any benefit or amenity granted or provided free of cost or at a concessional rate. Per the provisions of Rule 3(7)(i) of the Income-tax Rules, 1962, an interest-free loan or loan provided at a concessional rate qualifies as a perquisite. Therefore, the benefit, concession or amenity extended by the Employer to you (if you so opt) would take the form of perquisite and liable to tax in your hands.

**Valuation of Perquisite (in the form of an interest-free loan)**

Since financing by the Employer would be free of interest, the Indian tax law requires a charge of notional rate of interest on the loan amount, which would be treated as a perquisite granted to you and subject to tax. Perquisite value would be calculated based on the maximum outstanding monthly balance method. However, no perquisite value would be charged if the loan amount is less than INR 20,000 in the aggregate.

According to Rule 3(7)(i) of the Income-tax Rules, 1962, the value of the benefit to the employee resulting from the interest-free or concessional loan (above INR 20,000) for any purpose by the Employer shall be determined as the sum equal to the interest computed at the rate charged per annum by the State Bank of India as on the first day of the relevant previous year in respect of loans for the same purpose advanced by it, on the maximum outstanding monthly balance as reduced by the interest, if any, actually paid by him with respect to the loans above INR 20,000.

The rate charged by the State Bank of India for such type of loan is 13.50%<sup>5</sup> per annum (which is subject to change from time to time). As the value of perquisite in the hands of the employee would be the difference between the interest rate charged by the State Bank of India and the rate offered by the Employer (in the present case zero, since the Employer will not charge interest), the value of perquisite will be 13.50% on the maximum outstanding monthly balance. Since the perquisite value on account of an interest-free/concessional loan would be taxable in your hands, the Employer would withhold tax thereon at the appropriate rate.

There would be no social security tax consequences for you in case of financing by the Employer.

**Illustration:**

1. Sameer takes a loan of Rs. 18,000 from his Employer on December 1, 2022, to subscribe to ESOP 2022. As the loan amount is less than Rs. 20,000, no amount is chargeable to tax (provided this loan (or other outstanding interest-free loans) does not exceed, in the aggregate, Rs.20,000).
2. Sameer takes a loan of Rs.100,000 from his Employer on December 1, 2022, to subscribe to ESOP 2022. The loan is repayable by way of monthly payroll deductions over 4 months. The perquisite is not exempt from tax as the loan amount is higher than Rs. 20,000.

<sup>5</sup> Provisional Rate. The interest rate undergoes a change periodically. Rate to be reconfirmed by Employer.

Perquisite calculation: The perquisite value for the year 2022-23 is calculated as follows:

On 01-December-2022, an employee is provided with an interest-free personal loan of Rs.80,000, recovered across four instalments. The repayment, through payroll deduction, happens on the last day of each month, with the first loan instalment falling due on 31-December-2022. The SBI interest rate as of 01-Apr-2022 is assumed to be 13.50% per annum.

Interest-Free / concessional Loan to Employee - Valuation of Perquisite - Financial Year 2022-23		
SBI Interest as on 01.04.2022		13.50% <sup>6</sup>
Actual Interest charged by Employer (in Rs.)		0
Loan Outstanding on 01.12.2022		80,000
Monthly Repayment instalment		20,000
Month	Maximum amount outstanding on the Last Day of the Month	Perquisite Value <sup>7</sup> (Interest as per SBI rate)
Dec-22	60,000	675
Jan-23	40,000	450
Feb-23	20,000	225
Mar-23	0	0
<b>Total Interest / Perquisite Value</b>		<b>1350</b>
<b>Less: Recovered</b>		<b>0</b>
<b>Valuation of Perquisite</b>		<b>1350</b>

## During the life of the plan

### III. Will I be required to pay any tax or social security charges on dividends?

***Under ESOP 2022, you will not be entitled to receive a dividend from the units/shares. Therefore, you do not benefit from dividends paid to the FCPE "ESOP CAPGEMINI".***

#### (i) Taxation in France

No withholding tax will be levied in France in the absence of distribution to employees by the FCPE "ESOP CAPGEMINI" of the dividends received from Capgemini.

#### (ii) Taxation in India

Your investment will be held through the FCPE "ESOP CAPGEMINI" (in exchange for units of "ESOP Leverage P 2022" Compartment), and you will not be entitled to dividend distribution; Hence, no Indian tax would be levied in India during the Lock-up Period.

### IV. Will I be required to pay any wealth tax on the units I own?

Not applicable as the wealth tax act is abolished.

### V. What are my reporting obligations concerning the subscription, holding and redemption of the FCPE units, and paying dividends?

If you are a resident and ordinarily resident as per the provisions of the Income-tax Act, 1961, in that case, you will be subject to taxation on your global income in India, subject to benefits available, if any, under the Treaty between India and France. Therefore, you must disclose your investment under ESOP 2022 in Capgemini SE during the holding period, receipt of dividend (if any, after the lock-up period) and the capital gains earned at the time of redemption in your income-tax return (Form ITR-2) in the relevant financial year.

Thus, while filing your income-tax return (in Form ITR-2), you must report the units you hold in FCPE ESOP Capgemini 2022 (during each relevant financial year) (and the units held by you under the earlier Capgemini ESOP plans) and the foreign-sourced income earned therefrom. Such reporting is necessary (irrespective of the value) in the tax return using the appropriate ITR Form (ITR-2).

<sup>6</sup> SBI rate of interest (provisional) as of 1st April 2022 (for Personal Loans). To be reconfirmed by the Employer.

<sup>7</sup> Perquisite value = Maximum Outstanding Monthly Balance (Closing Balance) x 13.50% / 12.

In addition, apart from the value/cost of Capgemini shares, the income earned from the units/shares and the nature of income and head of income under which such income is being offered to the tax must be reported. Please note that you must provide details of the foreign assets held (units in the FCPE ESOP Capgemini 2022) in Schedule F.A. of the ITR form and fill the Schedule Foreign Source Income (FSI), Schedule AL<sup>8</sup> and Schedule Tax Relief (T.R.) of the return of income, wherein details, such as taxpayer identification number in the overseas country (if any), type of foreign income earned, amount of income, foreign tax paid thereon and India tax payable on such income are required to be disclosed. You must consult your tax advisor to ensure compliance with applicable reporting obligations.

**Format of declaration in Form ITR-2 when you invest in units of FCPE ESOP CAPGEMINI 2022<sup>9</sup>:**

Details of any other capital asset held (Including any beneficial interest) at any time during the calendar year ending as on December 31, 20__ <sup>10</sup>									Income Taxable and Offered in this return		
SN	Country Name and Code	Zip Code	Nature of Asset	Ownership- Direct/ Beneficial Owner/ Beneficiary <sup>11</sup>	Date of Acquisition	Total investment (at cost) (in Rs)	Income Derived from the asset	Nature of Income	Amount	Schedule where offered	Item number of schedule
1	(2)	2b	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	France FR	75017	Units of FCPE "ESOP CAPGEMINI" issued under Capgemini ESOP 2022	Beneficial Owner	15/12/2022	(See Footnote 12)	NIL (if no sale during FY 22-23). Whenever sold, please state the sale price multiplied by the SBI TT buying rate of the last day of the month immediately preceding the month in which the sale takes place minus the investment cost in Cl 6 in proportion to the shares sold	NIL. Please fill only in case of sale of units and choose between: long-term or short-term capital gains depending on the period of holding	NIL. Please fill the capital gains income only in case of the sale of units	NIL. Please write Schedule CG - only in case of sale of units	NIL. Please write B(9) – From the sale of assets where B1 to B8 above are not applicable- only in the case of sale of units, and a long-term capital gain (In case of short term, please fill the A5 schedule in the Capital Gains section NIL. Please write B(9) – From the sale of assets where B1 to B8 above are not applicable- only in the case of sale of units, and a long-term capital gain (In case of short term, please fill the A5 schedule in the Capital Gains section

<sup>8</sup> Schedule AL - Assets and Liabilities at the end of the year (applicable in a case where the total income exceeds Rs.5 million).

<sup>9</sup> Illustrative only. Please consult your tax advisor.

<sup>10</sup> Similar to ESOP 2022, please fill in details (separate line items) of your holdings/capital gains earned under each of the earlier Capgemini ESOP plans (subject to your participation).

<sup>11</sup> Subscription to Capgemini SE shares is by FCPE ESOP Capgemini acting on behalf of employees.

<sup>12</sup> Please multiply the FMV on the date of subscription i.e., on 19/12/2022 by the SBI TT Buying Rate of € to INR as of the last day of the month preceding the subscription month (30/11/2022). The price of the units (in €) and SBI TT Buying Rate to use at subscription would be communicated to you by your Employer.



Please also fill out Schedule AL, which is part of ITR-2, which requires disclosure of all assets and liabilities held by a taxpayer at the end of every financial year. Schedule AL is to be filled mandatorily by individuals if their total income after all deductions exceeds INR 5 million, and they have not engaged in any business or profession during the financial year. Individuals having a total income below INR 5 million are not required to file Schedule AL.

Repatriation of sale proceeds to India upon redemption: Subject to the terms and conditions of ESOP 2022, you may ask for the redemption of your FCPE units acquired under ESOP 2022, provided that all cash proceeds from the redemption of the unit are repatriated to India by the Indian resident employees and in any case within ninety (90) days of such redemption. A person resident in India to whom any foreign exchange is due or has accrued must take all steps to realize and repatriate to India such foreign exchange. On realization of foreign exchange due, a person must repatriate the same to India by transferring the proceeds to or receiving the proceeds in India and, *inter alia*, sell them to an authorized person in India in exchange for rupees. A person is deemed to have repatriated the realized foreign exchange to India when they receive payment in rupees in India from the account of a bank or an exchange house situated in any country outside India, maintained with an authorized dealer. The income received from redemption of units/shares must be reported in your ITR and tax paid thereon at the slab rates applicable, plus the surcharge and health and education cess.

## Upon redemption

### III. Will I be required to pay any tax or social security charges when, at the end of the lock-up period (or in the event of an authorized early exit event), I ask the FCPE to redeem my units for cash?

#### (i) Taxation in France

You will not be subject to income taxes in France on the gain realized on the redemption of your units.

#### (ii) Taxation in India

You may be subject to capital gains tax in India on the profit or gain realized on the redemption of your units. There are no social security taxes or other charges payable other than income tax.

#### **Nature of the tax (e.g. income, capital gain or another form of tax),**

Under the Income-tax Act, 1961, any profits or gains arising from transferring a capital asset (herein redemption or sale of units/shares) are chargeable to income tax under the head "**Capital Gains**". In simple terms, the difference between the selling price and the fair market value of the units/shares at subscription can be described as a capital gain/loss. Thus, if the selling price is higher than the fair market value at subscription, it results in a capital gain, and when the selling price is lower than the fair market value at subscription, it leads to capital loss. In other words, capital gains tax would be attracted only to the profit or gain made at the time of redemption of the units/shares.

Since Capgemini SE shares are not listed on a stock exchange in India, the tax treatment of the shares would be similar to the unlisted shares in India. The nature of capital gain, i.e., long-term or short-term, would depend on the holding period of units/shares. If units/shares are held for a period exceeding twenty-four (24) months, the capital gain will be treated as long term; otherwise (i.e., held for twenty-four (24) months or less), capital gain would be treated as short term and taxed accordingly. The holding period is calculated from the date of allotment of units up to the date of redemption/sale.

Long-term and short-term capital gains are taxed differently. Further detail on the rate of tax payable on the long-term and short-term capital gain is provided in the below section.

#### **Illustration:**

1. Sameer is a salaried employee of Capgemini India. In December 2022, he subscribed to ESOP 2022; Due to an early exit event, Sameer sold the units in February 2026. Hence, the period of holding the units under ESOP 2022 being more than 24 months, the units would be treated as long-term capital assets and capital gains, if any, earned would be taxed as long-term capital gains.
2. Sameer is a salaried employee of Capgemini India. In December 2022, he subscribed to ESOP 2022; Due to an early exit event, Sameer sold the units in July 2024, i.e. after holding for less than 24 months. Hence, the units under ESOP 2022 would be treated as short-term capital assets and capital gain, if any, earned would be taxed as short-term capital gains.

### **Method by which the taxable amount is to be calculated**

Capital Gain is calculated as the difference between the sale consideration<sup>13</sup> at redemption/sale and the fair market value of Capgemini SE shares at subscription. In other words, capital gains will be computed by taking the fair market value of shares at the time of subscription (regardless of the 12.5% discount at subscription) as the acquisition cost.

The income chargeable as capital gains shall be computed by deducting from the value of the sale consideration received from the redemption of the FCPE units, the “**indexed cost of acquisition**<sup>14</sup>” (indexed fair market value at subscription) of the shares, the cost of improvement and any expenditure incurred wholly and exclusively in connection with the transfer of the units/shares in the case where the units are held for a period of more than 24 months.

**Example:** In case you are a tax resident in India at the time of redemption of units/shares, the capital gain will be calculated in the following manner:

	Amount (INR)
Redemption price of units/shares	X
FMV of shares at subscription as the cost of acquisition / Indexed FMV of shares at subscription as cost of acquisition (in case of long-term capital gain)	Y
<b>Capital gain</b>	<b>X – Y</b>

In the case of short-term capital gain, the cost of acquisition would not be indexed.

### **Rate of Taxation**

- **Long-term capital gain:** The present applicable tax rate for Long Term Capital Gains is 20% (after indexation of acquisition cost), plus applicable surcharge and health and education cess.
- **Short-term capital gain:** Short-term capital gains are included in your income and are taxed per the slab-wise income tax rates specified below.

Let us take an example to make it clear:

#### **A. Long-Term Capital Gains**

Sameer subscribed to Capgemini SE shares in July 2014, whose fair market value (FMV) was Rs.150,000 (i.e., reference price without discount). He sold the shares in December 2020 for Rs.330,000. Since Capgemini SE shares are unlisted in India, the tax payable by Sameer would be @ 20% of the long-term capital gains (after indexation benefit).

#### **Calculation of Capital Gains (after Indexation benefit):**

Purchase Price (after indexation benefit) will be<sup>15</sup>: **150,000 x 301<sup>16</sup> / 240<sup>17</sup> = Rs. 188,125.**

Capital gains earned by Sameer (after indexation) will be **Rs.141,875**, as per the following calculation:

Sale value – (Indexed cost of interest paid on loan at subscription, if any<sup>18</sup> + Indexed FMV of shares at subscription as cost of acquisition) = **Rs.330,000 – 188,125 = Rs.141,875.**

**Therefore, Long-term Capital Gains tax @ 20% (after indexation) = Rs. 141,875 x 20 / 100 = Rs.28,375, plus applicable surcharge & health & education cess.**

#### **B. Short-Term Capital Gains**

Sameer is a salaried employee of Capgemini India. In December 2022, he subscribed to ESOP 2022; Due to an early exit event, Sameer sold the shares in July 2023, i.e. after holding for fewer than 24 months. Hence, the units under ESOP 2022 would be treated as short-term capital assets and capital gain, if any, earned would be taxed as short-term capital gains.

In this case, the income from the sale of the shares will be added to his regular income of Sameer and taxed according to the slab rates applicable (based on his total taxable income), plus the applicable surcharge and health and education cess.

<sup>13</sup> The SBI TT buying rate of EUR (€) as of the last day of the month preceding the month of redemption/sale should be considered for converting the sale consideration at redemption/switch into INR.

<sup>14</sup> Definition of “Indexed cost of acquisition” under the Income-tax Act, 1961: “Indexed cost of acquisition means an amount, which bears to the cost of acquisition the same proportion as Cost Inflation Index (“CII”) for the year in which the asset is transferred bears to the CII for the first year in which the asset was held by the person.”

<sup>15</sup> The formula to check the indexed purchase price of the asset is: **Cost of purchase multiplied by CII of the year of sale divided by CII of the year of purchase (CII = Cost Inflation Index).**

<sup>16</sup> Government of India’s Cost Inflation Index for FY 2020-21.

<sup>17</sup> Government of India’s Cost Inflation Index for FY 2014-15.

<sup>18</sup> Please consult your tax advisor before claiming a deduction.

## VII. Tax or social security charges that may be applied if my assets are transferred from the “ESOP CAPGEMINI” FCPE to another FCPE if I do not choose immediately to redeem my investment upon the expiry of the lock-up period?

Ordinarily, there is no difference in taxation regardless of whether the units are redeemed for units of another FCPE or in cash. Long-term capital gains tax would get attracted on any profit or gain arising at the time of such redemption/switch for units of another FCPE. Please refer to the above illustration for tax computation arising from the switch of units.

In the case of redemption for cash, the redemption price would be treated as the sale consideration to calculate the long-term capital gains tax. However, in case of redemption/switch to units of another FCPE, the value of the switched units as of the switching date shall be treated as the sale consideration.

Switching units of Leverage offer to another FCPE would be considered a redemption from Leveraged and new purchase in the other FCPE and is likely to have tax implications (capital gains) for you. Since you will switch from Leveraged, capital gains will be treated as long-term capital gains and taxed at 20% (after indexation benefit), plus the applicable surcharge and health and education cess.

**Subsequent sale of units held in switched into FCPE (of units switched from Leveraged to another FCPE after the lock-up period):** Any profit or gain arising from redemption/sale of the units in the switched into FCPE would be chargeable to income tax under the head “Capital Gains”. The difference between the sale consideration and the price of the units at switching<sup>19</sup> can be described as capital gain/loss. Thus, if the selling price is higher than the price at which the units were switched into another FCPE, it would result in a capital gain, and when the selling price is lower than the switching price, it will lead to capital loss. In other words, capital gains will be computed by reducing the value of the units at the time of switching as the acquisition cost from the sale consideration.

The nature of capital gain, i.e., long-term or short-term, would depend on the holding period of units. For example, if units in another FCPE are held for a period exceeding twenty-four (24) months, the capital gain will be treated as long-term; otherwise (i.e., held for twenty-four (24) months or less), capital gain would be treated as short-term in nature. The holding period will be calculated from the switching date up to the date of sale.

Long-term and short-term capital gains are taxed differently. The present tax rate for long-term capital gains is 20% (after indexation of acquisition cost), plus applicable surcharge and health and education cess. On the other hand, the short-term capital gains are taxed as per your applicable slab-wise income tax rate based on your total taxable income

### Income-tax slab rates

Income tax is levied on the income earned by all individuals as per the Income-tax Act, 1961. The tax is assessed per the slab system if their income is above the minimum threshold (known as the basic exemption limit).

#### INCOME TAX SLABS & RATES FOR AY 2022-23 (FY 2022-23)

(Individuals less than 60 years)

From the financial year 2020-21, individual taxpayers can choose between two tax regimes - the old tax regime and the new, concessional one. The old tax regime allows the taxpayer to continue with existing tax exemptions, such as house rent allowance, leave travel allowance and deductions under different sections of the Income-tax Act. While those opting for the new tax regime would pay taxes at lower rates, they will have to forego most tax exemptions and deductions under the Income-Tax Act<sup>20</sup>. The following income tax slab rates are notified in the **New Tax Regime Vs Old Tax Regime:**

Income Tax Slab	Tax Rates as Per New Tax Regime	Tax Rates as Per Old Tax Regime
Rs. 0 – 250,000	Nil	Nil
Rs. 250,001 - 500,000	5%	5%
Rs. 500,001 - 750,000	Rs. 12,500 + 10% of total income exceeding Rs. 500,000	Rs.12,500 + 20% of total income exceeding Rs. 500,000
Rs. 750,001 - 1,000,000	Rs. 37,500 + 15% of total income exceeding Rs. 750,000	Rs. 37,500 + 15% of total income exceeding Rs. 750,000 Rs. 62,500 + 20% of total income exceeding Rs. 750,000
Rs. 1,000,001 – 1,250,000	Rs. 75,000 + 20% of total income exceeding Rs.1,000,000	Rs. 112,500 + 30% of total income exceeding Rs.1,000,000
Rs. 1,250,001 - 1,500,000	Rs. 125,000 + 25% of total income exceeding Rs.1,250,000	Rs. 187,500 + 30% of total income exceeding Rs.1,250,000
Above Rs. 1,500,000	Rs. 187,500 + 30% of total income exceeding Rs. 1,500,000	Rs. 262,500 + 30% of total income exceeding Rs.1,500,000

<sup>19</sup> Price of the units (in ₹) at the time of switching would be communicated to you.

<sup>20</sup> Illustrative list of exemptions/deductions that a taxpayer may have to give up while choosing the new tax regime:- Leave travel allowance, house rent allowance, conveyance, daily expenses in course of employment, relocation allowance, helper allowance, children education allowance, other special allowances (section 10(14)), standard deduction, professional tax, interest on housing loan (section 24), chapter VI-A deductions (sections 80C, 80D, 80E and so on, except section 80CCD(2) and 80JJA).

**Notes:**

1. The basic exemption limit is Rs. 250,000 for every individual below 60; New tax regime slab rates are not differentiated based on age group. However, under the old tax regime, the basic income threshold exempt from tax for senior citizens (aged 60 to 80 years) and super senior citizens (aged above 80 years) is Rs. 300,000 and Rs.500,000, respectively.
2. Surcharge @10% of such income tax if a person has a total income exceeding Rs.5 million but up to Rs. 10 million.
3. Surcharge @15% of such income tax if a person has a total income exceeding Rs. 10 million but up to Rs.20 million.
4. Surcharge @25% of such income tax if a person has a total income exceeding Rs. 20 million but up to Rs. 50 million.
5. Surcharge @37% of such income tax if a person has a total income exceeding Rs. 50 million.
6. Health and Education Cess: at 4% on the amount of income tax and surcharge.
7. Maximum marginal tax rate (MMR) for individuals having income:
  - (a) between Rs. 5 to 10 million = 34.32%
  - (b) between Rs. 10 to 20 million = 35.88%
  - (c) between Rs. 20 to 50 million = 39%
  - (d) above Rs. 50 million = 42.74%
8. The new tax regime is optional and will co-exist with the old one with three slabs and various exemptions and deductions available to the taxpayer. Any individual opting to be taxed under the new tax regime from FY 2020-21 onwards will have to give up certain exemptions and deductions. On the other hand, individuals opting for the existing tax regime will continue to pay tax on their income in FY 2022-23, the same as FY 2019-20.
9. In case the taxable income of a resident individual is up to Rs. 500,000, the tax payable shall be nil on account of tax relief u/s 87A of the Income Tax Act, 1961, in both the existing and new tax regimes. In other words, a resident individual (whose net income does not exceed Rs. 500,000) can avail of rebate u/s 87A of the Income Tax Act, 1961). The same is deductible from income tax before calculating education cess. Effectively, this would mean that individual taxpayers with a net taxable income of up to Rs 5 lakh will continue to pay zero tax. The rebate amount is 100% of income tax or Rs. 12,500, whichever is less.

Please note that the above tax rates may change as tax rates are fixed by the Finance Act of the assessment year in which the disposal/redemption occurs.

**Time and method of payment of tax**

Liability to pay capital gains tax vests with you, and your Employer is not liable to withhold tax or pay the same. You will pay the tax when filing your income tax return pertaining to each financial year by the due dates mentioned in the Income-tax Act, 1961. Advance tax is paid in instalments. For example, for the financial year 2022-23 instalments are due on June 15, 2022, September 15, 2022, December 15, 2022, and March 15, 2023. Advance tax rules require that your tax dues (estimated for the whole year) be paid in advance. While your Employer deducts tax at source at the time of subscription, you may have to deposit advance tax if you have earned capital gains. By March 15, 2023, 100% of your taxes must be paid. Non-payment or delayed advance tax payment may result in a penal interest levy. However, it may be hard to estimate tax on capital gains and deposit advance tax in the first few instalments if the redemption/sale occurs later in the year. As per the income tax provisions, the entire tax liability on the capital gains is to be paid by way of advance tax in instalments, which fall due immediately after the capital gains has arisen. Therefore, when advance tax instalments are being paid, no penal interest is charged where the instalment is short due to capital gains. The remaining instalment (after the sale of shares) of advance tax, whenever due, must include the tax on capital gains. Please consult your tax advisor regarding the tax consequences.