

# TAXATION OF STOCK OPTION BENEFITS

## Example based on grant issued to an Executive at a Mature Company

Grant Date	05-Jul-19
Options Granted	10,000
Grant Price	\$50
Total FMV at Grant	\$500,000

Exercise on September 20, 2023	10,000
FMV at Exercise	\$75
Total Taxable Benefit	\$250,000

Top federal marginal tax rate	27.55%
Deductions for options	50%

\*Under the draft proposed federal legislation: Cap for options eligible for Stock Option deduction is at \$200,000 based on grant price.

\*Therefore, in this example, only 4,000 options are eligible for the stock option deduction.

### Under current federal legislation

Net applicable federal tax rate applicable to all options	13.78%
Withholding Taxes applied (Fed)	\$34,450

### Under draft proposed federal legislation

Net applicable federal tax rate for first 4,000 options	13.78%
Top federal marginal tax rate applicable to remaining 6,000 options	27.55%
Withholding Taxes applied (Fed)	\$55,105

Under the new rules, this same participant will be paying \$20,655 more in federal taxes

\*Note: Provincial taxes will apply in addition, as applicable.