

Your ESOPs, *explained*

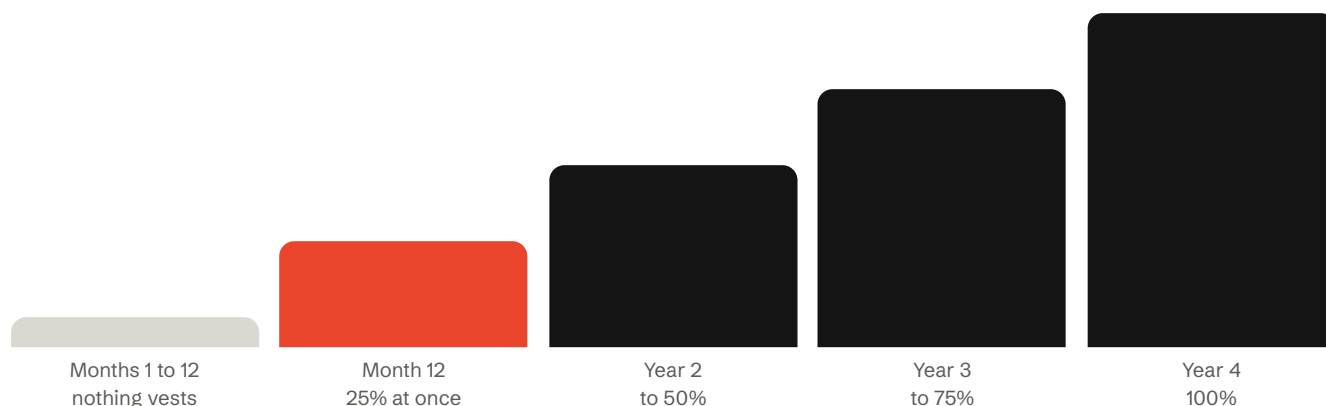
A short guide to the stock options in your offer: what they are, when they become yours, and how they are taxed. Please read it before you sign.

Your grant: _____ options at an exercise price of ₹ _____ a share. Vesting starts on _____. Exercise window after leaving: _____.

Four words to know

WORD	WHAT IT MEANS FOR YOU
Pool	The block of shares the company has set aside for employees
Grant	The company gives you a number of options at a fixed exercise price
Vesting	Your options become yours to exercise, bit by bit, as you stay
Exercise	You pay the exercise price and receive actual shares

How vesting usually works: four years, one-year cliff



Nothing vests in your first 12 months. On your first anniversary, 25% vests at once. The other 75% vests monthly or quarterly over the next three years. Indian company law requires at least one year between grant and first vesting. Your grant letter shows your exact schedule.

The exercise window

This is how long you have to exercise vested options after you leave. If it is short, you may need cash for the exercise price and the tax quickly. Unvested options go back to the pool when you leave.

Please remember

- Options are not cash and are not part of your CTC.
- They cost money to exercise, and they may end up being worth nothing.
- Any value we show you is at the last round's price, not a promise.

How your ESOPs are *taxed*

Two moments are taxed: when you exercise, and when you sell. The Income-tax Act, 2025 replaced the old Act from 1 April 2026, but ESOPs are taxed the same way.

1. When you exercise: taxed as salary

Perquisite value = (fair market value on the exercise date minus exercise price) × number of shares

This is added to your salary, and the company deducts tax (TDS) on it. For an unlisted company the fair market value comes from a merchant banker's valuation. You pay tax on a gain you usually can't spend yet, because the shares can't be sold.

2. When you sell: capital gains

The gain is the sale price minus the fair market value used at exercise, so the same rupee isn't taxed twice. The holding period runs from allotment, not grant.

SHARES	LONG TERM IF HELD OVER	LONG-TERM RATE	SHORT-TERM RATE
Unlisted	24 months	12.5%	Your slab rate
Listed	12 months	12.5% on gains above ₹1.25 lakh a year	20%

Add cess, and surcharge where it applies.

The startup deferral

If the company is an eligible startup with the startup tax benefit certificate (DPIIT recognition alone isn't enough), tax at exercise can be deferred until the earliest of: 48 months from the end of the year of allotment, you leaving the company, or you selling the shares. It is a deferral, not an exemption.

A worked example

STEP	NUMBERS	AMOUNT
Grant	1,000 options at ₹10	
Exercise in year 4	You pay ₹10 × 1,000	₹10,000
Perquisite value	(₹510 minus ₹10) × 1,000	₹5,00,000
Tax at 30% plus 4% cess	Deducted as TDS, or deferred	₹1,56,000
Sale in year 7 at ₹1,010	Gain (₹1,010 minus ₹510) × 1,000 = ₹5,00,000	
Long-term gains tax 12.5% plus cess		₹65,000
You receive from the sale		₹10,10,000

Surcharge ignored for simplicity. Your own tax depends on your income: please check with a tax adviser.