Based on the feedback and questions we have received previously regarding how profit sharing affects your LHR PAYE taxes we want to provide some reminders of what to expect for this year.

Q. How will my PAYE tax be affected with profit sharing?

A. London based employees who contribute to PAYE tax; **any** lump sum payment such as profit sharing can increase your tax deduction for that pay period. The PAYE tax calculation uses a cumulative method and annualizes your pay with every check. Due to this cumulative calculation method, in a check where profit sharing is included with your regular earnings you may see an increase in your PAYE tax as your projected annual earnings used for the tax calculation will be increased due to the additional payment. Your tax will be recalculated on the next paycheck with the same cumulative method and will be adjusted so you may see a lesser tax deduction or possibly no deduction on your following paycheck.

Q. Why can't we receive our profit sharing as a separate check as they do in the US?

The profit sharing payment must be paid along with your regular payroll to ensure your non-NRA earnings and LHR PAYE taxing is handled accurately.

Q. What if I elected to contribute all or a portion of my profit sharing to my United Airlines Flight Attendant pre-tax 401(k) account?

A. Your PAYE eligible earnings will be reduced by your **pre-tax U.S. 401(k)** contribution prior to your PAYE tax calculation, resulting in your PAYE tax being based only on your regular taxable earnings and any portion of the profit sharing payment not allocated to your pre-tax U.S. 401(k) account. This could positively impact your net pay from your regular payroll *on March* $1^{st.}$ if you elect a large percentage of your profit sharing payment to go into your pre-tax U.S. 401(k) account.

Q. What if I elected to contribute all or a portion of my profit sharing to my United Airlines Flight Attendant post tax 401(k) account?

A. Your PAYE eligible earnings will not be reduced by your Roth or post-t**ax U.S. 401(k)** contribution prior to your PAYE tax calculation, resulting in your PAYE tax being based on your regular taxable earnings and the profit sharing payment. This could reduce your net pay from your regular payroll *on March* $1^{st.}$ if you elect a large percentage of your profit sharing payment to go into your Roth or post-tax U.S. 401(k) account.

Q. What if I elected to contribute all or a portion of my profit sharing to my UK Group Stakeholder Plan account?

A. Although tax-efficient, your PAYE eligible earnings are not reduced by contributions made to your **UK Group Stakeholder Plan Account**. Therefore, you will be taxed based on your regular earnings plus your profit sharing amount combined. This can result in a larger than normal tax deduction. This could significantly reduce your net pay from your regular payroll *on March* 1^{s} if you elect a large percentage of your profit sharing payment to go into your 401(k) account. In most cases, your tax will be adjusted on the next regular check where you may see a lesser tax deduction or possibly no deduction.

Q. Can employees contribute a portion of the profit sharing payment to their company 401(k) or UK Group Stakeholder Plan accounts?

A. Employees, including those on a leave of absence, who participate in the Plan have the option to contribute a portion of their profit sharing payment to their company-sponsored retirement plan account (e.g., 401(k) plan or UK Group Stakeholder Plan). Between January 26, 2018, and February 11, 2018, at midnight Central time, employees may make a special one-time election to contribute a portion of their profit sharing payment to their company-sponsored retirement plan account.

To make this election, visit Flying Together > Employee Services > My Info > Benefits/Programs > 401(k) Special Election.

For information regarding employer matching contributions on profit sharing earnings, please refer to the applicable plan documents or your collective bargaining agreement.

Additional Info on UK Group Stakeholder Plan Contributions

Tax relief is available on the contributions you make to your UK Group Stakeholder Plan. Basic tax relief is applied automatically under the method known as relief at source. Under this method, 80% of your contribution election will be contributed from your paycheck, with the remaining 20% being contributed to your UK Plan account by HM Revenue and Customs (HMRC). In other words, each £1 you pay into your UK Plan account costs you just 80p. This method of tax relief is also applicable for profit sharing and vacation payouts. If you are a higher rate taxpayer, you can claim additional tax relief on your self-assessment tax return or by contacting your tax office.

For example, if you have made a 10% election to contribute to the UK Group Stakeholder Plan, only 8% will actually be deducted from your paycheck. The HRMC will then contribute the additional 2% of your earnings to your UK Group Stakeholder Plan account. This will leave you with an additional 2% of earnings on your paycheck and a 10% contribution to your UK Group Stakeholder Plan account. This example is applicable for both ongoing contribution elections and profit sharing elections.