Tax Cut and Jobs Act of 2017 implications to Xilinx

Overall implications

- Reduction of the US federal corporate tax rate from 35% to 21%
- One-time transition tax at rates of 15.5% and 8% on accumulated foreign earnings that were previously cash-tax deferred
- Creation of new taxes on certain foreign-sourced earnings.

Timing of Impact

- As a fiscal year-end taxpayer, certain provisions of the Act begin to impact us in the third quarter of fiscal year 2018. For example, the rate reduction is effective January 1, 2018. As a result, our current year statutory tax rate is a blended rate of 31.5%.
- Other provisions will impact us beginning in fiscal year 2019.

FQ318 impact:

- Xilinx incurred an expense of $183M, or a 94% tax rate, related to the transition tax on previously untaxed foreign earnings, and the re-measurement of deferred tax assets and liabilities. There was very little benefit from the reduction in the US statutory rate because the fiscal year 2018 rate differential is only 3.5% and most of our earnings are not from domestic operations.

	$ Impact
Estimate of Federal and State transition tax	$583M
Reversal of transition tax related deferred tax liabilities	<$426M>
Estimate of remeasurement of deferred tax assets and liabilties	$26M
Total Tax Expense incurred from Tax Cut and Jobs Act of 2017	$183M

FQ418 impact: Estimated tax rate between 0 – 5%

- In FQ4, no accrual of additional US tax on foreign earnings as the FY18 foreign earnings are subject to the transition tax and this was all booked in FQ3. As a result, Xilinx will accrue US tax (offset by tax credits), and small amounts of local foreign tax.

FY19 impact: Estimated tax rate in the 10 – 15% range

- For FY19 and later years, our tax rate will include a new US federal tax on low-taxed earnings of our foreign subsidiaries. We estimate the new tax will be approximately the same as the accrual of US deferred tax on foreign earnings under the old rules.

Cash implications:

- The federal transition tax of $578M will be paid over eight years (back end loaded)
- As of December 30, 2017, we had ~$3.6 Billion in cash, cash equivalent and short term securities. Xilinx now has unconstrained use of this cash without incurring additional US taxes.
- Xilinx will pay more US taxes in the future. Specifically, the new tax on low-taxed earnings of foreign subsidiaries will be paid each year. Cash taxes will not be deferred until the foreign subsidiaries make distributions to the US as was true under the old rules.

January 26, 2018