
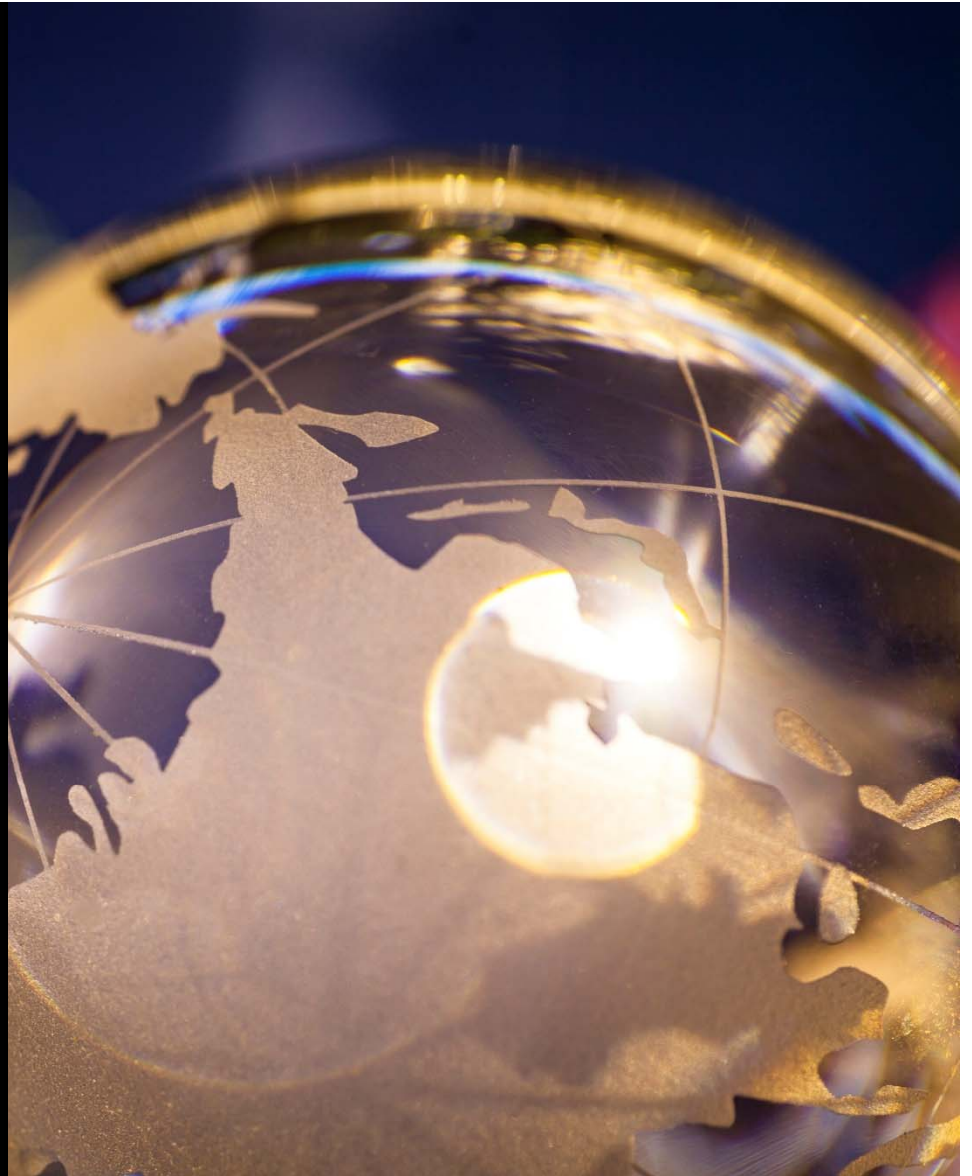




# TRACKING GLOBAL EQUITY FOR A GLOBALLY MOBILE WORKFORCE

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## With you today



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# Agenda

- ▶ Recognize equity and why it is used in global companies
- ▶ Compliance and reporting requirements impacting mobile workforces
- ▶ How automation can help with cost-savings and compliance
- ▶ Tools for tracking and reporting of your mobile workforce



## Why do we need to know about equity compensation?

- ▶ The emergence of a globally mobile workforce has allowed companies to maximize talent where it's most needed, however, it has simultaneously generated a host of challenges when it comes to managing compensation.
- ▶ The taxation of equity awards is particularly complex, and can vary greatly depending on the type of award, the structure of the organization, the tax attributes of the recipient, and their location(s).
- ▶ This complexity is further exacerbated by new compliance and reporting requirements.



## Why do we need to know about equity compensation?

- ▶ Common for compensating employees of both public and private companies
- ▶ Many expatriate employees will hold some form of equity compensation
- ▶ Large amounts, therefore larger risk
- ▶ Tax authorities are increasingly focused on international equity compensation plans and compliance
- ▶ Normally it is the company's obligation to withhold the income and social tax
- ▶ There may be planning opportunities (e.g. residence status / timing of grant/vest/exercise)

# Common types of equity in the US

- ▶ Many US companies utilize equity as the largest part of their Total Executive Compensation program.

## Objectives of Equity Compensation



## Common Equity Compensation Vehicles





## Outbound: How does US equity translate?

Why Commonly Used in the US?	Global Implications
Taxation	Often different for NQ, RSAs and Phantom
Ease of administration	Data privacy, additional reporting, etc.
Employee familiarity	Varies
Legal implications	Depends on the country
Considered market norm	Depends on the country





## Inbound: What about foreign equity to US employees? HOW DO THEY TRANSLATE IN THE US?

Comes with its own challenges:

- ▶ Internal Revenue Code Section 409A
- ▶ US tax law is lacking in addressing “other” types of equity
- ▶ US has strict and swift tax withholding requirements
- ▶ Securities implications
- ▶ Valuation





## So what do global companies do?

Most global companies find that RSUs and/or Phantom Units are the easiest type of equity compensation to use around the world.

- ▶ Taxation is similar
- ▶ Vesting/taxation point is known and can be planned for
- ▶ Employee doesn't receive anything but a promise until vest, therefore no "dry tax"
- ▶ Can be settled in cash or shares
- ▶ Can have time or performance vesting conditions



## How companies should prepare

- ▶ Be aware of the types of equity that are being awarded
- ▶ Understand the proper treatment of equity plans for their global employees
- ▶ Determine how their equity plans impact methods of payroll reporting and tax withholding, and the impact on compliance and company policies





## Why automation

- ▶ Hard to keep up - new regulations released on a near-daily basis
- ▶ Real-time calculations
- ▶ Avoid fines and penalties
- ▶ Increase accuracy
- ▶ Mistakes can impact the employer-employee relationship



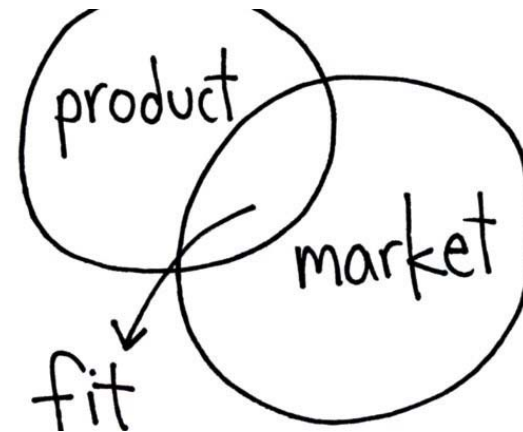
# Tools for tracking and reporting a mobile workforce



## Withholding, reporting, and remitting issues

### What does the market want?

- ▶ Cutting edge
- ▶ Fast
- ▶ Reliable
- ▶ Statistically accurate
- ▶ User friendly
- ▶ Flexible
- ▶ Broad





# Withholding, reporting, and remitting issues

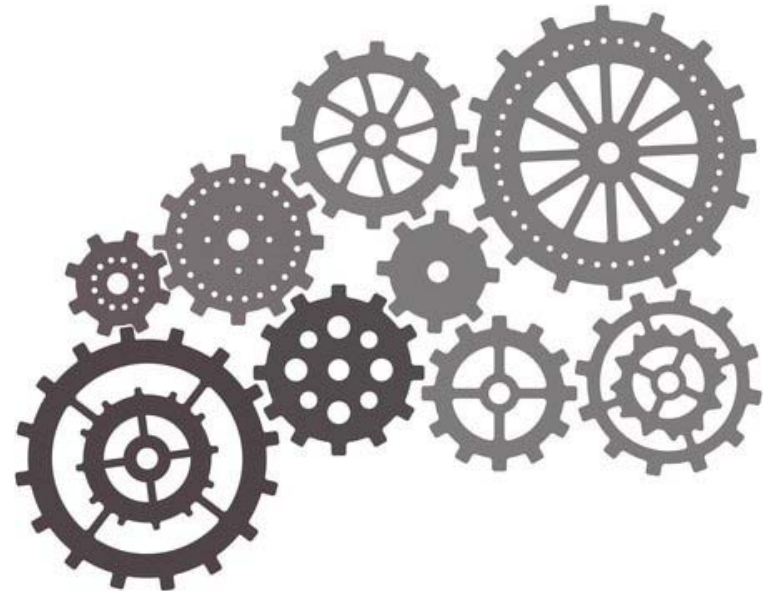
Bringing the pieces together



# Withholding, reporting, and remitting issues

## Behind the scenes - tax calculation

- ▶ Data collation
  - Employee details
  - Assignment details
  - Travel details
  - YTD Payroll
- ▶ Application Programming Interface (API)
  - Systems talking to each other
- ▶ Algorithms and logic
  - If this, then that<sup>1000</sup>
  - Residency
  - Citizenship
  - Tax code
  - Treaty
  - Social security



# BDO Compensation Tax Withholding Solution

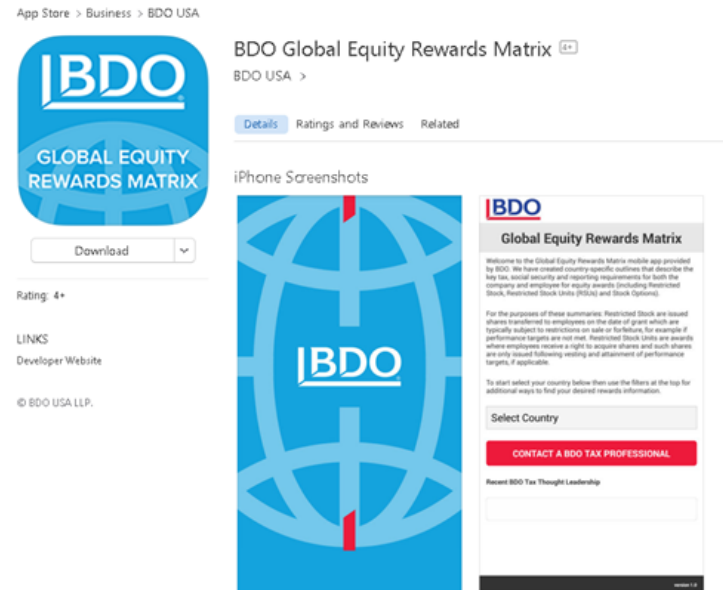
- ▶ Digital Automation Tool
- ▶ Equity Compensation
  - Stock Options
  - Restricted Stock
  - Stock Appreciation Rights
  - Phantom Equity
  - Other
- ▶ Globally Mobile Employees
  - Expatriates
  - Business Travelers
  - Multiple tax jurisdictions during vesting period
- ▶ Company Required Withholding Taxes
  - Upon settlement of awards (vesting, exercise, payout)
  - Satisfy Company's withholding requirements
  - Real time execution for public companies





# Global Equity Rewards Matrix

- ▶ iPhone, Android, Windows App
- ▶ 30 Countries
- ▶ Information about taxation of equity awards in each country
- ▶ Regular updates
- ▶ No calculations



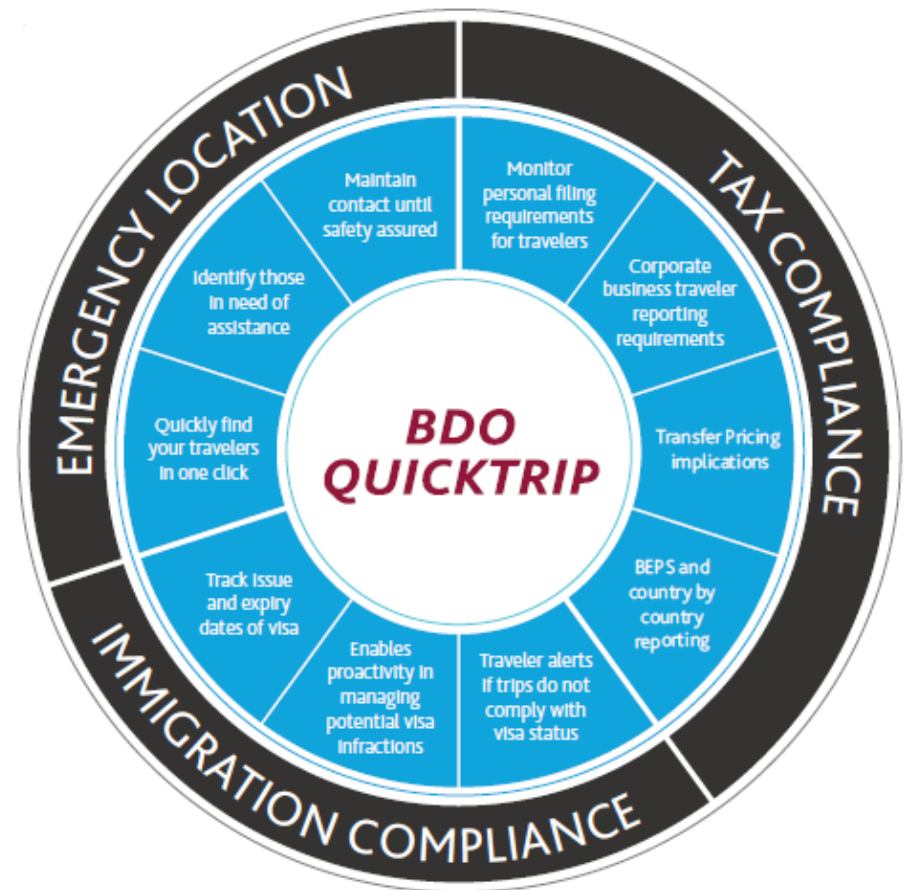
## Description

We have created country-specific outlines that describe the key tax, social security and reporting requirements for Restricted Stock Units (RSUs) and Stock Options.

The information contained in the summaries reflects the law at the time of preparation (or update), provide the reader with general information on the main issues to consider in the relevant countries.


# You can't track equity without tracking your people

- ▶ Must be able to track your mobile employees
- ▶ You can't track equity without tracking your people first
- ▶ Tools/software exists to assist with this
- ▶ BDO QuickTrip is a smartphone app used by business travelers, and provides employers access to traveler information and real-time reporting to assist with tax compliance





Questions?



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