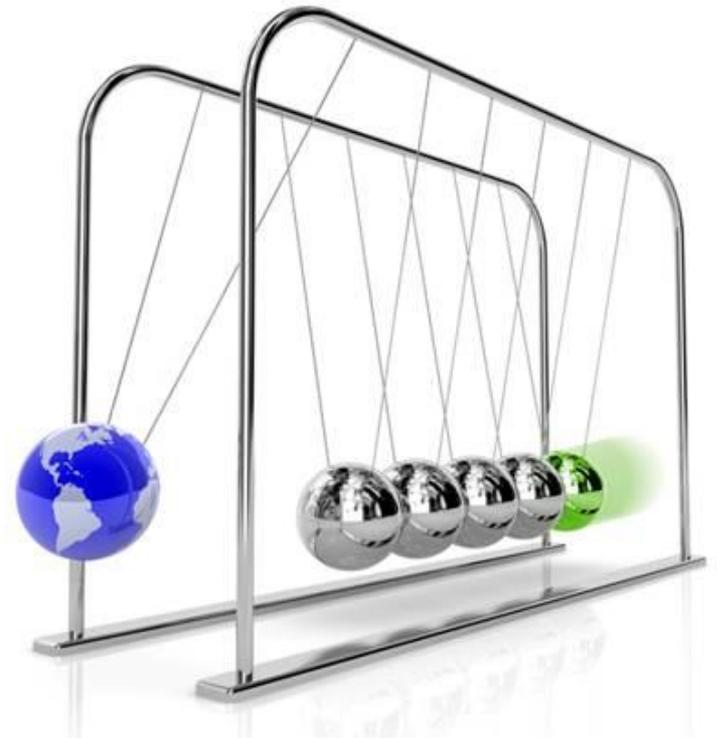


## Oil & Gas Tax Policy Approach Benchmarking Review



March 2014

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# Introduction

# Benchmarking Overview

Five companies from the same industry sector were selected for the benchmarking exercise. Four key areas of comparison were reviewed for benchmarking purposes, including company background/demographics, policy content, tax approach and supporting documentation

## Overview of Companies benchmarked:

Company	Number of Assignees	Duration	Countries
<b>Commissioning</b>	200	2-3 years	39 countries
<b>Company A</b>	Approximately 11,000	3.5 years	7 3 countries. Netherlands, UK and US most dominant
<b>Company B</b>	Approximately 4,000	2-3 years	30 countries 8 of which are African
<b>Company C</b>	Approximately 500	2-3 years	18 host countries of which the most popular are the US, Algeria, Iraq and Equatorial Guinea
<b>Company D</b>	N/A – only UK – 30 assignees	Mix of STIA (6mo-1 year) and LTIA's of 2-3 years	All Brazil to UK
<b>Company E</b>	50 (including assignees inbound to the UK from France who are not strictly covered by the assignment policy)	Mix of STIA (up to 1 year) and LTIA's (2 year minimum with extensions)	UK, US, France, Singapore, Poland. Largest population are inbound to the UK from France.

## Benchmarking Questions:

Questions	
<b>Background</b>	<ul style="list-style-type: none"> <li>Please provide the approximate number of assignees (globally)</li> <li>In how many countries do you currently have assignees? Are there any particular home/host combinations that are particularly dominant?</li> <li>Average assignment length (e.g. 2 to 3 years)</li> <li>What industry sector is your company in?</li> </ul>
<b>Policy</b>	<ul style="list-style-type: none"> <li>What do you understand by tax equalisation?</li> <li>Does tax equalisation include social security?</li> <li>What sorts of income is tax equalised (base compensation, equity, etc.)</li> <li>Is the tax equalisation policy applied differently to different assignee populations? (e.g. are there any special considerations based on seniority, type of assignment?), if yes please explain</li> <li>Do you have specific assignment policies and/or practices for certain locations/mobility programmes/business initiatives?</li> <li>How often is the TEQ policy reviewed?</li> </ul>
<b>Tax Approach</b>	<ul style="list-style-type: none"> <li>What sort of tax assistance is provided to assignees?</li> <li>How are reimbursements or payments of taxes dealt with in the home/host country?</li> <li>Does your company offer tax protection on certain types of income? (e.g. trailing bonuses or equity)</li> <li>Are there any exceptions to the tax equalisation policy?</li> <li>Are severance/termination payments tax equalised?</li> <li>Who gets the benefit of the rate bands in years of arrival and departure?</li> <li>What approach does your company take for FTC's?</li> <li>Are country specific deductions capped?</li> </ul>
<b>Supporting Documents</b>	<ul style="list-style-type: none"> <li>What tools and templates do you have to supplement the TEQ policy?</li> <li>Do you have any specific comms that you provide to the assignees and business?</li> <li>Does your company provide any supplementary documentation to assignees to explain the TEQ process?</li> </ul>

# Benchmarking Data

# Benchmarking Data - Policy

Questions	A	B	C	D	E	F
<b>Assignment Structure</b>	LTIA – Accompanied STIA – Unaccompanied	Depends on policy, but typically accompanied	Generally accompanied	For rotators the individuals are unaccompanied. Where individuals are going on LTIA's they are accompanied	Often accompanied, but based on personal circumstances	LTIA – Accompanied STIA - Unaccompanied
<b>Definition of Tax Equalisation</b>	Ensures that any international assignee is neither at significant advantage or disadvantage due to impact of tax in host country	Depends on policy. STA are true TEQ, but LTA on net pay deal	Kept at stay at home position without windfalls to the assignee	The individual is equalised on their 'stay-at-home' items had they stayed resident in their home	Individuals do not have to pay anything. Fully tax equalised	The individual is equalised on their 'stay-at-home' items, according to effective home tax rates, if they had remained resident in their home country and continued to work in their home country
<b>Does TEQ include Social Security?</b>	Yes	Yes	Yes	No	Yes	No

# Benchmarking Data - Policy

Questions	A	B	C	D	E	F
<b>What income is tax equalised?</b>	All income, typically base salary, bonus and pension contributions	All employment income, equity and bonuses	All compensation from the company and personal income is equalised up to the first USD 1000 of tax	Base salary, any stock income which is company related, bonus income, allowances, medical benefits, and deductions for SIP contribution and particular pension scheme	Everything including personal compensation	Base salary, bonus income, settling in & assignment allowance, medical benefit, tax prep benefit. Assignees inbound to the UK are not tax equalised on their bonus income (annual or deferred)
<b>Is TEQ policy applied differently?</b>	No, applied uniformly	Yes – STIA differs from LTIA	Yes – USA citizens are fully equalised on both employment and personal income	No - for the most part. There is some difference with regards to 'split year individuals'. Where there are special circumstances the company enacts a case-by-case basis	No, uniformly applied	The company has a mobility policy for long term and short term assignments, but generally the tax equalisation status is the same.
<b>Specific assignment policies?</b>	No, same policy	No, one policy	Tax return in year the assignee is localised and/or in receipt of incentive that haven't yet vested	A specific policy is applied to all areas	No STBV agreement	We have a Tax Equalisation Policy for all areas individuals are tax equalised back home to
<b>How often is TEQ reviewed?</b>	Never been formally revised	At least every five years	Continuously	Every 3-5 years; however, often discussed	Never been reviewed	Final policy is in development in conjunction with Deloitte

# Benchmarking Data – Tax Approach

Questions	A	B	C	D	E	F
<b>Tax Assistance to Assignees</b>	Home tax returns for first and last years of the assignment. TEQ calculation in Home for all intervening years. This may differ for people from countries with worldwide taxation. Host tax returns provided for all years of assignment	If on LTIA provided every year while on assignment in the host country and year of departure and repatriation in the home country	Tax return in home and host all years of assignment for both assignee and spouse if accompanied on assignment	Entry, exit and repatriation briefings. Tax preparation for all years of assignment. Assignee is also given access to a mailbox for asking assignment related queries through all tax years while on assignment	Entry meetings and then assistance for whole length of assignment in both home and host	Arrival & departure briefings, on initial assignment and on repatriation. Tax return preparation for all years of assignment. Deloitte is consulted on bonus withholding rates. For specific personal advice we would seek authorisation from HR
<b>How are reimbursements dealt with?</b>	Settles balances via payroll and give the assignee up till the date of new TEQ calculation to settle	Everything goes back to the company where it is then split out	All go back to the company	Via UK payroll with refunds made automatically in one payment	Always back to the company	The assignee remains at home with a shadow payroll operating in the host for tax. TEQs are issued to the assignee after the tax return process. Payments are typically ad hoc due to low volume. Assignees inbound to the UK who are not equalised on their bonus receive a net reconciliation in order to receive the benefit of overseas workday relief and DDR

# Benchmarking Data – Tax Approach

Questions	A	B	C	D	E	F
<b>Tax Protection</b>	No	Personal income is tax protected. This is determined as the difference between the assumed rate and host country tax rate up to EUR 5,000 of income or EUR 15,000 of tax	Yes, first \$1000 of tax on personal income	Personal income is tax protected	Protected bonuses	No
<b>Exceptions to the TEQ Policy</b>	None provided	Case by case for VIP's. Dealt with via HR	None	Occasionally usually for cases where someone has retired and gets to keep the benefit of rate bands	No exceptions	Occasionally, but very rarely
<b>Severance Payments</b>	N/A	Never tax equalised – all assignees that are terminated are usually repatriated first	No	Yes, if received within 1 year after a tax equalised assignment has ended	N/A	No

# Benchmarking Data – Tax Approach

Questions	A	B	C	D	E	F
<b>Benefit of rate bands in arrival and departure years</b>	Split between company and assignee	No windfall for assignee	No windfall for assignee	Individual gets pro-rated bands	N/A	Individual gets pro-rated bands for assignment period in-year
<b>FTC Approach</b>	All FTC's benefit unless they specifically relate to personal income	Personal income goes to the employee, but employment goes to the company	Company claims FTCs, but personal FTC for assignee	Fully given to the employer on the basis the employer is liable for actual taxes	No approach – claim wherever possible or ignore	Fully given to employer on the basis the employer is liable for actual taxes, and any reconciliation is calculated separately
<b>Cap on country specific deduction</b>	None specified	All benefits of charitable contributions go to the company	No	No	N/A	No

# Benchmarking Data – Supporting Documents

Questions	A	B	C	D	E	F
<b>Tools and templates supporting TEQ</b>	TEQ calculation templates, FAQ's	Tax Protection calculator and global policy with base country reviews	None	Cover letter template	N/A	Policy document, a TEQ template and a net reconciliation calculation template
<b>Specific communications provided</b>	No	Quarterly webcasts on how TEQ works	TEQ guidelines	TEQ and cover letter to the assignee. If the refund/liability is >£500 there are brief comments as to why	No, but communications are sent in Portuguese	TEQ and cover letter to the assignees
<b>Supplementary documentation</b>	No	Nothing specific	Intranet	No, just the cover letter	No	No, just the cover letter. However we would of course hold a call if the assignee wanted to discuss the TEQ in more detail



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