



2018 global equity tax equalization practices survey

Policies in perspective

Our inaugural global equity tax equalization practices survey gathers feedback from organizations spanning a range of sizes, industries, and geographies on tax equalization policy trends for equity-based compensation—including the types of equity compensation being equalized, policy features and limitations, how they manage the company’s “actual tax” obligations, and consideration of the potential impact of US tax reform.

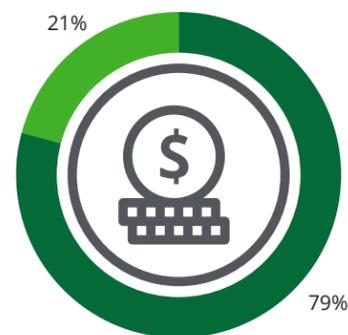
Let’s look at the year-one survey numbers.

All figures have been rounded to the nearest whole percent.

The majority of respondents provide some form of incentive equity-based compensation to employees

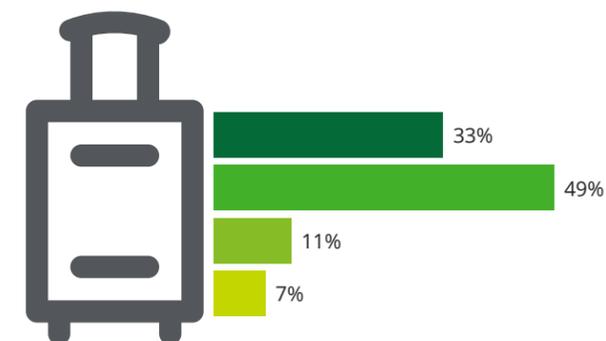
Q1: Does your company offer equity-based awards to its employees?

Yes No



And even more respondents use tax equalization as a form of assignment-related tax cost reimbursement for some or all of their international mobiles

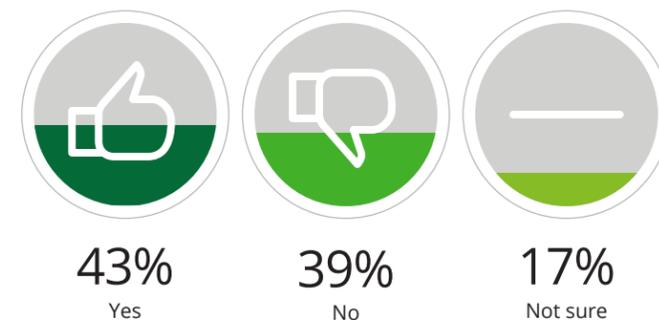
Q2: Does your company offer tax equalization to its international mobiles?



Yes (all international mobiles are equalized)
 Yes (some employees are tax equalized)
 No
 Not sure

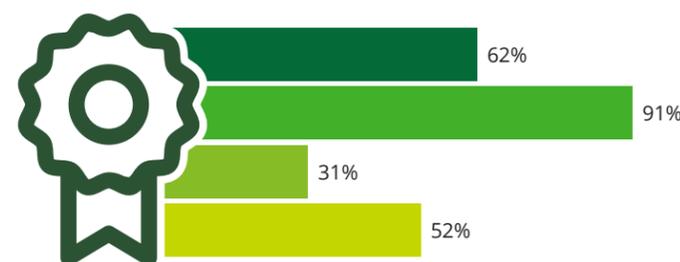
But nearly 40% of respondents say their companies do not include equity-based compensation in their tax equalization policy

Q3: Does your company tax equalize for equity-based compensation?



Of those that do, the types of equity-based awards being offered to international mobiles vary—and tax equalization is widespread

Q4: Which of the following equity-based awards does your company offer? (select all that apply)

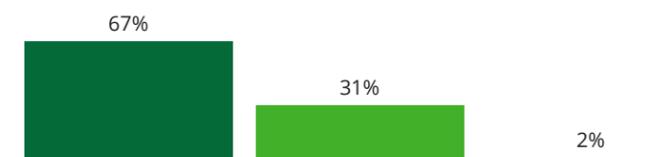


Stock Options
 Restricted Stock Units (RSUs)
 Restricted Stock Awards (RSAs)
 Stock Purchase Plan (e.g., ESPP)

Almost all respondents that offer stock options, RSUs, and RSAs are tax equalizing (either fully or with limitations)

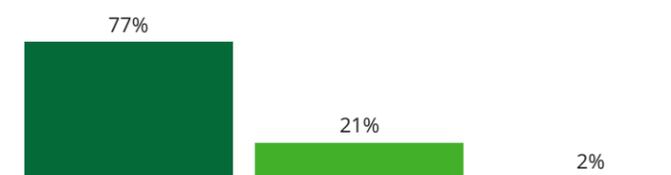
Stock options

Q4a: For those employees who are eligible for tax equalization, do you equalize for their Stock Option compensation?



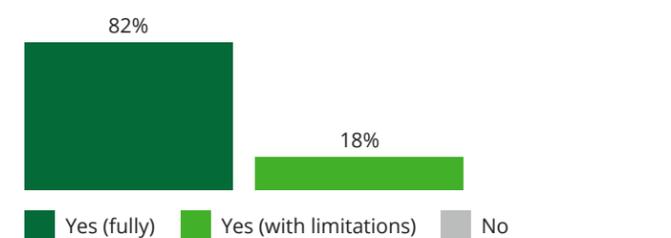
RSUs

Q4b: For those employees who are eligible for tax equalization, do you equalize for their Restricted Stock Unit (RSU) compensation?



RSAs

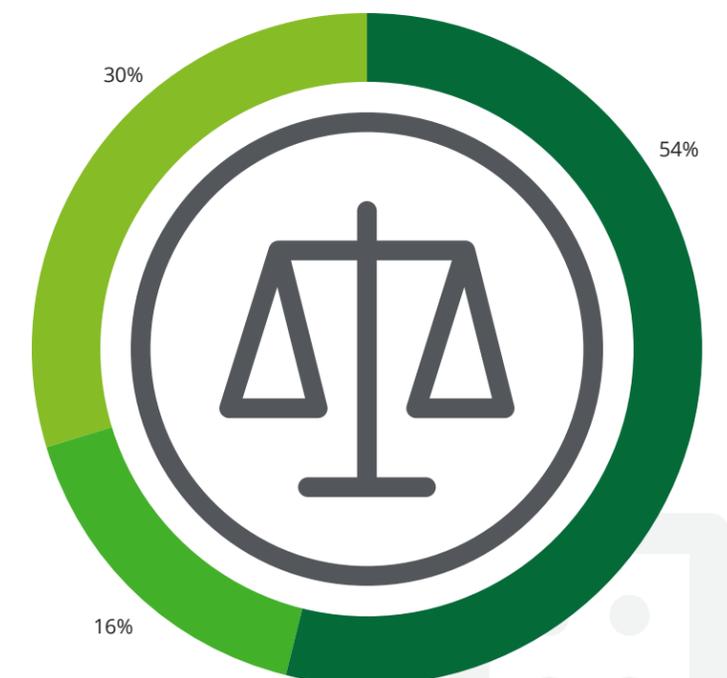
Q4c: For those employees who are eligible for tax equalization, do you equalize for their Restricted Stock Award (RSA) compensation?



Yes (fully) Yes (with limitations) No

Nearly one-third of respondents who offer an employee stock purchase plan do not equalize for the potential related tax costs

Q5: For those employees who are eligible for tax equalization, do you equalize for their employee stock purchase plan (e.g., ESPP) compensation?



Yes (fully)
 Yes (with limitations)
 No

Tax equalization policies: More than two-thirds of respondents report applying consistent tax equalization policies to all eligible employees equally

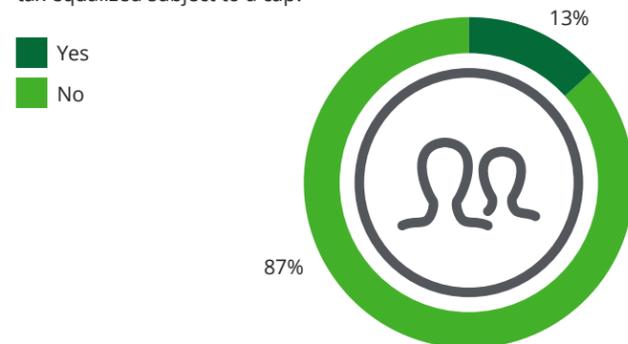
Q6: Does your company apply consistent tax equalization policies for equity-based compensation to all eligible employees equally? (Respondents could only choose a single response)



The use of caps under tax equalization policies

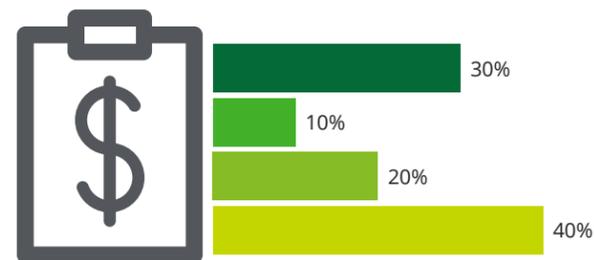
Only a small percentage of respondents cap the amount of equity-based compensation they tax equalize

Q7: Under your company's policy, is the extent to which equity-based compensation is tax equalized subject to a cap?



How are the caps determined? Responses indicate a range of approaches are used.

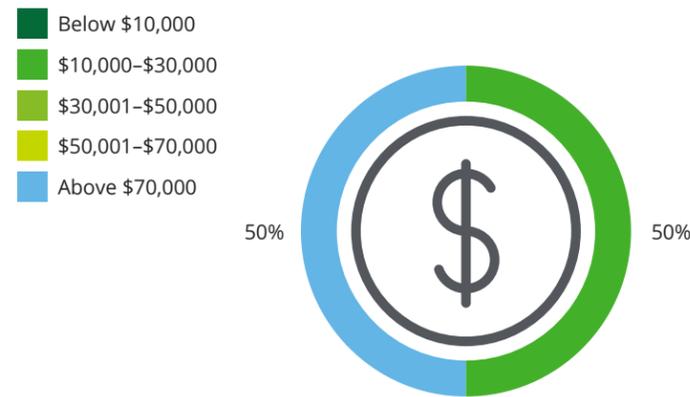
Q7a: How is your company's cap on the equalization of equity-based compensation determined?



- Fixed monetary amount applied across all employees
- Fixed monetary amount, which varies by employee
- Function of salary (e.g., 2x base salary)
- 4x base salary

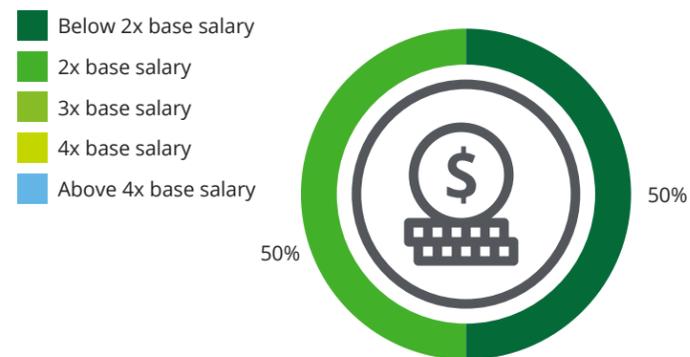
Caps based on fixed amounts fall either below \$30,000 or above \$70,000

Q7b: In what range is the fixed cap amount (in USD) your company applies to the equalization of equity-based compensation across all employees?



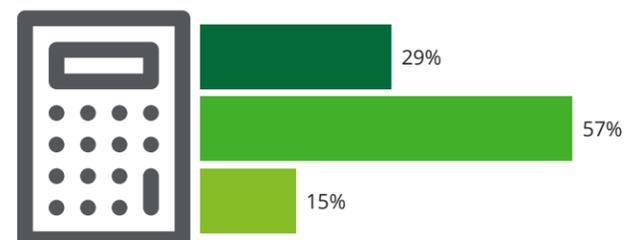
Caps based on a function of salary tend to be modest—2x base salary or below.

Q7c: What function of salary is used to determine the cap applied on the equalization of equity-based compensation (e.g., 2x base salary)?



Tax withholding practices: The withholding of hypothetical tax is a common practice and more than half of respondents use a service provider to perform the withholding calculations

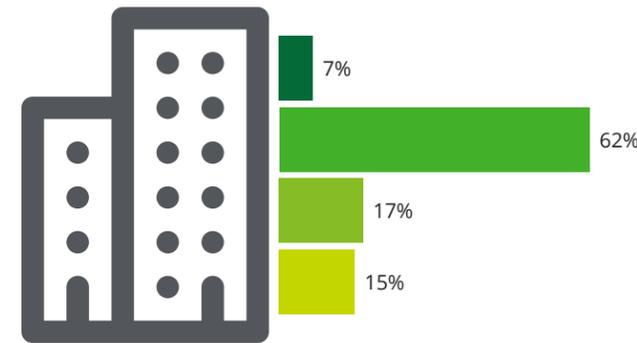
Q8: Does your company calculate and withhold hypothetical (hypo) tax on equity-based compensation?



- Yes (company calculates)
- Yes (service provider calculates)
- No

How are companies managing their "actual tax" obligations? A real-time remittance of applicable home and host taxes approach is used by the majority of respondents.

Q9: For employees who are tax equalized, how do you manage the company's "actual tax" obligations (i.e., the employee is subject to hypo tax withholding, but the company may still be responsible for making payroll tax remittances in the home and/or host country on the sourced gain)?

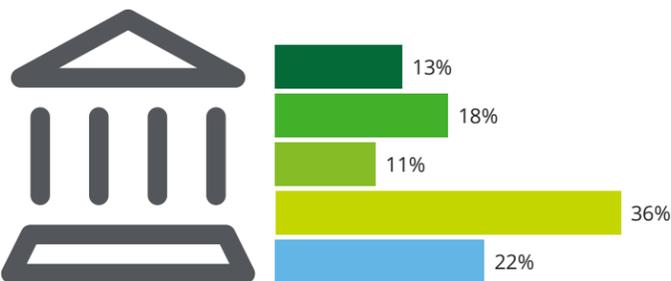


- Taxes withheld from the employee are remitted as actual tax in home country
- Home and host taxes are properly calculated and remittances are made real-time, as required
- Home and host taxes are properly calculated and trued-up at year-end
- Actual tax remittances are addressed by our tax service provider when they prepare individual tax returns

Has US tax reform impacted policies?

More than a third of respondents have reviewed their tax equalization policies for the potential impact of recent US tax reform. Companies who have not yet done so may want to analyze the potential for global mobility program cost increases sooner rather than later.

Q10: Has your company's tax equalization policy been reviewed for the potential impact of recent US tax reform?



- Yes (changes were made)
- Yes (no changes were made)
- No (but it is an immediate priority)
- No (it is not an immediate priority)
- Not sure

Map your way forward

In a competitive labor market where companies rely on the deployment of talent worldwide to enable business growth, tax equalization of international mobiles' compensation and assignment-related benefits has become common practice. But how they approach the tax equalization of equity-based compensation could help them attract and retain valuable employees.

To learn more about the survey findings and the issues it addresses, please contact your Deloitte representative or email our Global Rewards team at globalrewards@deloitte.com.

About the survey

- Conducted during October and November of 2018
- 253 respondents employed by companies globally across various industries
- Company size of respondents ranges from under 10,000 to over 100,000 in worldwide employee headcount
- Functions/roles of respondents span accounting, finance, HR, legal, and tax
- Job titles of respondents include stock option/plan, payroll, benefits, compensation, or mobility

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