

Global Share Plan Tax Updates

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31st March 2015

Deloitte.

**Global Share
Plans**

Tax Updates



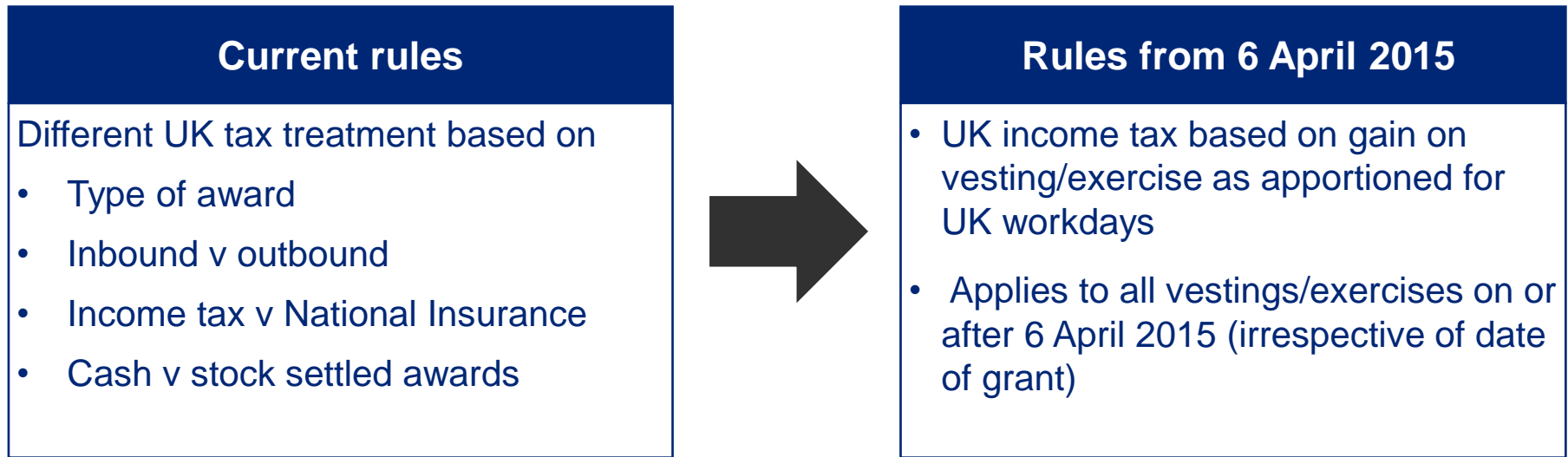
Agenda

- Changes to the UK tax treatment of mobile employees
- Changes to the UK NIC treatment of mobile employees
- Registration, Self-certification, Online Filing
- French Qualified Plans – update
- Australian share plans changes

Changes to the UK tax treatment of mobile employees

UK share plan changes

Taxation of share awards for mobile employees

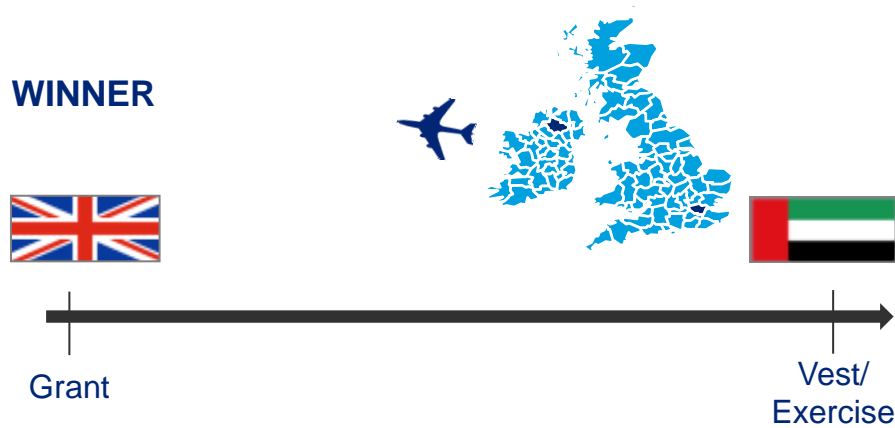


- HMRC looking to simplify/harmonise taxation
- May need to take action in the short/medium term
- Note different position if restricted stock taxed at award in “home” country

Taxation of share awards for mobile employees

Winners and losers – stock options

WINNER



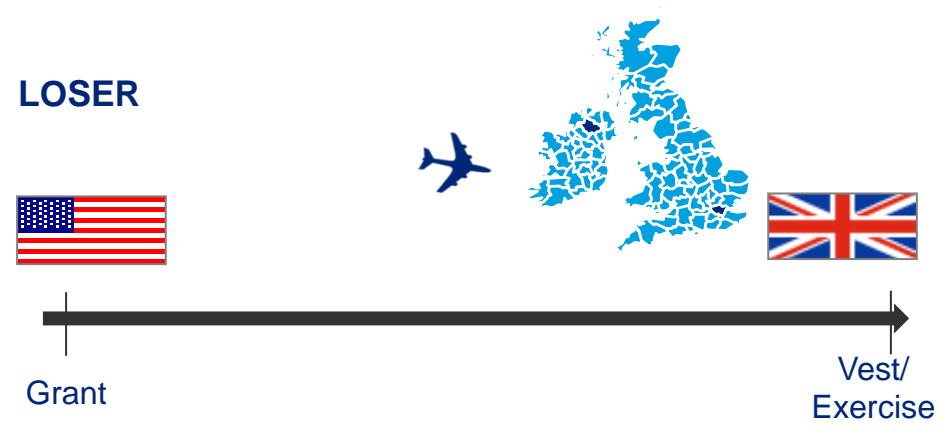
Current rules

- Outbound to non-treaty country holding option
- Taxed on 100% of gain

New rules

- Taxed on UK earned portion

LOSER



Current rules

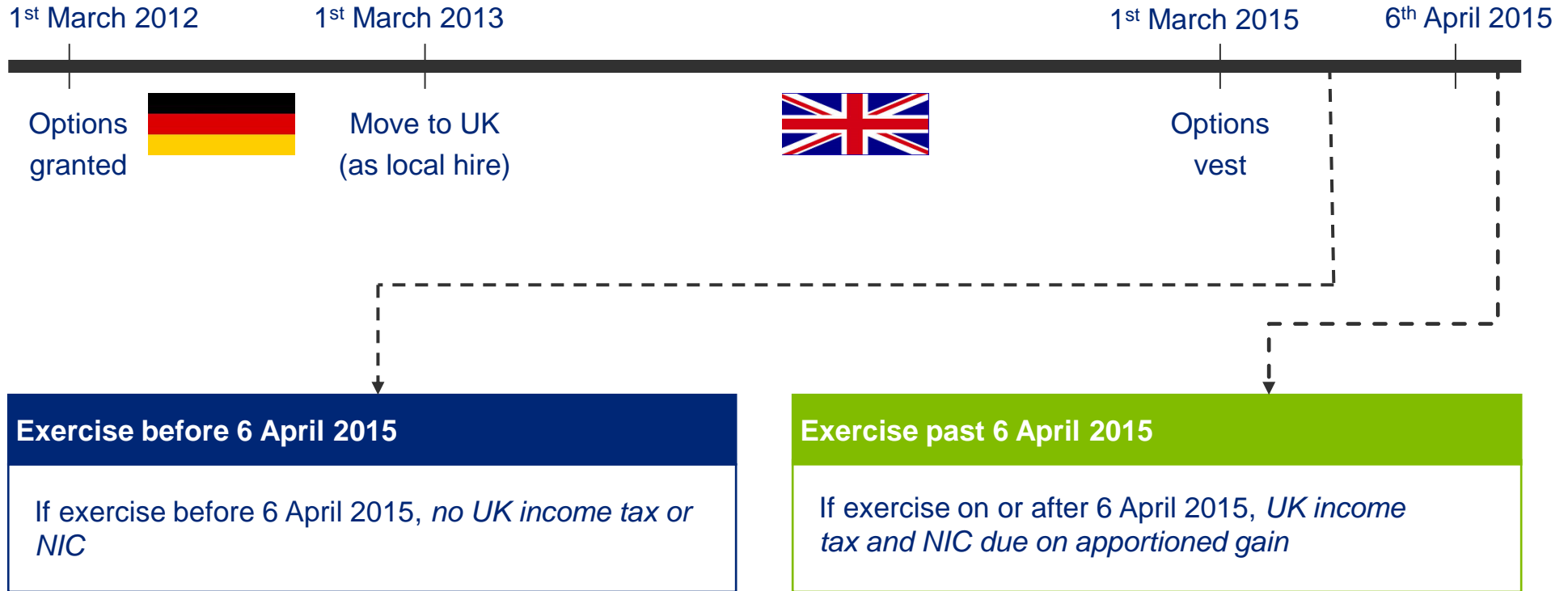
- Inbound to UK holding option
- No income tax due on exercise

New rules

- Taxed on UK earned portion

Taxation of share awards for mobile employees

Example - Germany to UK transfer



Taxation of share awards for mobile employees

Issues to be considered

Payroll

**Consider
outstanding
awards**

**Mobility costs
& projection**

NIC

**Employee
communications**

**Systems and
processes**

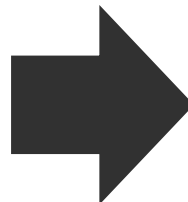
Changes to the UK NIC treatment of mobile employees

UK share plan changes

New NIC treatment of share awards for mobile employees

Current rules

- Based on a number of different factors e.g.
 - Which country
 - Whether move as assignee or local hire
- Often doesn't follow the income tax position
- Generally due on an all or nothing basis



Rules from 6 April 2015

- NIC due on amount of time during the earnings period for which the employee is insured for social security in the UK
- Applies to all vestings/exercises on or after 6 April 2015 (irrespective of date of grant)

- Employees who would not currently be liable to NIC on the share income, may now be liable to NIC on an apportioned basis.
- Likely to increase NIC costs for both the employee and the company
- Does not apply to *cash based* plans

NIC treatment of share awards for mobile employees

Winners and losers

WINNER



Current rules

- Inbound transferee to UK holding **RSU**
- UK NIC generally due on 100% of gain

New rules

- UK NIC due based on UK insured period

Loser



Current rules

- Inbound to UK holding **share options**
- No NIC liability as no charge to income tax

New rules

- NIC charge arises
- Due on any part of the grant to vest period where employee is UK insured.

NIC treatment of share awards for mobile employees

A UK outbound employee is assigned to Singapore



Grant of option
1 June 2012



Assigned to Singapore
1 June 2013

End of 52 week rule
1 June 2014

Vest/Exercise
1 June 2015

Current NIC rules

No UK NIC

New NIC rules

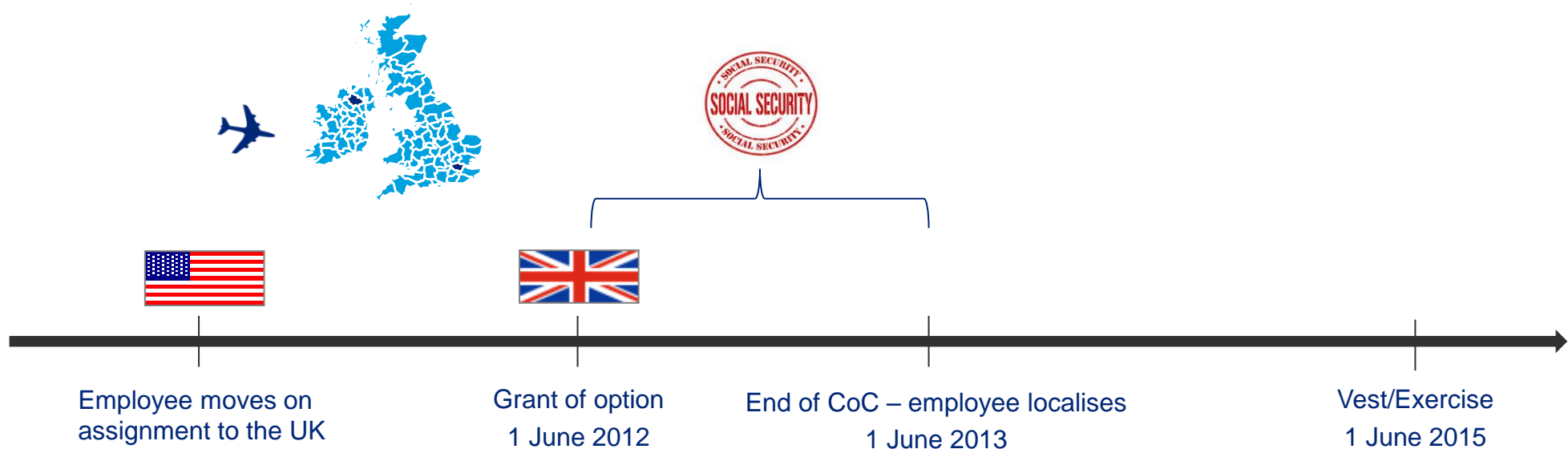
UK NIC on UK insured period – 2/3 of gain

Income tax rules

UK income tax due on UK resident period – 1/3 of gain

NIC treatment of share awards for mobile employees

US employee on assignment in UK with Certificate of Coverage



Current NIC rules	No UK NIC
New NIC rules	UK NIC on UK insured period – 2/3 Gain
Income tax rules	UK income tax due on the full gain at exercise

NIC treatment of share awards for mobile employees

A UK outbound employee is transferred to the US



Grant of option
1 June 2012



Employee transfers to US
1 June 2014

Vest/Exercise
1 June 2015

Current NIC rules

No UK NIC generally due

New NIC rules

UK NIC on UK insured period – 2/3 of gain, but US social security on the full gain? How to resolve?

Income tax rules

UK income tax due on the UK resident period

NIC treatment of share awards for mobile employees

Key points to consider

Need to maintain separate tracking processes

Do you have the source data for existing awards?

What charging provision applies for RSUs?

What happens if there is a double charge to social security?

Need to accrue for additional NIC costs?

Online Registration, Self- certification, Online Filing

Registration requirements – a recap

Online registration and self-certification

- **ALL** types of share plans must be registered (including non-tax advantaged plans)
- SIP/SAYE/CSOP will need to be self-certified at the same time.
- Share plan returns to be filed online for the 2014/15 tax year onwards (due by 6 July 2015) but need to register plans first!

Who has access to PAYE online?

Company has to register the plans – agents cannot do so

Also need to register (and self-certify) existing tax advantaged plans

Could lose tax advantages if not registered in time

Consider how to register non-tax advantaged plans – together or separately?

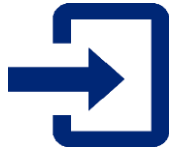
Keep a record of what was submitted

Monitor PAYE Online for reference number

Start the process as soon as possible!

Online filing

What's changed?



Most questions and information requirements have been changed/modified



Format of the returns is significantly different and cannot be changed



More information required



One piece of information may need to be split over three columns such as names or restrictions



No white space notes



Beware of the (red) flags

Online filing

Common issues



Formatting



- Take care
- Use HMRC's file checking service



Obtaining the new data



- Identify what new information you will need to provide and engage with all data holders



Understanding the questions



- Read the available guidance
- Use other resources to help



What have I submitted?



- Save the final version carefully
- Can you store it in a secure electronic folder



How do I get it done in time?



- By starting early!

French Qualified Plans - update

French Qualified Plans

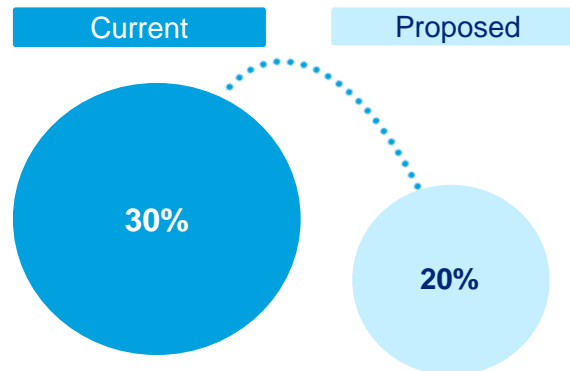
Overview



- Loi Macron, new tax bill proposed by the French government (recently debated in the National Assembly and now submitted to the Senate).
- Affecting qualified free share plan awards made after the law is adopted.
- Significant decrease to both employer and employee social security contributions and tax costs.
- Increased flexibility

Employer Flexibility

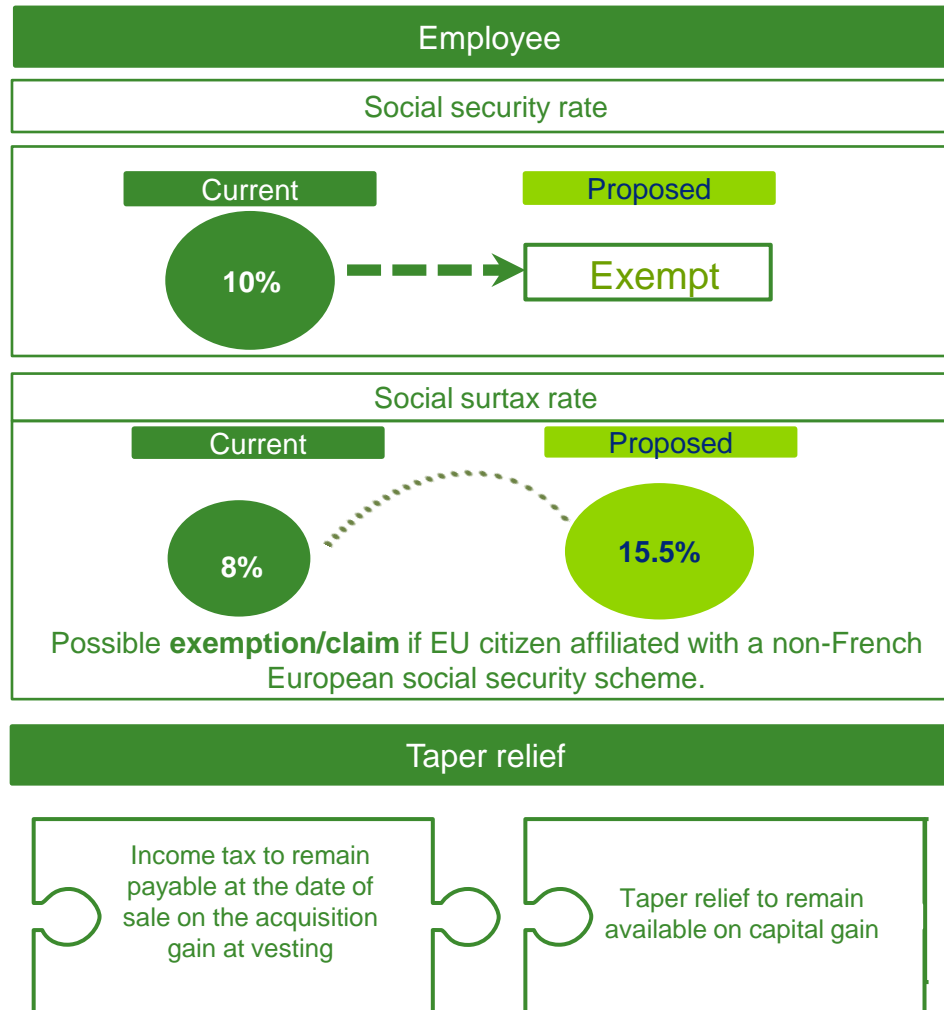
Social security rate



Employer social security would now be due at **DELIVERY ONLY**

French Qualified Plans

Draft bill on qualified free shares



French Qualified Plans

Draft bill on qualified free shares

Cumulative acquisition and holding period

The required total four year holding period would be reduced to only two years

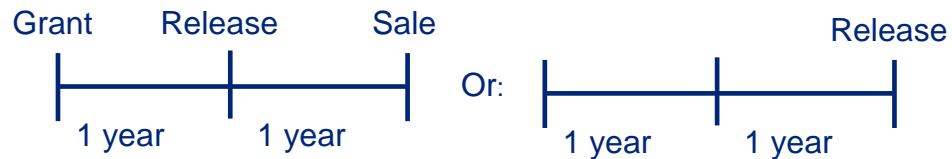
The two year required vesting period would be reduced to one

Before Macron law



* Unless release period is 4 years or more

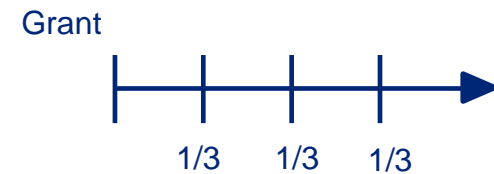
After Macron law



UK Plan

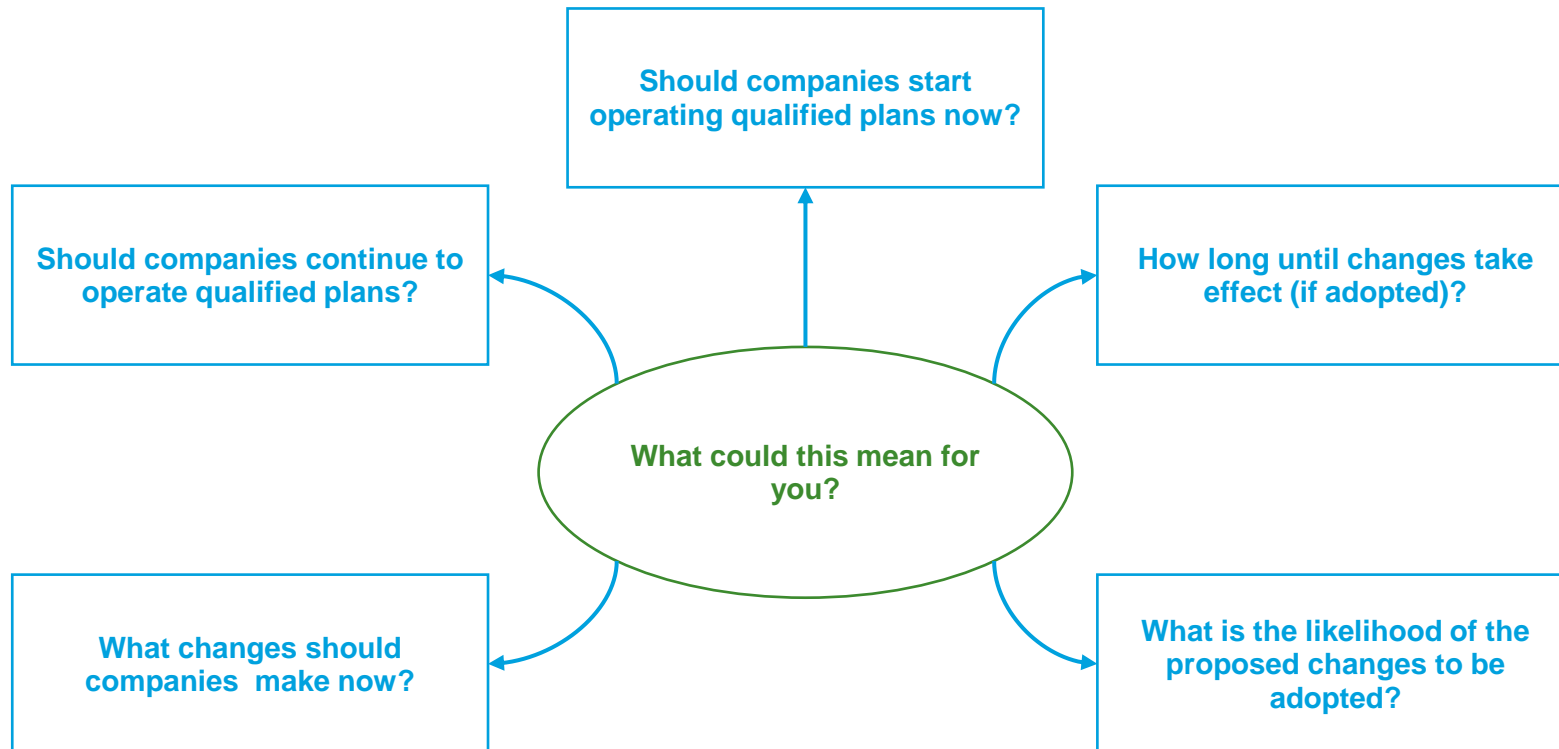


US Plan



French Qualified Plans

Draft bill on qualified free shares



Australian share plan changes

Australian share plan changes

Proposed changes to the Employee Share Scheme tax rules



Current situation for ESS (since 2009) - If the share award is qualifying, the tax point is at **vest** (or on cessation of employment with company or after 7 years of date of acquisition if not exercised by then)
=> At odds with what is considered tax point in most other jurisdictions (i.e. exercise/sale of shares)



Changes take effect for options or share awards granted on or after 1 July 2015



Australian share plan changes

Proposed changes to the Employee Share Scheme tax rules



Acquired before 1 July 2009	Acquired 1 July 2009 – 30 June 2015	Acquired on or after 1 July 2015
<ul style="list-style-type: none"> • Generally: tax point at exercise • Able to elect tax at acquisition in cases where certain conditions are fulfilled 	<ul style="list-style-type: none"> • Qualifying shares or rights: tax point at vest (or on cessation of employment with company or 7 years after acquisition) • Not-qualifying shares or rights: tax point at grant 	<ul style="list-style-type: none"> • Qualifying shares or rights; tax point at exercise (or on cessation of employment with company or 15 years after acquisition) • Not-qualifying shares or rights: tax point at grant

Proposed tax rules are still in consultation phase:

- Unanswered questions and important areas to consider
- Impact for employers in Australia:
 1. Review equity plans and verify impact
 2. Consider drafting employee communication
 3. Options back on the menu
 4. Possible refund of income tax paid on vested options that lapse unexercised on/after 1 July 2015?

Questions



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