

Surviving Global Compliance

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Agenda

- Overview
- Securities Law
- Tax
- Labor Law
- Australia and UK
- Keeping Up To Date
- Checklist
- Questions

What Is Global Compliance?



Securities Law

Can carry criminal penalties

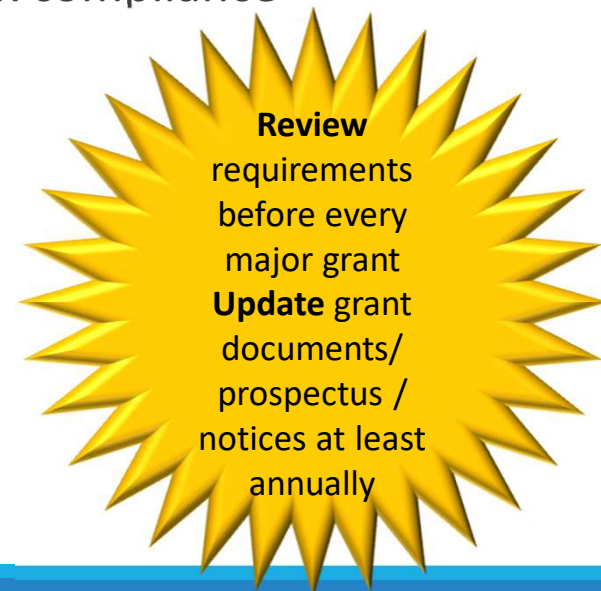
Many countries have exemptions for employee stock plans

- May need to include certain notices or wording in agreements
- Watch for consultant grants



Generally lower level of enforcement than tax compliance

- Penalties may be higher



Securities Law Question

Which law went into effect last week to exempt public companies from securities filings for their employee stock plans?

- a. EU Prospectus Regulation
- b. Philippines 10.1 exemption
- c. U.K. Financial Conduct Authority
- d. U.S. Rule 701



Answer

A. EU Prospectus Regulation

EU Prospectus Regulation published on 21 July 2017, effective on second anniversary

Successor to the EU Prospectus Directive

Extends Employee Share Plan Exemption to non-EU listed issuers

- May need Information Document to be distributed

Non-listed issuers have to rely on other exemptions:

- 150-person exemption
- €1,000,000 exemption (Member States can increase up to €8,000,000)

Bonus: Philippines

Previously offers under 19 offerees in a 12-month period were exempt

Issuers should now apply for exemption under §10.2

Bonus: Saudi Arabia

Under new rules, employee stock plans are considered 'Exempt Offer'

- Previously generally considered a 'Private Placement'

No longer required to:

- Make offers through Authorized Dealer, make pre grant and quarterly reports to Capital Markets Authority (CMA)
- Notify CMA before making a security offering to employees

Quarterly reports still required BUT format and information has changed

- Online portal

Tax

Most highly enforced compliance area

Local payroll communication is the key

- Do they understand the information you send them?
- Do they know what to do with that information?
- Can you audit their compliance?

Are your employee tax communications up to date?

Tax planning opportunities pre-grant

- Qualifying plans
- NIC transfer (UK)
- Tax favorable plans

Corporate tax deductions through recharges



Tax Question

Which countries introduced income tax withholding on equity compensation in 2019?

- a. Belgium and France
- b. Brazil and Chile
- c. Denmark and New Zealand
- d. Poland and Serbia



Answer

A. Belgium and France

Belgium

- Introduced income tax withholding on equity compensation effective March 1, 2019
- Social tax withholding court decision May 2019
- Reporting of equity compensation income effective January 1, 2019

Answer

A. Belgium and France

France

- Introduced income tax withholding on compensation (except qualifying plans) for residents effective January 1, 2019
 - Previously
 - Social tax withholding
 - Income tax withholding for non-residents
- Income tax withholding rate determined by tax authority depends on employee tax return for prior year
 - Default is 42%
 - Highest is 45%

Poll within poll:
What rate are
companies
withholding in
France?

Tax Question 2

Which country may reduce the tax deduction available on stock option income over \$200,000

- a. Australia
- b. Canada
- c. Italy
- d. Spain



Answer

B. Canada

50% of spread on stock option exercise may be exempt if options are:

- Granted with exercise price equal to FMV at grant
- Granted at arm's length
- Shares are Prescribed Shares

Special requirements for Quebec, otherwise 25%

Proposal to eliminate deduction for stock option income over annual cap of C\$200,000 for “large, long-established, mature firms”

Labor Law

Labor laws can have an impact on

- Acquired rights
- Entitlements
- ESPP contributions
- Worker consultation

Issues typically arise during terminations and RIFs



**Review and
update**
agreements at
least annually

Labor Law Question 1

Which country recently allowed ESPP contributions for the rank and file employees?

- a. Brazil
- b. Hong Kong
- c. Singapore
- d. Thailand



Answer

C. Singapore

Previously permission was required to collect ESPP contributions through payroll deductions for employees covered by the Singapore Employment Act

In February 2018, the Singapore government proposal to extend Employment Act to all employees

Effective April 1, 2019, the Employment Act allows salary deductions provided that:

- Employees give written consent;
- Employees may withdraw consent by giving notice of the withdrawal at any time before the deduction is made; and
- Employees would not be penalized for withdrawing consent

Labor Law Question 2

Which country recently changed its laws such that companies no longer have to allow leavers to retain their equity awards post termination?

- a. Denmark
- b. Israel
- c. New Zealand
- d. Saudi Arabia



Answer

A. Denmark

Grants made after December 2018

No requirement for "good leavers" to retain equity awards and receive a pro-rata award after termination of employment

Australia



No employer withholding

Report transactions on ESS

- Due date to employees July 14
- Due date to ATO August 14

Watch for state payroll taxes payable by employer

- Due if wage base exceeds certain level
- Wage base and rate differ by state
- Payroll tax on equity due at grant or vest

Watch out for securities requirements



United Kingdom

Withholding and reporting generally required

- Reporting only if shares not readily convertible
- Stock plan registration and online reporting
- Can transfer employer's NIC to employee

HMRC focus on compliance and mobile employees

Brexit uncertain

- Possible no deal exit on October 31

EU rules impacting equity:

- Data privacy
- Securities law
- EU social security

Watch for FX fluctuations



Keeping Up With Compliance

Make a calendar

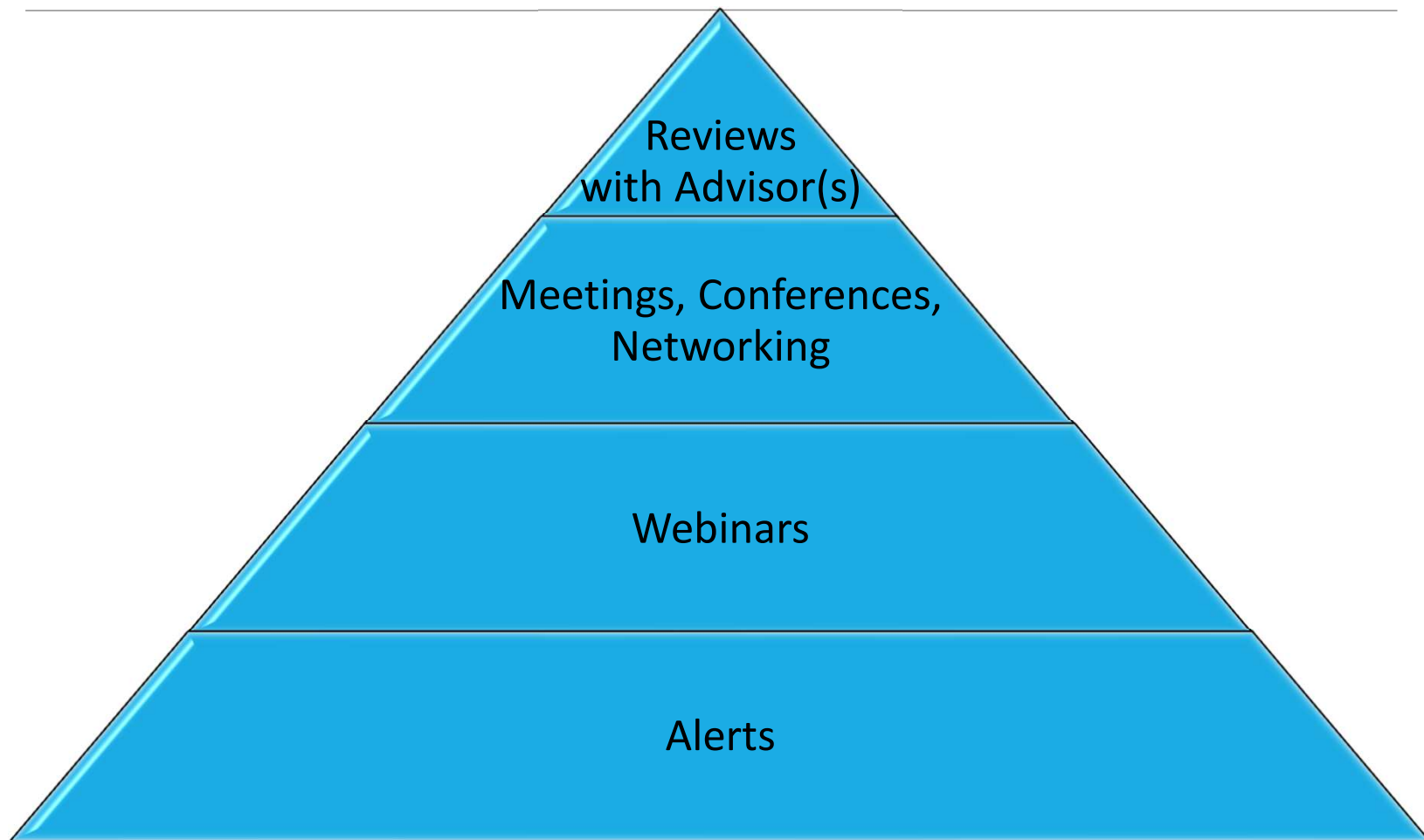
- Overlap with payroll calendars

Annual to do list

Watch for off-calendar year countries

Review and confirm with local personnel

How To Keep Up With Changes



Checklist* - Background

Country:

Local Human Resource Contact:

Local Payroll Contact:

Plan Design

Types of awards issued

Subplan or country specific terms used

YES/NO

Derived from Checklist in Appendix C of the Global GPS Publication by CEPI

Checklist - Legal

Legal Requirements		
Securities filings required		
Employee trading restrictions		
Labor law issues		
Data privacy		
Exchange control requirements		
Foreign ownership limitations		
Mandated employee communications		
Other		

Checklist – Grant Process

Grant Process		
Standardized grant terms used	YES/NO	
Special vesting and termination		
Timing restrictions		
Reporting of grant to tax authorities		
Award agreement format		
Grant acceptance required	YES/NO	
Translation requirements		
Electronic signature accepted	YES/NO	
Other		

Checklist - Transactions

Transactions		
Require same-day-sale	YES/NO	
Special instructions to broker		
Restrictions on distribution of shares		
Methods of distributing proceeds		
Currency conversion		
Other		

Checklist – Tax & Payroll

Tax and Payroll Issues		
Tax treatment of award		
Definition of FMV		
Withholding method		
Determination of withholding amount		
Key payroll dates		
Provide rates to broker		
Import withholding and reporting into payroll system		
Make tax remittance		
Other		

Checklist - Other

Other Issues		
Corporate deduction available	YES/NO	
Documents required		
Other		

Questions?

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