



Mobility Tax 301

Presented by AIRINC and GTN

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Your Presenters



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If you require **CPE credit**, please make sure that you **answer at least 3 of the polling questions** in this session (excluding the final poll that will ask if you require CPE credit!)



A link to the recording of the session will be provided



A PDF copy of the presentation will be emailed to participants



Please post questions to the **Zoom Q&A panel [not in the chat!]** and we will address them at the end of the session

Agenda

- Taxation of Deferred Compensation
 - Bonuses
 - Equity
 - Pensions
- Social Security and Totalization Agreements
- Compensation structuring for international mobility

Taxation of Deferred Compensation



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Deferred Compensation Overview

- Common types of deferred compensation:
 - Bonus
 - Equity
 - Pension
- Typically offered by employers to:
 - Act as an incentive for employees
 - Attract talent
 - Retain talent
- Varied taxation based on structure, restrictions, jurisdictions
- Increased complexity with mobile employees

Bonuses

- Generally paid annually; however, can be paid monthly, quarterly, etc.
- Considerations for mobile employees
 - Timing
 - Sourcing
 - Trailing liabilities
 - Appropriate withholding rate
 - Budgeting
 - State issues



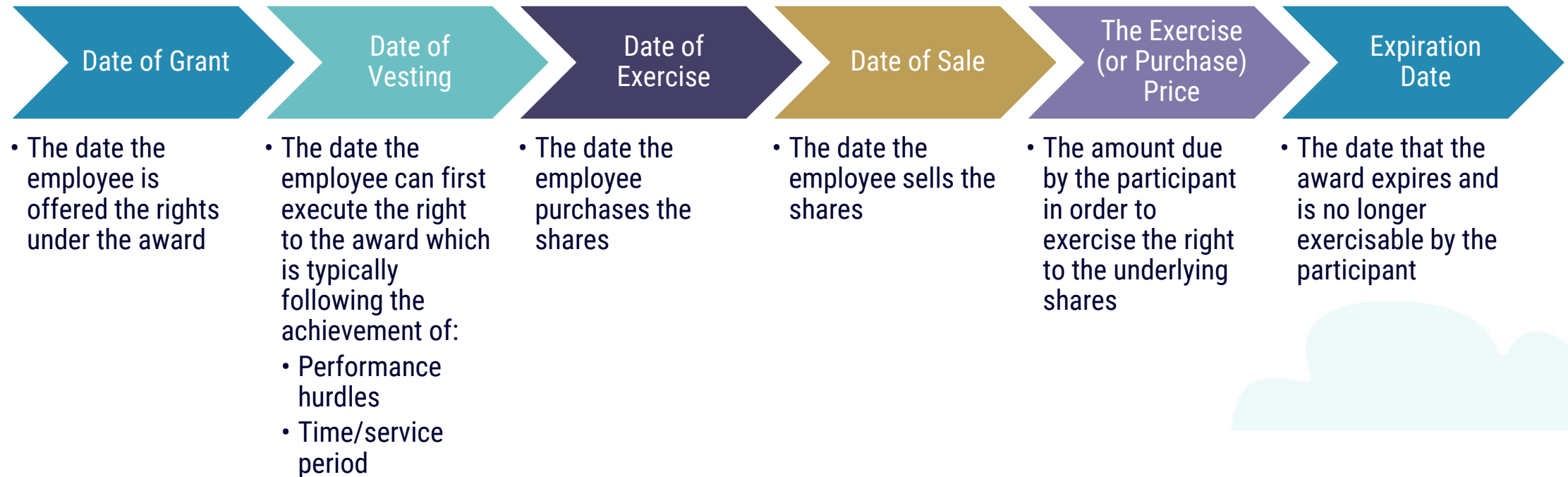
Polling Question #1

Does your company issue stock-based compensation?

- 40.9% - Yes
- 40.2% - No
- 18.9% - I don't know



Equity Income – Standard Terminology



Equity – Types of typical plans

- Stock Options (Qualified / Non-Qualified)
- Stock Appreciation Rights (**SARs**)
- Incentive Stock Options (**ISOs**)
- Employee Stock Purchase Plan (**ESPPs**)
- Restricted Stock Awards (**RSAs**)
- Restricted Stock Units (**RSUs**)

Mobility Considerations for Equity Incentives

- The tax position of expatriates tends to be complex even without considering equity incentives
- Equity incentives tend to increase the complexity because they are often granted with respect to **services performed in multiple countries**
- When and where will the company have reporting and withholding obligations?



Mobility Considerations for Equity Income - Continued

- **When is the award taxable?**
 - Same between home and host or at different times?
 - e.g., options could be taxable at grant or vest rather than exercise
- **What type of sourcing is required?**
 - Will home and host sourcing match?
 - Does the treaty address the equity income?
- **Pre-move planning** likely to be beneficial
 - e.g., exercise options before entering host country to avoid host country tax on gain

Considerations

- Are “trailing” options taxable?
- Is there a nonresident rate?
- Is reporting or withholding required?
- Is a tax return filing required?

RSU Case Study

March 1, 2023

While living in **NY, U.S.A.**, employee receives an award of Restricted Stock Units (RSUs), with a two-year vest

September 1, 2024

Employee transfers **from U.S.A. to the U.K.**

March 1, 2025

RSUs vest **in the U.K.**

RSU Case Study

United States

- Payroll reporting based on employee's citizenship / resident status
- Taxes withheld for **Federal Income tax, New York Income tax, potential for Social Security and Medicare tax**
 - How to determine trailing social tax liability?
 - Application of tax credits for citizens / residents?
 - Reporting of state disability taxes?

United Kingdom

- Income reported via monthly PAYE
- Amount of income reported is prorated based on the time worked in the United Kingdom from grant to vest
- Assuming employee is not on a certificate of coverage, taxes withheld for **National Insurance Contributions (NIC) and U.K. National Income**
 - How to determine the rate of taxation?
 - How to accurately collect tax for NIC tax rate bands?
 - Is the employer paying the NIC?

RSU Case Study: What to Consider, and Results

- How will the company determine the **appropriate total tax to be withheld globally**?
 - If facilitated via sell to cover arrangements, how can this be done timely and coordinated with stockbroker?
- How will the company track mobile employees for **specialized reporting**?
 - The onus is on the employer to comply with reporting and withholding requirements
- Are **payrolls** equipped to handle scenarios where withholding rates are adjusted?
- How will reporting be **communicated to employees**?

Navigating Mobility in a T+1 Environment

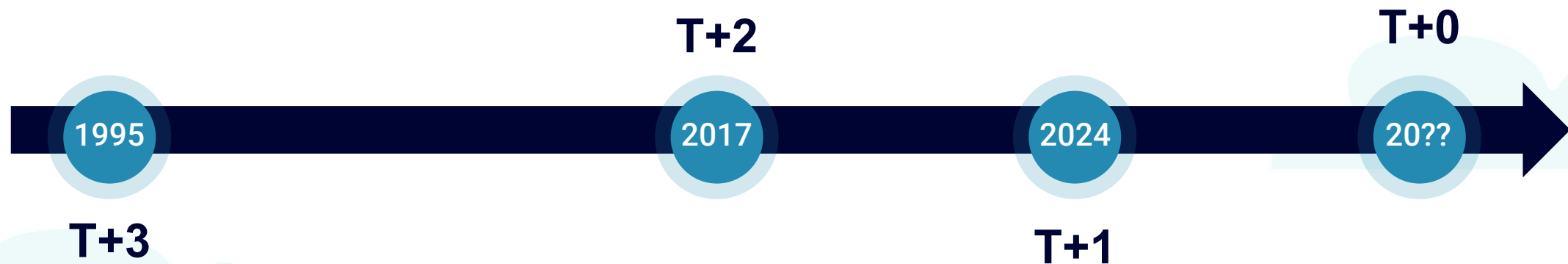
Background: SEC introduces new rule impacting settlement process for equity plans.

Key Date: Effective May 28, 2024, settlement cycle shortened from T+2 to T+1.

Focus: Addressing tax implications amidst reduced settlement time.

Impact: Popular equity plans like stock-settled RSUs and stock option/stock appreciation right exercises. Including ADRs.

Exceptions: Foreign Securities and FX are still T+2



Managing Mobile Settlement Challenges



Assessing Mobile Workforce Dynamics

- Reassess the mobile employee group to inform T+1 compliance, quantify tax risks, and pinpoint employee locations.



Qualifying employees include anyone requiring special handling

- Brokers aid in settlement processing and tax withholding; companies interpret tax rules for accurate results.



Exploring Automation

- Automation streamlines T+1 compliance, especially for firms lacking mobility expertise, offering cost-effective options.

Polling Question #2

Which jurisdiction will generally assess tax on equity compensation?

- 10.6% - Home country (issuing country)
- 4.6% - Host country
- 0% - Not taxable in any jurisdiction
- 78.8% - Possibly home and host countries
- 6% - I don't know



Pensions

Employee moves to another jurisdiction but continues to participate in home country pension plan

- Employer contributions
 - Taxable?
- Employee contributions
 - Taxable?
 - Deductible?
- Earnings in the plan
 - Taxable?

Local Tax Considerations include specific reporting requirements for:

- Any plan involving **Deferred Compensation** (where payout occurs at a future date)
- Whether the pension scheme is a:
 - “Qualified” scheme or
 - “Non-qualified” scheme
- Whether the pension scheme is a:
 - Defined Benefit (DB) scheme or
 - Defined Contribution (DC) scheme

Social Security and Totalization Agreements



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Types of Social Security Programs

- Typically, contributions are assessed only on employment income:
 - Employee contributions
 - Employer contributions

General Rule:

Social Security is due
where the work is performed

Old-Age State Pension

Disability & Survivor Benefits

Unemployment Insurance

Medical / Health Insurance

Work Injury Insurance

Totalization Agreements

Certificate of Coverage

- Apply via social security office in the home country
- Intended for temporary assignments at host, typically for periods up to 5 years
- Need to manage intended length and expiration of certificate
- Need to meet criteria (can new hires get a COC?)

With Totalization Coverage

- Assignee is exempt from contributing to host social schemes
- Continues to contribute to home social schemes
- May not be exempt from all host social contributions
- Payroll considerations and planning for costs

- Coordinates contributions (and benefits)
- EU and EEA multilateral social regulations
- Agreements are distinct from income tax treaties

International Social Security - Typical Practices

Temporary home-based packages

- Employees **remain in the home country social security scheme during an assignment**
- Totalization Agreements can exempt employees from paying host country social security
- If Totalization isn't available, potential exists for **double contributions** (extra company cost)

Host-based packages

- Employees are typically **enrolled in the host country social scheme** but there are exceptions (host-based temporary assignments)

Polling Question #3

True or False: If the employee is exempt from host country income tax under an income tax treaty, no social security will be due.

- 17.3% - True
- 74.4% - False
- 8.3% - I'm not sure



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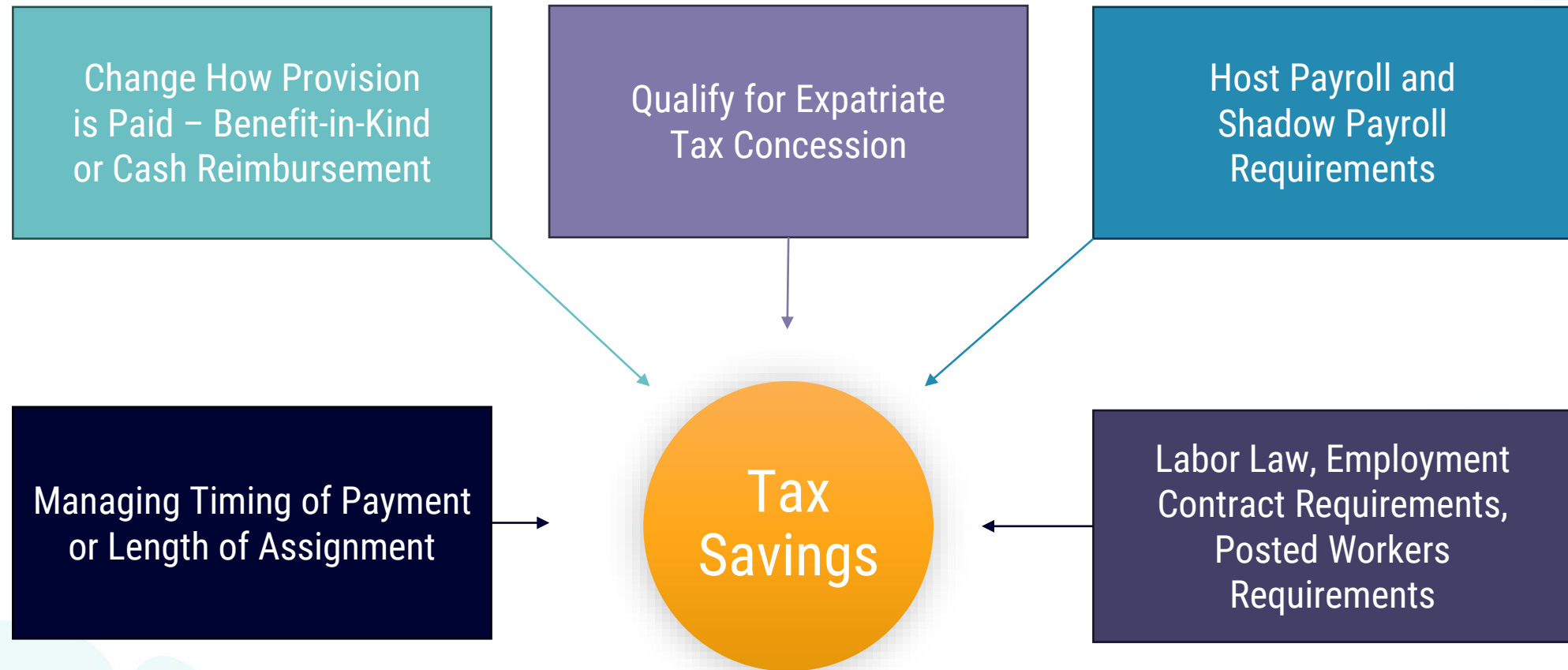
Compensation Structuring for International Mobility



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Structuring Compensation for Tax Savings



Compensation Structuring

- Examples



Housing

China: Housing paid to third party or based on receipts submitted is non-taxable.

Potential 2028 tax law change – taxable.



Moving Expenses

Some countries may exclude most or all qualified moving expenses (what about lump sums?)



Per Diems

United States: For assignments up to 1 year, a non-taxable per diem allowance may be provided (up to thresholds that are set by location and type of expense)

Compensation Structuring - Examples (Continued)



Length of Assignment

Certain short-term assignments may qualify for income tax treaty exemption –
Typical Criteria: <183 days/no PE/not paid at host



Expatriate Tax Concession

Some countries may provide tax incentives for qualifying expatriate employees – typically a portion of income is excluded, or a special tax rate is applied



Employment Contract

Structure the assignment in order to take advantage of tax differences between locals and expats (secondments, income tax treaties)

Polling Question #4

Does your company vary the pay delivery of allowances in order to take advantage of certain tax concessions?

- 43.3% - Yes
- 22% - No
- 34.7% - I'm not sure



Compensation Structuring: Host Payroll and Shadow Payroll Reporting

Employee remains on home country payroll

- Potential for host payroll requirement
- Manage employee cash flow
- Tax equalization? Actual or Hypo Withholding? Gross-ups?

Amounts paid in host country may need to be reported in home country payroll

- e.g., for U.S. outbounds, report on Form W-2

Social security contribution withholding

- If Certificate of Coverage is obtained, stop host social security

Questions



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Polling Question #5

**Do you require Continuing Professional Education credit (CPE)
as a CPA?**

- Yes
- No



Requesting (S)CRP® Recertification Credit

Seminar ID: 28054

Sponsoring Organization: Global Tax Network US, LLC (GTN)/AIRINC
Seminar Title: GTN/Airinc 2025 Mobility Tax 301 (Live Session)
Location: Online
Date: 08/07/2025
CRP® credit hours: 1

- It is the responsibility of the (S)CRP® (NOT the sponsoring organization) to submit the credit hour(s) to their individual record. Please keep the original for your own files.
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LIVE SESSION

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Seminar ID: 28057

Sponsoring Organization: Global Tax Network US, LLC (GTN)/AIRINC
Seminar Title: Effective ASYNC-GTN/Airinc 2025 Mobility Tax 301 (On-Demand)
Dates: 7 August 2025 - 31 December 2025
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