



Points to remember for Employee Stock Option Plan (ESOP) taxability of global mobile employees

ESOP is an option/choice/right given to employees to acquire shares of the company at a future date and at a predetermined price i.e. exercise/grant price. It is generally an option and not an obligation. The taxability of ESOPs becomes complicated when it is related to globally mobile employees i.e. employees who have worked in more than one country during the life cycle of the ESOP.

Governments across the world are becoming aware of the global ESOPs that multinational companies are offering to their employees. They are bringing in laws to make the taxability very clear and to set up stronger tax collection mechanism to avoid tax evasion which increases the responsibilities on the employers.

Apart from the consensus on the taxability of the ESOP benefit, the actual chargeability, payment of tax and reporting is vastly different in most of the countries.

Basis for determining the taxability of ESOPs in a country

Some countries identify ESOPs as taxable based upon the residential status at the time the grant is determined (UK till 5 April 2015). Some countries identify ESOPs as taxable on individuals related to the services performed in that country and the benefit is apportioned according to the ratio of the time spent in that country between when the grant was determined to vested (UK has moved to this model since 6 April 2015). Some countries identify ESOPs as taxable if the employee is rendering services in that country at the time the grant is determined (Singapore).

Point of taxation across countries

The actual date for calculating ESOP and tax is the date of vesting in Australia, which is exercised in the United Kingdom (UK) and Singapore as well. Some countries tax it on the date of sale like France, subject to certain conditions.

Needless to say, it is very important for employers who have globally mobile employees to track the travels of employees across countries, events/dates relevant in ESOP life cycle for each employee and identify the taxability and/or reporting requirement in any country so as to remain compliant with the laws of the concerned revenue authorities.

Tax collection mechanism and reporting across countries

Some countries want the employer to calculate and collect the tax at the point of taxation and pay it to the Revenue department immediately (the UK). Some countries want the employer to only calculate the benefit amount at the point of taxation and report it to the Revenue (Australia) and the assessment of tax and recovery will be done through the self assessment route. Some countries want the employer to calculate, collect and report the benefit amount to the Revenue before the employee is leaving the country, even if the point of taxation has not come (Singapore).

www.skpgroup.com

 [linkedin.com/company/skp-group](https://www.linkedin.com/company/skp-group)

 twitter.com/SKPGroup

 facebook.com/SKPGroupIndia

 youtube.com/c/SKPGroup

 plus.google.com/+SKPGroup

This alert contains general information which is provided on an "as is" basis without warranties of any kind, express or implied and is not intended to address any particular situation. The information contained herein may not be comprehensive and should not be construed as specific advice or opinion. This alert should not be substituted for any professional advice or service, and it should not be acted or relied upon or used as a basis for any decision or action that may affect you or your business. It is also expressly clarified that this alert is not intended to be a form of solicitation or invitation or advertisement to create any adviser-client relationship.

Whilst every effort has been made to ensure the accuracy of the information contained in this alert, the same cannot be guaranteed. We accept no liability or responsibility to any person for any loss or damage incurred by relying on the information contained in this alert.

SKP Business Consulting LLP is a member firm of the "Nexia International" network. Nexia International Limited does not deliver services in its own name or otherwise. Nexia International Limited and the member firms of the Nexia International network (including those members which trade under a name which includes the word NEXIA) are not part of a worldwide partnership. For the full Nexia International disclaimer, please visit www.skpgroup.com.

© 2017 SKP Business Consulting LLP. All rights reserved.

A member of
 **Nexia**
International