

Mobile Employees – Are Your Procedures Adequate?

Carol Rutlen - ExpatEdge
 Danyle Anderson – Tech Data
 Denise Girdlestone – Bayer Crop Science
 Barbara Wallace - Oracle

Why Is This a Problem Today?

- Recent tax legislation and employment law increases compliance requirements
- More scrutiny by tax authorities
- Access to immigration records by tax authorities to better track employee movement
- Increased focus on internal control as a result of Sarbanes-Oxley
- More mergers and acquisitions

Danyle Anderson – Tech Data

- Director, Investor Relations and Shareholder Services
- Five stock options plans/One ESPP
 - Granting stock options (standard and capped), restricted stock and stock-settled stock appreciation rights in 25 countries
 - ESPP administered in 2 countries
- Mobile employees
 - International assignees – approximately 40
 - Permanent transfers – approximately 15
 - Business travelers - undetermined
- Department reports to Finance/Treasury

Denise Girdlestone – Bayer Crop Science

- Head of Compensation & Benefits
- 9 stock option plans, 3 equity-linked performance unit plans, 1 SAR plan
- At least 56 countries involved
- Mobile employees
 - International assignees approximately 180
 - Permanent transfers – very few
 - Business travelers:
 - "commuters" – approximately 20
 - Other business travelers - undetermined
- Reports to Head of Human Resources

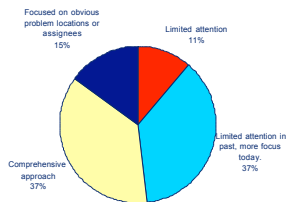


Barbara Wallace – Oracle

- Senior Director, Employee Stock Services
- Stock Options, ESPP (Statutory) in approx 50 countries
- Mobile employees
 - International assignees – approx. 325
 - Permanent transfers – 200? (only to/from US tracked well)
 - Business travelers – don't track if less than 90 days
- Reports to Treasurer



Survey Results: Overall Compliance




Results from 2005 ExpatEdge Survey of Stock Option Compliance Issues for Mobile Employees




How Do You Develop Practical Solutions?

- Assess risk
- Prioritize risk
- Identify possible solutions
- Implement solutions




How Do You Develop a Practical Solution?

- Assess risk
 - Country-specific rules
 - Regulatory environment
 - Exposure to penalties and interest
 - Practical vs. technical tax requirements
- Analyze demographic information by country
 - # of mobile employees
 - Executives vs. hourly employees
 - Type of mobile employee
 - Built-in bargain element



Types of Mobile Employees

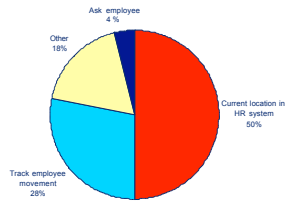
- Employees while on international assignment
- Employees after international assignment is complete
- Permanent transfers
- Business travelers



Types of Mobile Employees

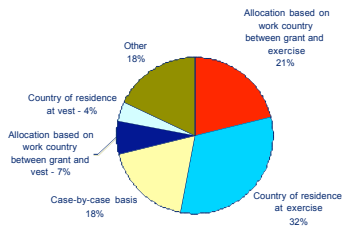
| | On Int'l assignmnt | After Int'l assignmnt | Permanent Transfers | Business Travelers |
|---------------------------------|----------------------|-----------------------|---------------------|--------------------|
| Easy to identify | Yes | Maybe | No | No |
| Tax equalized | Yes | No | No | No |
| Assistance with tax return | Yes | No | No | No |
| Tax withheld in NR country | No | No | No | No |
| Tax paid to nonresident country | Yes – via tax return | No | No | No |
| Exposure | Limited | Yes | Yes | Yes |

Survey Results: Tracking Employee Location



Results from 2005 ExpatEdge Survey of Stock Option Compliance Issues for Mobile Employees


Survey Results: Reporting and Withholding



Results from 2005 ExpatEdge Survey of Stock Option Compliance Issues for Mobile Employees


How Do You Develop a Practical Solution?

- Identify possible solutions
 - No comprehensive technology solution
 - Identify ways to work around the system
- Advantages and disadvantages of outsourcing
- Focus on country-specific solutions
- Focus on employee or employee-group solutions



Other Administrative Challenges

- Allocation of income
 - Grant to vest vs. grant to exercise
 - Organisation for Economic Cooperation and Development (OECD) model
 - Countries complying with OECD model
- Withholding tax in multiple jurisdictions
- Employee communications
- Intercompany charges
- Employee tax filing requirements




Future Trends

- Exposure will continue to increase
- ***Legislative changes are not required. Tax authorities can change their enforcement of current legislation.***
- Tax authorities will have better information
- More scrutiny of executive compensation
- Lobbying efforts in Europe will accelerate
- Increased discussion of EU Directive on stock options




Resources

- Law – Big 4 accounting firms, law firms
- Systems – E*TRADE
- Specific employee allocations – Big 4
- Consultants – case-by-case or overall risk management



Questions?

Thank you for your participation



Contact Information

Carol Rutlen
carol@expatedge.com 1-650-321-3999

Danyle Anderson
DANDERSO@techdata.com 1-727-538-7866

Denise Girdlestone
denise.girdlestone@bayercropscience.com
49 2173 38 5753

Barbara Wallace
barbara.wallace@oracle.com 1-775 689 3411



Employees While on International Assignment

- Easiest to identify
- May be covered by tax equalization
- Outside tax provider may prepare tax return
- Employer may not withhold tax or report income
- Appropriate tax usually paid when tax return prepared
- Limited exposure to employer and employee



Employees After International Assignment Is Complete

- Difficult to identify – not tracked after assignment
- Not covered by tax equalization
- Responsible for own tax return
- Employer reporting and withholding limited to country of residence at exercise
- Employee may not understand taxability and probably doesn't report income
- Significant exposure to employer and employee in certain countries



Permanent Transfers

- Difficult to identify
- Not covered by tax equalization
- Responsible for own tax return
- Employer reporting and withholding limited to country of residence at exercise
- Employee may not understand taxability and probably doesn't report income
- Significant exposure to employer and employee in certain countries



Business Travelers

- Difficult to identify
- Employer reporting and withholding limited to country of residence at exercise
- Employee may not understand taxability and probably doesn't report income
- Issue applies to all income, not just equity compensation
- Survey results: 9% of participants tracked international business travel
- Employer and employee exposure limited