

Handling Global Tax Obligations A Shell Case Study

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Royal Dutch Shell – how we used to do it

Where we started

- Fully compliant but manual
- Global due diligence

Mixture of semi automated and manual tax calculations on each option exercise

- Limited automation
- Special issues for certain countries
- Gaps plugged by in-house expertise

Sustainable and effective whilst share price steady



Royal Dutch Shell – the background

- 15,000 holders and 10,000 awardees each year
- 120 countries
- 7,500 highly mobile expatriates
- Many awardees work in several countries during the cycle of an award
- Cross border tax compliance a major issue
- Requirement: to collect and track accurate demographic data for each awardee over cycle of award from grant to exercise



Royal Dutch Shell – the risks

- Expected increase in exercise activity
- Burden of maintaining global due diligence
- Timely payment of withholding taxes
- Costs of non-compliance
 - Reputational
 - Penalties
 - Interest
 - Criminal charges
- Change of IT platform



Royal Dutch Shell – key objectives

- We considered...
 - Doing all calculations manually in house
 - Outsourcing all manually
 - Automating
- Aim for 80% automation
- Prioritise jurisdictions with withholding requirements
- Prioritise countries with high awardee numbers



The chosen locations

Argentina	France	Malaysia	Singapore
Australia	Gabon	Mexico	South Africa
Belgium	Germany	Netherlands	Spain
Brazil	Hong Kong	New Zealand	Sweden
Brunei Darussalam	India	Nigeria	Switzerland
Cameroon	Iran	Norway	Syria
Canada	Ireland	Oman	United Kingdom
China	Italy	Philippines	USA
Czech Republic	Japan	Qatar	United Arab Emirates
Denmark	Kazakhstan	Russian Federation	Venezuela
Egypt	Kenya	Saudi Arabia	



Royal Dutch Shell – key objectives

Scalability and Flexibility

- Solution to cover multiple plan types
- Change in tax strategy for expats
- Specific Shell tax positions
- Application of treaty reliefs
- Different assignment types
- Different exercise types
- Notification of future liability



Deloitte – the tax challenges

- Country coverage – polling knowledge from Deloitte global network
- Multi country calculations
- Regional taxation – e.g. state to state moves
- Social security taxation
- Determining residency
- Payroll reportable amounts
- Treaty positions and apportionment
- Upfront taxation – e.g. taxation at Grant
- Prior transactions
- Equalisation
- Future reportable amounts
- Ongoing maintenance – keeping the tax rules up to date



Deloitte – the technology challenges

- Data collection
- Compatibility
- Speed of calculation and response
- High volume capability
- Company specific positions
- 'What if' scenarios
- Bureau calculations
- Security
- Reporting
- Future proofing



Computershare – the facilitation challenges

- 100% straight through web solution for 15,000 people
- Tri-party solution
- Timescales
- System migration
- Data collection
- Self-certification
- Data interface
- Project management



Computershare – project management

- Round the clock development (global)
- Workshop facilitation
- Scenario-building
- User Acceptance Testing (UAT)
- Future proofing
- I.T: all under one roof



So, Shell required a solution which would...

- Be globally compliant
- Be efficient and fast
- Be cost-effective
- Allow seamless interaction of three parties
- Mitigate risk towards:
 - Financial penalties
 - The Shell brand
 - The Shell reputation



The solution...the global tax calculator

Participant has decided to exercise shares and logs onto secure Shell share plan website. Completes online form and clicks to next page

Form goes to automated system at Deloitte which checks for any required information, relating to the participants individual situation

Participant completes additional questions then chooses

- exercise preferences
 - payment distribution
 - stock distribution
- And then submits

Continued...

Form goes back to automated system at Deloitte which produces a tax estimation based on the latest share price

Participant accepts estimation and submits live trade to market

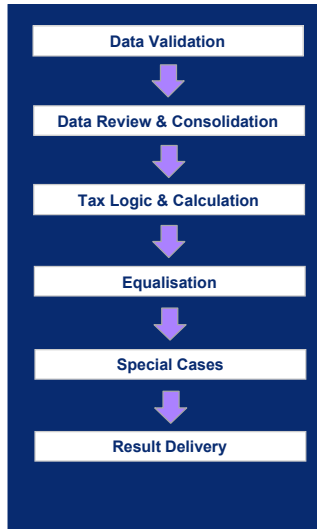
Deloitte performs live calculation on tax and either:

Settles on +T3 basis in automated process = participant receives settlement in three days

Settles on manual basis (if required) = participant settles in ten days

Participant receives online contract notes.
The entire process (minus the participants form-filling) takes approximately five seconds.

The Deloitte automated process



Results for May 2007

- 97% of all calculations were automated
- 4765 calculations in total
- 1658 trades were completed
- 6.1 million units were exercised
- 84 cheques were issued
- 383 BACS payments were made
- 466 foreign cheques were issued
- 720 wire payments were made
- 82 countries dealt with

So, were Shell's requirements met?

- Be globally compliant
- Save time
- Save money
- Mitigate risk

and

- Positions Shell as global innovator
- Proves that three parties can work together successfully
- Provides high profile employees with fast, easy-to-use service



Any questions?



Computershare Deloitte.

