



global equity
ORGANIZATION

The Global Equity Organization UK Chapter Meeting

Welcome

Wednesday, 21 January 2015





Member Driven Not for Profit Organization



LEARN

about crucial information, news and developments that can help you succeed and advance in your careers.



CONNECT

with experts and peers from around the world and next door to share best practices and develop valuable relationships that endure.



EXPERIENCE

a welcoming atmosphere that fosters meaningful dialogue and relationships.

WHERE
GEO MEMBERS
COME TOGETHER





Global Equity Insights 2015



- Strong sponsorship of project
- Data collection **now underway!**
- **Prior survey** = 170 participants, goal is to increase a min. of 10%
- Participants receive **detailed survey results**

Help us by participating and encouraging colleagues and client participation!

Data collection closes 13 February.

Participate by visiting equity-insights.org



The Member Benefit you can't do Business Without!

- The GEO member-only, private and secure online community
- Interact with GEO members around the world wherever and whenever you need to:
 - **CONNECT** and communicate with fellow members
 - **PARTICIPATE** in focused discussion groups
 - **ACCESS** useful and informative document libraries
 - **NETWORK** via a comprehensive member directory
 - **CONTRIBUTE** to member blogs and create your own
 - **SHARE** files and post questions online

"I really benefit from GEOconnect, where members can ask questions and get real-time, practical responses from others in the industry."

CLINTON SHOAP - CARGILL

"Being a member of GEO provides a tightly connected network of global equity experts who are able to share their knowledge, challenges, and guidance with each other, via GEOConnect or at GEO events."

KELLY GEERTS - ISP ADVISORS LLC





GEO connect

WHERE
GEO MEMBERS
COME TOGETHER



COMMUNITY:

<5000



UNIQUE DISCUSSION THREADS:

88



COUNTRIES REPRESENTED:

64



DISCUSSION POSTS:

450



MONTHS SINCE LAUNCH:

6



CONNECTIONS MADE:

1015



NO. OF COMMUNITIES:

7



UNSUBSCRIBED:

>10%



AGREED TO TERMS:

<800





Mark your Calendar

GEO 16th Annual Conference

- London, UK, 15 to 17 April 2015
- GEO Award submission period is open until **23 January**
- Registration is open, register by 25 February and save with early registration rates
- Sponsorships and exhibiting spaces are available and selling fast!
- 240 delegates from 11 countries already registered as at 21 January 2015

Special offer for today's ISSUER attendees - £100 discount on registration – use code UKCHAP15



GEO 16th Annual Conference


LONDON

15-17 April 2015 | Park Plaza Westminster Bridge



Keynote Speakers



Growth or Decline?

How the global regions measure up in 2015

Henk Potts, Barclays Wealth investment expert

DAY 1



Learn from the Master

A personal insight from the top of the chain

Glen Moreno, seasoned board-level executive and Pearson's current Chairman

DAY 2



Performance by Design

How to create a team that works for your business

Suzanne Bates, CEO mentor and best-selling author

DAY 3



Hot Topics

ADMINISTRATION

- **There are Best Practices, and then there are SCB Practices - A Standard Chartered Bank Case Study on Best in Class Financial Reporting Practices**
 - Sam Barnard, Standard Chartered Bank (UK)
 - Don Drybrough, Solium (US)

COMMUNICATION

- **From Abbey Road to Sunset Boulevard - The Very Best Practices in Communicating Tax Obligations to Mobile Employees**
 - Ingrid Freire, Yahoo! (US)
 - Sheila Frierson, Computershare (US)
 - Nathalie Hellio, Accenture (FR)
 - Pam Roffe, Royal Dutch Shell (UK)

DESIGN

- **Sustainability Comes to Equity Compensation**
 - Fiona Reynolds, Principles for Responsible Investment (UK)
 - Fred Whittlesey, Compensation Venture Group (US)

REGULATORY

- **God Save the Queen...and Our Equity Plan!**
 - Kat Carlo, Coty (US)
 - Tara Wiseman, Kinross (CA)
 - Claudia Yanez, SunPower (US)

TAX

- **Operational Best Practices and Employee Engagement Answers for Trailing Tax Liabilities**
 - Emily Huber, Procter & Gamble (US)
 - Matthew Loombe, PwC (UK)

- Highly coveted industry awards with ceremony integral to GEO's 16th Annual Conference
- Ten categories, each designed to highlight excellence in key areas of the share plan industry
- Winners determined by expert and diverse panel members with 80 years' experience in business and employee share plans
- Past winners include:

SKANSKA

SIEMENS

Discovery
COMMUNICATIONS™

COLGATE-PALMOLIVE

accenture



technicolor



RioTinto



PEARSON





Mark your Calendar

CONFERENCES

- 16th Annual Conference, 15-17 April 2015, London
- National Equity Compensation Forum (NECF)
 - 14 – 16 September 2015
 - Scottsdale, AZ,
- Northern California Forum
 - 5 March 2015



CHAPTER MEETINGS

- 5 February - Spain Chapter



WEBCASTS

- 13 January – Global Equity Updates
- 29 January – Deloitte Global Share Plan Survey – Sharing Success
- 6 February – The Impact of Share Plans on Employee Engagement



Thank you for listening!

www.globalequity.org

GEO Conference

January 2015

Know Your Customer



David Latham, Head of Employment Tax, British American Tobacco Plc

Giles Capon, Partner, EY

Ian Hopkinson, Partner, EY



Building a better
working world

Introductions

▶ David Latham

- ▶ Employment Tax Manager, British American Tobacco Plc
- ▶ David has had over 20 years experience working in practice (EY; PwC and Deloitte) specialising in international personal tax.
- ▶ David moved to industry some 10 years ago, first working in the Oil and Gas arena (KBR) where he was the Expatriate Tax Manager and experienced leading the International Assignments Team
- ▶ For the past five years David has worked for British American Tobacco Plc, responsible for the introduction of systems and processes feeding into the Senior Accounting Officer reporting requirements.



▶ Giles Capon

- ▶ Giles is a partner in the Human Capital team at EY
- ▶ He has responsibility for the Global Equity and Share Plans teams across UK and Ireland.
- ▶ Giles leads on number of large global equity client engagements covering many sectors including pharmaceutical, consumer products, and FS
- ▶ Large recent implementations of withholding services include a significant Swiss Headquartered enterprise
- ▶ Currently involved in several significant UK plc transactions involving the settlement of global share plans



Introductions

▶ Ian Hopkinson

- ▶ Ian is a partner in the Human Capital team at EY
- ▶ He has responsibility for the Global Employment Tax Services practice across UK and Ireland.
- ▶ Ian has specialise in UK and international employment taxes and social security for over 20 years and has developed professional practices in a number of ancillary areas such as employee benefits and technology.
- ▶ Ian leads a number of significant employee benefit and tax driven change programmes with employers across a variety of different industry groupings. These range from the introduction of tax efficiency into reward programmes to full flexible benefit implementation.



A bit about BAT

A bit about BAT



- ▶ We're a leading company that's successful worldwide. Our brands are enjoyed by millions of consumers. In a controversial industry we act responsibly and with integrity.
- ▶ In 2013 we sold 676 billion cigarettes, made in 46 factories in 41 countries. We employ more than 57,000 people in more than 200 markets worldwide, with many more indirectly employed through our supply chain.
- ▶ Globally, our business last year contributed more than £33 billion in duty, excise and taxes to governments worldwide.

BAT Standards of Business Conduct include:

Honest, accurate and objective recording and reporting of information, both financial and non-financial, is essential to:

- the Group's credibility and reputation;
- its ability to meet its legal, tax, audit and regulatory obligations; and
- informing and supporting business decisions and actions by Group companies.

The principle of responsible product stewardship:

Our responsibility is to account to governments for the collection of all tobacco taxes for which we are legally responsible and to manage our operations in a way that our business practices are directed only at supporting the legitimate trade in our products.

Know Your Customer

What is the Know Your Customer (KYC) campaign?

HMRC is taking a new approach to employer compliance

- ▶ Focus on understanding employer systems and processes in a campaign called KYC
- ▶ Significant investment in specialist resource – National Employer Compliance Champions (NECCs) have been recruited and each have £50m recovery targets
- ▶ Aimed at all industries and sectors irrespective of previous risk ratings – HMRC eager to demonstrate to Public Accounts Committee (PAC) that tax gap is being closed
- ▶ HMRC has publicly stated that employer compliance activity will be significantly increased in 2014 and 2015
- ▶ All CRM-led clients to be part of this (approx. 3,000 in total)
- ▶ Target of 800 reviews by end of 2014

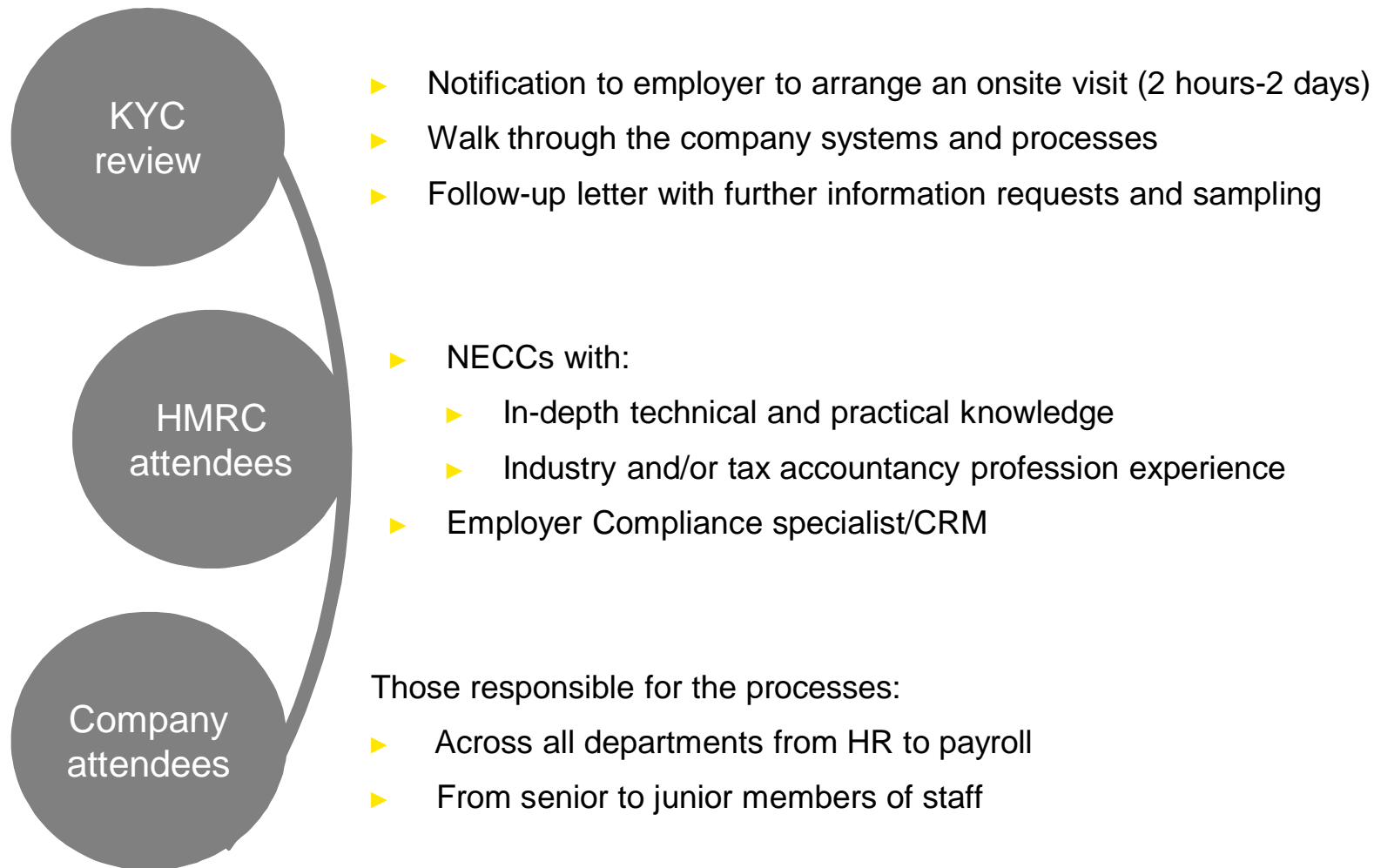


National Employer Compliance Champions (NECCs)

Who are the NECCs?

- ▶ Paul Twist – Share Scheme Senior Manager, KPMG
- ▶ John Elmer – Tax Compliance Manager, G4S
- ▶ Peter Pennycard – Tax Director, FTSE 100
- ▶ Helen Pennington – Finance Director, NHS Trust
- ▶ Dennis Matheson – Reward Manager, JLR
- ▶ Julie Booker – Payroll Specialist, Tesco
- ▶ Roger Adam – Barrister and Tax Director, Aviva

KYC review process



Areas that may be explored by HMRC?

Key focus areas – identified from KYC meetings

- ▶ Engagement processes
- ▶ Reward (including long term incentives and share plans)
- ▶ Internationally mobile employees
- ▶ Payroll, expenses and benefit processes
- ▶ Leaver processes, termination payments
- ▶ Employment status
- ▶ Acquisition companies
- ▶ NEDs

Risks highlighted in KYC reviews so far

- ▶ **Good written policies that are not followed in practice**
 - ▶ Example: Policy in place to say no self-employed but in reality numerous consultants and one for 15 years!
- ▶ **Equity incentive arrangements – tax treatment of internationally mobile employees, leavers and accurate equity reporting**
 - ▶ Example: HMRC requested all share plans documentation and a sample review of the income tax and social security treatment of inbounds, outbounds and commuters. HMRC reviewed and commented on the tax treatment of internationally mobile employees and challenged the tax treatment of awards for inbound employees.
- ▶ **Re-engagement of redundant employees as consultants**
- ▶ **NED payments not made via the payroll (and expenses issues)**
- ▶ **Termination payments dealt with by non-tax specialists**
 - ▶ Example: Termination packages for senior staff dealt with by Legal and tax treatment incorrect due to lack of input from a tax specialist
- ▶ **Expense process and interaction with year end reporting (P11D & PSA)**
- ▶ **Inability to track business travellers/cross-border employees**

Global Equity – Key risk areas

The tax risks

Withholding Income Tax

- 85% of organisations now consider tax issues
- 26% of respondents to EY Global Share Survey have experienced non-compliance in relation to their global share plans
- Authorities in Switzerland, France, Australia, Netherlands and the UK are the most likely to challenge positions
- EY saw 10 settlements in UK alone in excess of £1million in 2012

Withholding Social Security

- Social Security positions often depend on recharge approach
- Significant complexity with mobile workers

Corporate Tax Deductions

- Certain locations allow statutory deductions – need to track actual gains
- In absence of statutory deduction recharge often required to secure tax deductions

Payroll Management

- Payroll instructions frequently issued without local country action or clear understanding of requirements
- Challenges frequently encountered with outsourced payroll
- Increasing responsibility being held at HQ for accurate processing

The tax risks

Hypothetical Tax Deductions

- Is payroll clear on obligation to withhold and process
- What is happening to the funds retained

Recharges

- Is there a recharge policy
- What governance is in place to operate
- Have the income tax and social security withholding obligations been considered

Reporting

- Significant increase in reporting requirements in the last 24 months – eg Korea, Japan
- Who retains responsibility for global reporting

International Mobility

- 82% of respondents centrally track their globally mobile employees
- 74% allocate gains across different countries for withholding and reporting purposes
- 81% of companies offer some form of tax equalisation or tax protection on equity income for permanent transfers

**Our view –
Be Prepared**

Our view – Be prepared

Strategy

- ▶ Identify the employees responsible for the company systems and processes
- ▶ Identify areas that present an immediate risk
- ▶ Voluntary disclosure actively encouraged and may impact penalty position

Preparation

- ▶ Ensure all employees responsible for systems and processes are prepared
- ▶ Take action to reduce areas of risk
- ▶ Consider developing a comprehensive information pack to allow you to control the pace and flow of the meeting – HMRC have positively endorsed this approach
- ▶ Do a 'dry run'
- ▶ Consider impact on other taxes, e.g., VAT

Approach

- ▶ Walk HMRC through all appropriate processes
- ▶ Ensure all appropriate policies available
- ▶ Think ahead and consider wider implications (i.e., other taxes)

Benefits of Preparation

- ▶ Identify any areas of exposure before HMRC find them
- ▶ You can agree a timetable suitable, rather than HMRC dictating a timetable.
- ▶ HMRC will not trawl through your records if you make the disclosure to them

Disclaimer

Improper use

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Thank you



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