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Stock Based Compensation (SBC)
Managing Unforeseen Foreign Tax Issues

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Overview

Tech companies face more cross-border tax issues due to SBC because of employee mobility and significant use of international operations.

Key events common to tech companies create meaningful tax issues companies need to prepare for earlier than ever before.

Stock liquidity events such as IPOs, M&A, and share buybacks have a significant impact on SBC price for tech companies.



Rationale for Issuing SBC

Granting SBC is a way for tech companies and startups to conserve cash while still providing employees with a valuable benefit.

Types of SBC include: Grant of stock options, restricted stock units (RSUs), employee stock purchase plans (ESPPs), performance share units (PSUs) and phantom stock plans.

Employee incentive plans (EIP) can be designed in many ways with different tax consequences that vary by local jurisdiction.



Shareholders

US Parent



*U.S.
Employees*

Foreign
Subsidiaries



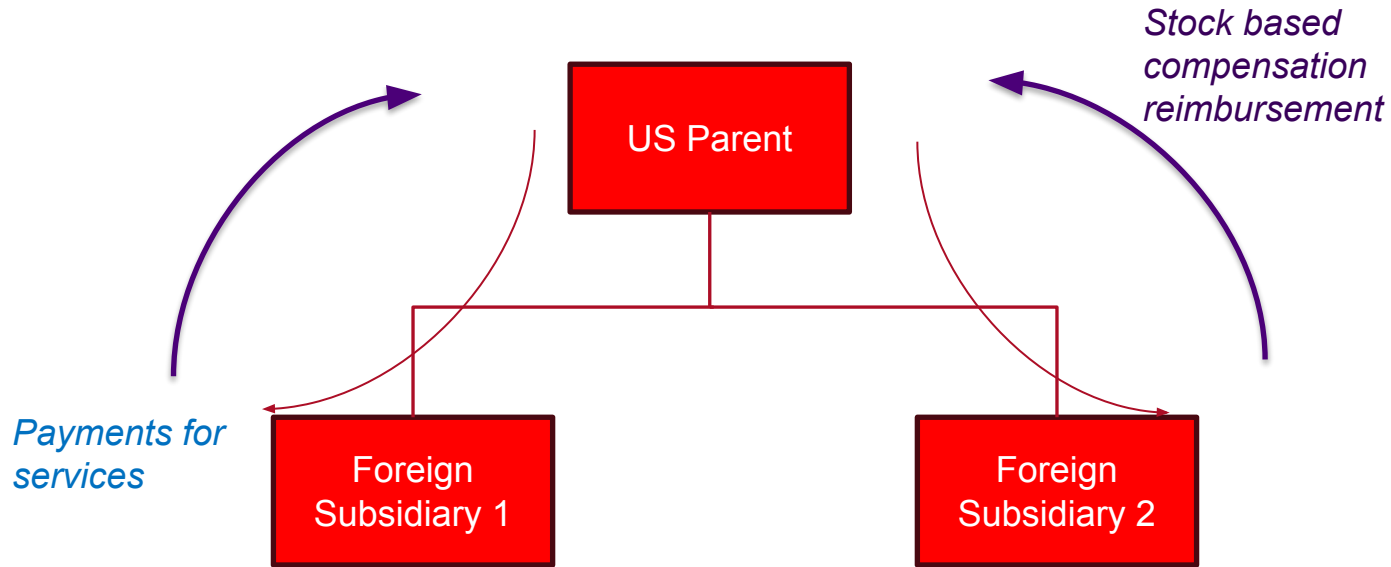
*Foreign
Employees*

Tax and SBCs

Tax jurisdictions are increasingly targeting high tech companies and SBC via transfer pricing.

Key tax issues relating to SBC include optimizing global deductions, ensuring the right level of local income for transfer pricing purposes, and in some cases how to share these costs between affiliates.





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