Global Reward Services Quarterly Newsletter

November 2023

The KPMG Global Reward Services Quarterly Newsletter brings you compensation and rewards developments, along with KPMG observations from around the world.

Topics included in this issue:

Africa

- **South Africa:** Non-resident Employers to Withhold Employee Taxes

Americas:

- **United States:** Tax Withholding & Deposit Challenges for Equity and Equity-Based Awards
- **United States:** Restricted Stock Units (RSUs) – Income Tax Withholding Regardless of Where Services are Performed & Sourcing Multi-Year Compensation for Social Tax
- **Massachusetts:** Surtax on Income over $1M
- **New Jersey:** Convenience of the Employer Doctrine
- **Washington State:** Washington Cares Fund

Asia Pacific:

- **China:** Extension of Tax Preferential Treatment for Equity Compensation
- **Hong Kong:** Inland Revenue Opines on Various Tax Issues
- **India:** GST Queries on Employee Stock Based Compensation
- **Indonesia:** Implementing Regulation for Benefits-in-Kind
- **Japan:** Tax Qualified Stock Option Requirements for Start-Ups

Europe:

- **European Union:** Social Security Framework
- **Finland:** Valuation Rulings for Unlisted Shares
- **Finland:** A1 Certificate Instructions
- **Portugal:** Equity law proposal of Start-ups and Scale-ups
- **Spain:** Special Tax Regime for Inbound Expatriates
- **United Kingdom:** SAYE Employee Share Plan and Capital Gains Tax

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Africa

South Africa: Non-resident Employers to Withhold Employee Taxes

In the Draft Tax Administration Laws Amendment Bill, 2023 released by National Treasury on 31 July 2023, it is proposed that the distinction between resident and non-resident employers be removed.

The proposed amendment seeks to treat resident and non-resident employers equally from an employees' tax (PAYE) perspective and aims to ensure alignment with the employer's obligations in relation to Skills Development Levies (SDL) and Unemployment Insurance Fund (UIF) contributions (i.e., social security contributions in South Africa).

If passed, non-resident employers with employees in South Africa or those who employ South African tax residents to work outside South Africa will have new local payroll compliance obligations.

Currently, in the case of a non-resident employer, the obligation to withhold PAYE only arises if the company has a representative employer in South Africa.

With the proposed amendment to the legislation (which is subject to comments and therefore may change), any non-resident employer (whether it has a representative employer or not) who pays or is liable to pay remuneration to any employee, must register as an employer with the SARS and deduct PAYE from remuneration paid to that employee, in respect of the employees' liability for normal tax. A normal tax liability will arise for an individual, if the individual earns annual taxable income exceeding the tax threshold (R95 750 for the 2024 South African tax year).

Should the legislation be promulgated in its current form, non-resident employers would have to comply with local payroll compliance obligations, which include the submission of monthly payroll tax returns with payments and issuing annual employees' tax certificates by the relevant deadlines. Non-compliance or late payments will result in the employer being subject to a 10% penalty as well as interest.

For more information, read our KPMG Flash Alert.

KPMG observations

The proposed amendment appears to be aligned with the SARS Vision 2024 that has the objective of collecting taxes from individuals on a real-time monthly basis and will fundamentally alter the process governing the submission of individuals' income tax returns.

While the obligation to withhold employees' tax rests on the employer, the income tax liability remains that of the employee. In cases where no PAYE has been withheld and/or paid over to SARS and no provisional tax payments were made, in addition to the employer penalty and interest, the employee can also be penalized by SARS.

KPMG has made submissions to National Treasury on this proposal and expects a response by end October or early November. In the interim, non-resident employers with employees in South Africa or those who employ South African tax residents to work outside South Africa, should note this imminent requirement for payroll withholding and ensure that they are ready to comply, should the legislation become effective on date of promulgation (anticipated to be around January 2024).

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Based on the current wording of the proposed legislation, it appears that employers who have closed operations in South Africa may also be required to operate a payroll, withhold, and remit tax in South Africa. Payroll tax is due by the 7th of the month following the taxable event, funds from foreign bank accounts may be subject to delays resulting in a 10% penalty payment if the payment is late.

KPMG recommends engaging a reputable service provider to manage payroll compliance in South Africa.

Americas

United States: Tax Withholding & Deposit Challenges for Equity and Equity-Based Awards

Many employers continue to grapple with the challenges associated with calculating and timely depositing tax withholding for their equity incentive programs. Equity plan events often result in larger-than-usual federal tax withholding obligations on a business day other than the end of a payroll period that may implicate the next day deposit rule. Under the next day deposit rule, if an employer accumulates at least $100,000 in federal payroll taxes on any business day that needs to be deposited, those deposits are due by close of business on the next business day rather than on the employer's usual – typically semi-weekly – schedule. Even for larger employers who are frequently subject to the next day deposit rule, determining the amount of tax withholding on this tight timeline can prove challenging.

To lessen the difficulty often associated with calculating and timely depositing withholding taxes for equity and equity-based awards, publicly traded companies often use the closing sale price on the day prior to transfer of the shares as the shares' fair market value to determine employees' taxable income. This allows additional time for the company to prepare the tax withholding calculations to ensure the amounts are accurate and that the proper withholding can be timely deposited. Employers should confirm with their tax advisors when the "transfer of shares" (often giving rise to the income tax event and starting the clock for timely deposit with respect to stock-settled awards) takes place for each of their programs. With respect to RSUs, the Internal Revenue Service (IRS) has previously stated its position in Generic Legal Advice Memorandum (GLAM) 2020-004 that the transfer of shares occurs when the employer initiates payment under the RSU, which may not be the same time as, for example, the time of vesting or settlement (i.e., when the shares arrive in the employee's account, which may be a day or more after the employer initiates the payment). Additional IRS relief policies may apply to provide employers with a brief grace period before the IRS will challenge deposits as late and subject to potential penalty.

The applicable tax withholding rates for equity awards can vary by individual and, for employers with participants outside the US, by country. In the US, employers typically have the option to withhold on equity awards for federal income tax purposes using the flat rate for supplemental wages (for 2023, 22% for supplemental wages under $1 million) or to withhold based on the individual's Form W-4. In an effort to balance compliance with participant satisfaction, some companies in the US are allowing employees to elect to withhold at rates above the

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flat 22% supplemental wage rate up to the maximum individual marginal rate of 37%; employers should consult with their legal counsel regarding potential implications of state law or other considerations in taking this approach.

Certain equity-based arrangements, such as RSUs for which shares are not transferred shortly after vesting, may give rise to early application of Federal Insurance Contributions Act (FICA) taxes (US social taxes) and related employer withholding and deposit obligations. In this scenario, the award may be subject to FICA taxes in the earlier year of vesting although the award is not subject to income tax until a later year in which the shares are transferred. One area where this rule is often overlooked is plans or awards that provide for early vesting upon retirement. Under this type of provision, the award may be considered vested – and subject to FICA – in the year the participant satisfies the eligibility requirements for retirement under the plan (such as a stated age and years of service) regardless of whether the participant has actually separated from service. Employers should undertake an analysis to determine not only the income tax event, but also the FICA tax event with respect to their equity plans based on the plan terms and conditions applicable to each type of award.

For more information, read the KPMG article Timing of employment taxes for RSUs under current SEC settlement timelines and listen to the KPMG webcast T+1 is coming for stock options: Is your company ready?

United States: Restricted Stock Units (RSUs) – Income Tax Withholding Regardless of Where Services are Performed & Sourcing Multi-Year Compensation for Social Tax

An Office of Chief Council memorandum (202327014) released by the Internal Revenue Service (IRS) this summer (the Memo) concluded that, with respect to restricted stock units (RSUs) granted to employees who are US citizens or residents:

i. RSU income is subject to federal income tax withholding (FITW), regardless of whether the income is attributable to services provided within or outside of the US, or both;

ii. Sourcing rules for services income may be applied to determine which portion of the RSU income is subject to Federal Insurance Contributions Act (FICA) taxes (US social taxes); and

iii. Whether FICA taxes are ultimately owed may require a detailed examination of the facts and circumstances, including the terms of any applicable totalization agreement.

In the Memo, employees received RSUs for personal services performed initially within the US for a US-based employer, and later during the RSU vesting period outside of the US for a controlled foreign corporation (CFC) of the US employer.

Federal Income Tax Withholding (FITW), Regardless of Location of Services

The Memo clarified that RSU income is considered wages for purposes of FITW under section 3401 of the Internal Revenue Code (IRC), and that compensation, including the value of vested RSUs, for personal services performed outside of the US by a US citizen or resident employed by a foreign corporation are still considered wages subject to FITW. As such, the Memo concluded that the full amount of the RSU income was considered wages for FITW purposes regardless of the fact that a portion of the RSU income was attributable to services performed within the US and a portion was attributable to services performed outside the US as an employee of a CFC. In practice this means, US tax withholding is required upfront, however any portion of the RSU income earned and taxed outside the US would be eligible for a US foreign tax credit, and therefore this becomes a timing and cash flow issue for employee participants. IRC section 3401(a)(8)(A) may be available for U.S. Citizens in some cases to exempt withholding, but would depend on the particular jurisdiction facts and circumstances.

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Federal Insurance Contributions Act (FICA) Taxes & Multi-Year Compensation Sourcing

In general, US citizens and residents are subject to FICA on all compensation received from American employers, while compensation received by any person from a foreign employer is subject to FICA only on the portion related to services provided in the US. The facts presented in the Memo address a scenario in which the RSU vesting period includes a period of service within the US and a period of service outside of the US. The Memo concludes that the employer must use a "reasonable method" – such as number of workdays during the vesting period within and without the US – for allocating the amount of RSU income attributable to US service that would be subject to FICA, including related withholding and deposit obligations. Thus, employers are required to perform FICA tax withholding on any portion of RSU income (wages) earned in the US – some employers apply FICA on 100% of the RSU wages even though a portion was earned outside the US – this approach is no longer in line with this new guidance.

Effect of Totalization Agreements

The Memo also addresses the interaction of bilateral social security totalization agreements with US domestic rules. Application of a totalization agreement may result in situations where compensation is subject to FICA when it would not otherwise be under US domestic law, and vice versa. If an RSU vesting period falls in whole or in part in a period in which a totalization agreement alters the applicability of FICA tax, the totalization agreement should also apply to the portion of the RSU income that was earned during that period.

For more information, read our KPMG Flash Alert.

KPMG observations

IRS memoranda of this nature do not have the effect of creating precedent: they are issued at the request of a specific taxpayer and apply only to that taxpayer.

Still, they are generally issued when clear guidance is lacking, and thus are extremely useful in giving insight into the current approach of the IRS to a given topic or situation.

In this case, although the Memo applies only to RSUs granted to U.S. citizens and residents, by analogy its principles can be applied to other forms of multi-year compensation, to nonresident aliens, and to other types of employers.

Massachusetts: Surtax on Income over $1M

In Massachusetts, a 4% surtax will be imposed on taxable income above $1 million for tax years beginning on or after January 1, 2023. Additional tax collected will be allocated to education and transportation specifically. Prior to 2023, the income tax rate was 5%, this would imply that equity alone could bring some taxpayers within this 4% additional tax margin.

The Massachusetts Department of Revenue stated earlier this year that it does not currently intend to update the Income Tax Withholding Table (Circular M) to reflect this surtax. If employees requested to withhold the 4% and wanted to grant that exception then, employers could account for the surtax in determining how much to withhold. As such, employers will need to confirm that their tax withholding rates for applicable income are updated to reflect the employees' choice to withhold, but employers are not required to withhold.

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KPMG observations

To ease compliance with the new law, withholding penalties will not be instituted for any withholding tax returns and payments due by or before January 31, 2024. If an employee has elected to have the 4% tax withheld, employers are encouraged to review, and potentially update, their existing payroll processes to track year-to-date (YTD) wages more closely for high earners to ensure the proper tax is withheld.

New Jersey: Convenience of the Employer Doctrine

Retroactive to January 1, 2023, The New Jersey Senate and Assembly passed Assembly Bill 4694, signed by the Governor on July 21, 2023, which creates a "convenience of the employer" doctrine for nonresident income sourcing, applicable to employees who work for a New Jersey employer but who reside in another state that also has a convenience doctrine (currently, such as Connecticut, Delaware, Nebraska, New York, and Pennsylvania). Unless or until further guidance is available, this new legislation does not apply to Connecticut or Pennsylvania residents. New Jersey released an update stating that they will be coordinating with the state of Connecticut regarding applicability of the new legislation. Further, the doctrine does not apply to Pennsylvania residents who work in New Jersey as there is a reciprocal agreement in place between the two states.

Under this convenience of the employer doctrine, any employee with a New Jersey based office that they go to or report to, would be taxed in New Jersey for days they work remotely rather than in their New Jersey office for their own convenience as opposed to for the necessity of their employer.

On September 26, 2023, New Jersey released an update regarding how to determine the state for which withholding is required for nonresidents of New Jersey telecommuting for a New Jersey employer. This update provides that "New Jersey will apply a similar rule which would be the same as the triggering state's rule. For example, compensation earned by a New York resident telecommuting for a New Jersey employer will be deemed New Jersey sourced income by applying the New York 'convenience of the employer' test."

For more information, read KPMG Payroll Insights from August and October 2023.

KPMG observations

For employers with New Jersey based employees who reside in one of the states listed above, this could cause reporting and withholding amendments for the 2023 calendar year in order to properly source wages and taxes to New Jersey and ensure Forms W-2 are filed accurately at the end of the year.

Employers with a New Jersey office will need to review their existing processes and may need to make adjustments going forward to track employee residence locations and remote working days more closely to ensure compliance. The nature of the New Jersey rule means that its application may change as other states in which employees reside change their own income tax sourcing rules, so any updates should be closely monitored.

Washington State: Washington Cares Fund

The WA Cares Fund is a new state-run long-term care benefit program in the State of Washington. Effective July 1, 2023, employers must begin to collect 0.58% of Washington employees' wages through payroll deductions and, beginning with the third calendar quarter of 2023, report wages and hours at the end of each quarter on the same report employers are currently using to report for the Paid Family and Medical Leave (Paid Leave) program.

Employers will remit the premiums to the Washington employment security department for deposit into a dedicated trust account.

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KPMG observations

The WA Cares program employs the same wage definition for purposes of calculating the premium contributions as is used for Paid Leave (however, unlike Paid Leave, the income used to calculate WA Cares premiums is not capped at the Social Security wage limit). For this purpose, wages generally mean gross wages, including items such as share-based compensation. Previously, no such fund existed.

Notably KPMG has observed that many employees are applying for an exemption from the WA Cares program and there are significant pending applications with the state. According to the FAQs and other information Washington has provided to-date, for applications submitted before July 1, 2023, exemptions may be granted with a retroactive effective date (July 1, 2023) and employees may request that their employer return any amounts previously deducted from their pay. In addition, some employees may have previously opted out under an exemption that was available for a limited time to those with private long-term care insurance.

Asia Pacific

China: Extension of Tax Preferential Treatment for Equity Compensation

The following tax-preferential policies have been extended until **December 31, 2027,** by the Ministry of Finance:

- Employees' equity income from participation in equity plans of public companies is subject to preferential tax treatment
- Equity plan participants in China do not have to pay capital gains tax if shares are traded on the Shanghai/Shenzhen exchanges.

For more information, read our KPMG Flash Alert.

KPMG observations

The extension of preferential IIT policies provides some degree of certainty and consistency in terms of expectations, policies and processes, and compliance.

The extension also helps keep tax costs tied to such forms of compensation/reward low for employers.

Hong Kong: Inland Revenue Opines on Various Tax Issues

In the 2022 annual meeting between the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Inland Revenue Department (IRD), the IRD's commented on various issues related to profits tax, salaries tax, stamp duty, double tax agreements, the OECD's BEPS 2.0 initiative, and electronic tax filing (e-filing). Specifically:

- Employers may wish to review the tax reporting positions adopted for bonuses and other payments to mobile employees and give particular consideration to the application of withholding obligations.

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- Where individuals experience double taxation on their income from individual income tax in Mainland China and Hong Kong (SAR), they will require support from their employer or tax advisers to mitigate the increased burden.
- Employers may wish to become more familiar with how expense reimbursements and benefits provided to employees are taxed, especially since tax treatment may differ depending on how the "benefit" is provided.

Regarding the first point above (Key Hong Kong individual and employment tax issues - KPMG China):

In summary, the IRD considers that:

- a bonus is taxable in the year that it accrues (or the year the employee ceased employment if applicable);
- regardless of the year of accrual, the bonus should be sourced with reference to the service period or performance period of the bonus; and
- the bonus should be reported by the employer in the year it accrues (which may differ from the year of departure) and observe withholding obligations.

The IRD also confirmed that if a bonus accrues after an employee relocates to Hong Kong and the employee rendered services outside Hong Kong for the entire performance period, the bonus should be fully sourced outside Hong Kong and should not be taxable in Hong Kong.

For more information, read our KPMG Flash Alert.

KPMG observations

Employers as well as individuals should consider the IRD's views as described above and review their own tax filing positions.

It is not yet known if the IRD will adopt similar positions for share awards under the Departmental Interpretation and Practice Notes Number 38, but it has noted it will revisit the position.

KPMG will continue to monitor this.

India – GST Queries on Employee Stock Based Compensation Plan

There have been recent investigations on the applicability of Goods and Services Tax ("GST") on shares of a foreign parent allotted to an Indian subsidiary's staff under stock-based compensation plans such as ESOP or ESPP plans.

The position adopted by GST authorities is that the overseas entity is not the employer, and the charges are on account of services provided, thus Indian entities/subsidiaries should be subject to the 18% GST.

However, Indian entities and subsidiaries are countering that the payment is ultimately for shares and on account of an employee expense, making it exempt from GST.

KPMG observations

This is a developing area and KPMG India is aware of several notices issued by the Directorate General of GST Intelligence (DGGI) to companies in various states across India.

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Indonesia: Implementing Regulation for Benefits-in-Kind

Indonesia is implementing regulations related to benefits-in-kind ("BIK") in its regulation No. 66 Year 2023 ("PMK-66") dated 27 June 2023. This became effective on 1 July 2023.

PMK-66 provides comprehensive guidelines on the tax treatment of BIK for employers and employees, encompassing aspects such as the deductibility of BIK expenses, the definition and scope of BIK as a taxable object, exclusion criteria for specific BIK categories, valuation and calculation methods for BIK, special considerations for certain areas, and transitional provisions.

PMK-66 also revokes PMK No. 167/PMK.03/2018 ("PMK-167/2018"), which governed the provision of food and drinks for all employees as well as reimbursement or compensation in-kind and facilities in specific areas and related to the work performance, all of which can be deducted from an employer's gross income for its corporate tax payable computation.

BIK expenses can be deducted from gross income to determine taxable income if the following conditions are met:

- BIK is related to expenses for obtaining, collecting, and maintaining income ("3M").
- BIK (in connection with work) is a cost related to the relationship between the employer and the employee.
- BIK (in connection with services) is a fee because of the inter-taxpayer service transactions.

The technical provisions for charging BIK are as follows:

- BIK with a useful life of more than one year is charged through depreciation or amortization.
- BIK with a useful life of less than one year is charged in the year the expenditure is incurred.
- Employers should report their BIK expenses in their Annual Income Tax Return.
- Effective starting 1 January 2022, for employers whose 2022 financial year commenced before 1 January 2022.
- Effective from the start of the 2022 financial year, for employers whose 2022 financial year commenced on 1 January 2022, or afterwards.

For more information, read our KPMG Flash Alert.

KPMG observations

It is crucial that employers, tax professionals/service providers, and even employees, keep abreast of the changes and updates to the rules under PMK-66.

The scope of BIK covered under PMK-66 is broad and there are numerous exclusions from taxable income. It is recommended that employers consult with their qualified tax professionals.

The absence of a clear definition and scope for facilities included in the list of exemptions for BIK as taxable income may give rise to differing approaches and disagreements among tax professionals.

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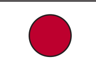

Japan: Tax Qualified Stock Option Requirements for Start-Ups

Qualified Stock Options allow timing of taxation to be deferred to sale of the shares received at exercise, where taxed at capital gains, not employment income rates.

Under the 2023 tax reform proposals, “exercise period requirement” for a stock option to be considered a “qualified stock option” will be relaxed for options issued by certain unlisted Japanese “start-up companies” to their employees/directors.

Option must be exercised after two years but before 15 years from the resolution date of the option grant, instead of the previous 10 years.

For more information, read our KPMG Flash Alert.

KPMG observations

This allows stock options to become a more attractive way of compensating individuals in the start-up sector, giving that sector a boost.

Europe

European Union: Social Security Framework

The 27 member states of the European Union, Norway, Iceland, Liechtenstein, Switzerland, and the U.K. have the option of signing a new Framework Agreement for Social Security that has entered force on July 1, 2023. The Framework Agreement is thus far signed by 19 countries and the U.K. is the only country that rejected joining this agreement. It is possible for countries to join the Framework Agreement after July 1, 2023.

If an employee is a cross-border teleworker (an employee who works through a digital connection with an employer’s digital environment) and works from home less than 50% of the time, then employers and employees are able to opt-in to the Framework Agreement to maintain social security coverage in the country of the employers physical location. If employers and employees want to use the option provided in the Framework Agreement, they must apply for the A1 certificate with the authorities in the country of the employer. The maximum duration of the A1 certificate will be three years, after which renewals must be duly filed under the same deadlines as the first A1 certificate.

For more information, read our KPMG Flash Alert.

KPMG observations

Framework Agreement has limited scope of application. It applies only to cross-border teleworkers and it applies to work done only in the employee’s country of residence and the country of employer.

Teleworkers are described as employees who work using digital connection the employer’s digital environment, which means that manual activities are excluded for the application of the Framework Agreement. Working in countries that are not in the country of employee’s residence and the country of employer is not a part of the Framework Agreement.

Regardless of its limited scope of application, the Framework Agreement provides employers and employees with an option to organize more flexible working arrangement.

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Finland: Valuation Rulings for Unlisted Shares

Two rulings concerning the special valuation rules applicable to Employee Share Issues ("ESI") of unlisted companies were delivered on June 28, 2023.

Effective Jan 1, 2021, taxation only triggered if subscription price is less than share valuation, if subscription price equal to or higher than the valuation then no taxation, provided certain conditions are met.

For more information, read our KPMG Flash Alert.

KPMG observations

The Finnish tax authority's clarification on the condition that a "different number of shares may be allocated across employees provided the allocation is determined based on objective and common criteria applicable to all employees" has been welcome given previously no guidance was available. This particular condition had historically caused the most ambiguity. The rulings confirm that share allocation differences can include factors other than cash salary, e.g., value of contributions, provided they are nondiscriminatory. Within this framework employers of unlisted companies can grant share award sized based on broader criteria.

Finland: A1 Certificate Instructions

The Finnish Centre for Pensions previously recommended that employers apply for the A1 certificate for **all** its employees work-related trips abroad.

There was no time limit in the updated instructions, so the requirement is effective from the very first day of work.

Effective May 2023, the previous position was updated to state that A1 certificates are no longer required for short conferences or business trips abroad except for countries where an A1 is known to be required.

For more information, read our KPMG Flash Alert.

KPMG observations

This is a welcome change given companies with a large Finland-outbound travelling population may experience less administrative burden as a consequence.

The certificate can always be applied retroactively in Finland, if needed.

Portugal: Equity law proposal of Start-ups and Scale-ups

Portuguese "Law Proposal no. 56/XV" establishes a new regulatory and tax regime for equity of "start-ups" and "scale-ups" in Portugal. It has been approved in the Portuguese Parliament and is awaiting enactment and publication.

Under Law Proposal no. 56/XV, the gains realized by an employee of a "start-up," or similar entity, from stock option and share plans will now only be subject to personal income tax on 50% of its amount and will be subject to a special rate of 28% (i.e., equating to an effective tax rate of 14%). Additionally, employees will also have the option to aggregate this income to other income that is taxed at progressive tax rates.

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Further, taxation of gains received by employees under such equity-based compensation is postponed to the first of the following events to occur: (i) disposal of shares, (ii) gift of shares or equivalent rights, or (iii) loss of Portuguese tax residency. Note that taxpayers who directly or indirectly hold 20% or more of the outstanding shares or voting rights of the entity granting the equity-based compensation are excluded from this benefit with further exceptions.

For more information, read here.

KPMG observations

Law Proposal no. 56/XV not only incentivizes existing "start-ups" to move and operate out of Portugal, but also for newer "start-ups," or similar entities, to remain in Portugal, rather than moving operations elsewhere. It provides for the definition of the legal concepts of 'start-up' and 'scale-up,' the recognition process of these entities, changes to the taxation of share and stock option plans for employees of start-ups and companies in the innovation sector and reinforces the system of tax incentives for business research and development.

Spain: Special Tax Regime for Inbound Expatriates

Spain has updated the eligibility list for those employees who are expatriates inbound to Spain who are eligible to qualify for the Special tax regime.

The list of taxpayers eligible for the special regime is extended to include, for example, workers moving to Spain to work remotely using solely IT and telecommunications; Individuals moving to Spain to engage in an economic activity classed as entrepreneurial.

For more information, read our KPMG Flash Alert.

KPMG observations

The new rules mean that Spain is opening its doors to qualified, eligible individuals who wish to work remotely in the country and to those who are undertaking entrepreneurial activities or activities for start-ups as defined.

In addition, by shortening the Spanish non-residence period requirement (from ten years to 5 years), this opportunity is expected to be open to and appeal to a larger number of individuals.

In that regard, more equity participants could also potentially benefit from the special tax regime in Spain thereby making it a more attractive component of compensation.

United Kingdom

United Kingdom: SAYE Employee Share Plan and Capital Gains Tax

From April 6, 2023, an individual's CGT annual exemption will be reduced from GBP 12,300 to GBP 6,000.

From April 6, 2024, the individual CGT annual exemption will be fixed at GBP 3,000.

For more information, read our KPMG Flash Alert.

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KPMG observations

The reduction in the CGT annual exemption means more U.K. employees are likely to pay CGT when they sell shares acquired under a SAYE plan, making tax qualified plans less tax efficient.

For affected employees, a CGT liability could create personal tax filing obligations for the first time.

For the employer, this has the potential to reduce the value of an SAYE plan as an effective employee incentive. This will also affect participants in tax advantaged plans (e.g. CSOP) although these awards are often made over larger values of shares, so the annual exemption will typically offer a proportionately smaller shelter than it would for SAYE awards.

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