RIT Global Delivery Corporation
Weihai Campus - People's Republic of China (PRC)

International Assignment Tax Equalization Policy
Without Hypothetical Tax Withholding

For
Administrator or Lecturer
Teaching In-Person Less Than 16 Continuous Weeks

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1 TAX POLICY

RIT Global Delivery Corporation (herein "GDC") has adopted a policy of Tax Equalization (Without Hypothetical Tax Withholding) for its employees (herein "Assignee(s)") who are administrators and/or lecturers assigned to teach in-person at the Weihai, China (herein "China" or "Host") campus for less than 16 continuous weeks.

1.1 Reason for an International Assignment Tax Equalization Policy (Without Hypothetical Tax Withholding)

The actual taxes incurred during an international assignment will likely differ from the amount of taxes paid during domestic employment. The change primarily results from two independent factors:

1. An Assignee's amount of taxable income, in most cases, significantly increases during the assignment (this increase is due to the inclusion of international assignment allowances and reimbursements in reportable income); and

2. Host-country tax regulations (types of income taxed, tax rates, etc.) differ, often significantly, from those of the home country.

The result is often that the actual tax liability may increase substantially. Therefore a tax equalization policy is implemented to ensure that the employee is taxed only on the elements of non-assignment income that they would have paid tax on if they had remained in the home country.

If an assignment is less than 16 weeks in duration, then it's administratively less cumbersome for all parties involved to keep the Assignee on actual tax withholdings. Hypothetical tax withholdings are traditionally used for longer assignment periods.

1.2 Objective

The objective of tax equalization is to ensure that an international assignment neither adds significantly to an Assignee's tax liability (including Alternative Minimum Tax) nor results in significant tax savings, due to differences in income and social security tax costs between the United States (herein "U.S." or "Home") and China.

1.3 Scope of Services Provided by GDC

GDC engages a global tax consultant (herein "Consultant") to assist with administering the tax equalization policy. The Consultant is engaged to support GDC and its Assignees with home and host monthly, annual income tax calculations, social tax calculations, filings and annual tax equalization calculation.

It specifically excludes, but is not limited to, taxes such as wealth, inheritance/estate tax, gift tax, sales tax, church tax, excise tax, Value added (VAT), property tax, and tax generated on the Assignee's children's income.

GDC will provide U.S./Chinese tax briefings, and tax returns (with limited preparation as excluded below).

The tax return preparation excludes:

- Preparation of foreign bank/asset reporting forms where required
- Assistance with estimated tax calculations related to personal income
- Preparation of separate filings for spouse/dependents
- Preparation of separate tax returns related to non-GDC Federal income, for example personal business activity, estate and trust returns, household employee reporting forms, etc.

If you anticipate you may need support with any of the out of scope topics listed, please discuss this with the Consultant during the U.S./Chinese tax briefings.

1.4 Assignee and GDC Responsibilities

Assignees are required to comply with the GDC tax equalization policy, which includes adherence to regulations governing tax and social security as determined by relevant jurisdictions in the home and host countries. In addition, Assignees must help minimize the tax burden on GDC by complying with the instructions of GDC and the Consultant including, but not limited to:

- Informing both GDC and the Consultant regarding any actions that may adversely affect their tax position before any such actions are taken (including, but not limited to remitting any personal income into China, exercising or selling stock options, purchasing a home in China and/or selling anything that may generate taxable income or a taxable capital gain);

- Providing the Consultant timely, complete, and accurate personal data to ensure accurate preparation of all tax returns within the scheduled timeframe; and

- Complying with the positions taken on the tax returns and with respect to social security compliance.

If the Assignee complies with the above listed requirements and responsibilities, GDC will continue to provide tax assistance through its global tax consulting firm for the duration of the assignment, or until all tax obligations resulting from the assignment have been fulfilled. Additional Assignee out-of-pocket costs may be charged due to noncompliance with deadlines established by GDC and the Consultant.

1.5 Overview of the Tax Equalization Process

Once the Assignee accepts an international assignment by signing the contract and submitting the required employment paperwork, the Consultant will be notified that they can reach out to the Assignee. The Consultant will then e-mail a link to their firm's website and request that the Assignee sign the consent forms and log onto their assignment portal.

The Consultant will coordinate tax briefings with both the U.S. and Chinese teams so the Assignee can ask questions, discuss the implications of working abroad and personal details as they relate to the tax laws of each country. The Consultant will also review the tax compliance and tax equalization process.

Assignees will remain on actual U.S. tax withholdings. GDC will pay the Chinese taxes due during the assignment and add this to W-2 income as a fringe benefit. GDC also pays the applicable U.S taxes on this benefit.

Assignees are required to fill out the Consultant's online calendar and China tax organizer during the timeline requested. This information will be used in conjunction with the payroll data provided by GDC payroll team to prepare the applicable Chinese tax calculations and filings.

Once the Consultant completes the applicable U.S. tax returns for the year, a tax equalization calculation is computed. The final hypothetical tax obligation is compared with the actual taxes paid by the Assignee and minus any refunds received directly by the Assignee. This comparison results in a balance due to/from GDC. The settlement of this balance represents the completion of the year's tax equalization process.

1.6 Fringe Benefit Tax Process

GDC will pay the actual Chinese taxes during the assignment. Since this is considered a fringe benefit to the Assignee, the Chinese taxes paid will be included as taxable income in the U.S. and China.

The income, social and gross-up taxes are calculated by the Consultant upon receipt of specific compensation details from GDC for the time period the Assignee spent on the assignment in China. The Consultant will calculate the taxes using the online calendar filled out by the Assignee and wage data provided by GDC payroll.

A gross-up (of resident state and social taxes) will be calculated by GDC to cover the U.S. taxes on the Chinese taxes included in the Assignee's taxable compensation. GDC will remit these taxes on the Assignee's behalf to the tax authorities accordingly via payroll remittances.

The gross-up tax rates used will be a combination of the supplemental resident state tax rate, Social Security and Medicare rates in effect at the time. The Federal supplemental rate is not used, as it's anticipated that the Chinese taxes paid by GDC are available as credit of Foreign Tax (refer to section 1.12).

1.7 Filing Status, Residency, Income and Adjustments Used for the Final Hypothetical Tax Obligation

Filing Status and Residency

The Filing status selected on the actual tax return will, generally, be applicable for the Hypothetical Tax calculation used on the Tax Equalization analysis.

The taxes are based on U.S. state of residency when the Assignee applied for or was offered the assignment.

Income

The income on which GDC is responsible for actual U.S. and Chinese taxes, and the income Assignees are responsible for hypothetical tax is as follows:

- Salary (less pretax deductions);

- Assignee will be responsible for actual U.S. and Chinese taxes on all income excluded from tax equalization as indicated in Section 1.8

Tax Deductions, Allowances, and Credits

The final hypothetical tax obligation is determined using all U.S. national/federal, state/canton/provincial, and local/municipal/city income tax laws. However, because the Assignee’s applicable deductions, allowances, and credits may be different during the international assignment (for example, an Assignee’s personal residence may be rented or sold, or, in some cases, state residency may be broken), a hypothetical itemized deduction amount will be used when calculating the final hypothetical tax obligation.

The hypothetical tax calculation will use the following types of itemized deductions:

- Hypothetical state (or provincial/cantonal) and local income taxes from the Assignee’s state of residency when offered or applied for the assignment. In the event an assignee is hired by GDC while abroad, the hypothetical taxes will be set using the individual’s last state of residence prior to leaving the United States. Hypothetical state tax will be calculated regardless of whether actual state residency has been broken.

- Other actual allowable deductions (e.g., charitable contributions, alimony paid, etc.).

Credits for child and dependent care, elderly or disabled, adoption, and, for U.S. residents, prior-year alternative minimum tax, are all included in the hypothetical tax calculation.

1.8 Other Income Included in Tax Equalization

GDC is responsible for actual Chinese and U.S. taxes that may be payable on any assignment-related company income, including various GDC assignment-related benefits and allowances.

If an Assignee's personal situation requires that U.S. or Chinese taxes are due from income excluded under Section 1.8, the Assignee will be personally responsible for any and all U.S. and Chinese taxes on that income.

1.9 Types of Income Excluded from Tax Equalization

GDC does not collect actual taxes, nor reimburse U.S. or Chinese taxes, on the following:

- Worldwide personal income (including, but not limited to, spousal employment income, interest and dividends, capital gains, other investment income, rental income, pension income, partnership income, income derived from the sale of real property (in both U.S./host locations and inheritance income).

- Assignees should be aware that there may be tax consequences from currency exchange gains/losses from mortgages denominated in a Chinese currency. GDC will not be responsible for taxes relating to currency gain and mortgage transactions.

If additional income/social tax is assessed on non-equalized income in host location, a Chinese tax reconciliation may be required to allocate the Chinese tax liability between Assignee and GDC.

1.10 Social Taxes

Social security taxes may exist in the host country as well as the home country. GDC will comply with local laws to ensure social security taxes are paid where applicable.

However, no matter what the actual social security liabilities are, the Assignee will only be liable for the U.S. social taxes incurred on "stay-at-home" income as well as non-equalized personal income (see Section 1.6 and 1.8).

The "stay-at-home" social security tax is retained from each paycheck throughout the year and will be adjusted with the annual tax equalization to correctly reflect the Assignee's portion of this tax.

GDC is responsible for actual Chinese and U.S. social taxes that may be payable on any assignment-related company income, including various GDC assignment-related benefits and allowances.

1.11 Final Settlement

Tax Equalization Calculation

The final hypothetical tax obligation is compared with the actual taxes paid by the Assignee and minus any refunds received directly by the Assignee. This comparison results in a balance due to/from GDC. The settlement of this balance represents the completion of the year's tax equalization process.

The refund of monies to/from GDC must be made within 30 days of the preparation of the tax equalization calculation. If an Assignee has a settlement due to GDC, and the refund on the tax return(s) relate(s) to a portion of that amount due, the repayment is deferred until 30 days after receipt of the government issued refund.

In order to avoid financial hardship and cash-flow issues, Assignees are cautioned not to spend government issued tax refunds until a final tax equalization calculation is prepared.

Tax equalization settlements are prepared annually by the Consultant to ensure consistency and proper application of GDC policy. Generally, the tax equalization is prepared and issued simultaneously with the U.S. tax returns.

Actual Tax Return Balances

Where a balance is due with the tax return, the Assignee is expected to make payment by the due date of the return. If GDC owes the Assignee, this may require GDC to remit a balance due to the Assignee.

In other cases, particularly for U.S. nationals or permanent residents (i.e., green card holders) on assignment during their first year abroad, a tax return may be delayed until certain qualifications are met (e.g., bona-fide residency and/or physical presence test). In an instance such as this, GDC will pay the balance due on the delayed tax return for which an extension has been filed, and settle the amount with the Assignee when the return is finally submitted and a tax equalization is completed.

1.12 Other Provisions

Estimated Tax Payments, Interest, and Penalties

GDC is only responsible for any interest and/or penalties associated with GDC-income. In addition, interest and penalties generated due to GDC's actions will be GDC's responsibility. Interest and penalties resulting from the Assignee's negligence will be the Assignee's responsibility.

If required, GDC, in conjunction with the Consultant, will determine, in good faith, in a manner consistent with the spirit of this Policy, the appropriate allocation of penalties and interests between the Assignee and GDC.

Tax Credits

Any tax credits for taxes paid by GDC that reduce the U.S. income tax liability (e.g., foreign tax credits) before, during, or subsequent to an international assignment, are owned/utilized by GDC. After repatriation, GDC determines whether to keep the Assignee in the tax equalization program if he/she has a "carryover" of any such tax credit that may be used in the future. GDC retains the tax benefit for utilization of the tax credits. GDC will continue to pay for the preparation of the U.S. income tax return(s) during these years to recover the benefits for GDC.

Employment Termination and Tax Equalization

All ongoing assignment conditions will stop on the last day of the employment or the last day in China, whichever is earlier.

Before the Assignee leaves GDC, GDC will conduct a full tax reconciliation through the Consultant and will collect any taxes due from the Assignee or will pay any taxes due to the Assignee, if necessary and where possible, according to the local legislation/regulations. The Assignee will be required to continue to work in conjunction with the Consultant to ensure all final tax obligations are settled timely and completely. This may require the Assignee to file tax returns after the Assignee has already terminated employment due to tax filing deadlines.

If the Assignee chooses to remain in China or relocate to a country other than the U.S., all financial, tax and legal (including but not limited to visa/work permit) implications of this decision will be the Assignee's responsibility.

Policy Changes and Updates

When appropriate, GDC, at its sole discretion, may modify, augment, suspend or revoke any policy, procedure, practice, or statement contained in this document, except required by law.

A TERMINOLOGY

ITEM	**DEFINITION**
Assignment-Related Company Income	Those items of compensation paid as allowances or reimbursements that are intended to compensate an Assignee for the increased costs associated with an international assignment (refer to the appropriate international assignment policy). These items of compensation are <u>not</u> includable in the calculation of the Assignee's final hypothetical tax obligation.
Assignee	GDC employees who are sent on an international assignment.
Filing Status	If applicable, this relates to the filing option selected on the actual tax returns submitted to the U.S. tax authorities.
Home Country - United States (U.S.)	The country to which the Assignee is tied by economic and social aspects, where they normally reside and to which they intend to return. It is typically their regular domestic work location to which GDC agrees, before the start of the international assignment, to return them to and is the basis of the calculation of their final hypothetical tax obligation.
Host Country - China	The country in which the Assignee is temporarily assigned to work. Sometimes referred to as "assignment".
International Assignment	A temporary work placement in a country other than the employee's home country.
Stay-at-home Income	Those items of compensation, which the Assignee would receive if working in the United States. These items of compensation <u>are</u> includable in the final hypothetical tax obligation calculation.