

RIT Global Delivery Corporation
Wei Hai and Beijing Campuses - People's Republic of China (PRC)

International Assignment Tax Gross-up Policy

For
Adjuncts
Teaching In-Person

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1 TAX POLICY

RIT Global Delivery Corporation (herein “GDC”) has adopted a policy of tax gross-up for its employees (herein “Assignee”) who are adjuncts assigned to teach in-person at an RIT global campus in Weihai or Beijing, People’s Republic of China (herein “China”).

1.1 Reason for an International Assignment Gross-up Policy

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.

Therefore a tax gross-up policy is implemented to safeguard the Assignee from an increase in actual tax liability due to the factors noted above.

1.2 Objective

Tax gross-up is designed to maintain compliance with tax responsibilities in both the United States (herein “U.S.”) and China while minimizing the complexity, effort and personal tax information sharing for Assignees that have limited assignments abroad.

The objective of tax gross-up is to prevent the international assignment fringe benefits from adversely impacting an Assignee’s overall tax liability. It involves increasing the taxable value of the benefit by having the employer cover the tax the employee would owe on that benefit.

1.3 Scope of Services Provided by GDC

GDC engages a global tax consultant (herein “Consultant”) to assist with the tax gross-up policy. They prepare the Chinese tax calculations and monthly Chinese income/social tax return filings.

These host-country services exclude the following taxes (not limited to): 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.

The Assignee is responsible for filing their own U.S. tax returns. GDC will pay for tax preparation services in any year that you are assigned to work in China. GDC will pay up to \$750.00 per year for tax preparation services. Tax preparer’s invoices need show itemized expenses for each return and must be submitted on company letterhead directly to GDC’s payroll specialist, for repayment. If your tax preparation services exceed \$750.00 you will be responsible to pay your tax preparer the difference.

1.4 Assignee and GDC Responsibilities

Assignees are required to comply with the GDC tax gross-up policy, which includes adherence to regulations governing tax and social security as determined by relevant jurisdictions in the U.S. and China. 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 Chinese tax returns within the scheduled timeframe; and
- Complying with the positions taken on the Chinese tax returns including social security compliance.

If the Assignee complies with the above listed requirements and responsibilities, GDC will continue to provide Chinese 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 Gross-up 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 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.

1.6 Gross-up Tax Process

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.

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.

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 for the Assignee to use as a Foreign Tax credit (refer to section 1.8). Should the Assignee disagree with the U.S. rates used, they should reach out to payroll to initiate an appeal process.

In January, the Assignee will receive a copy of the U.S. W-2 along with the breakdown of the wages and fringe benefits to share with their personal income tax service provider.

1.7 Social Taxes

GDC payroll will include the applicable Social Security and Medicare tax rates when calculating the tax gross-up (refer to section 1.6).

1.8 Other Provisions

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 the Assignee.

Employment Termination

The Assignee will be required to continue to work in conjunction with GDC and the Consultant to ensure all Chinese final tax obligations are settled timely and completely.

If the Assignee chooses to remain in the 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

<u>ITEM</u>	<u>DEFINITION</u>
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).
Assignee	GDC employees who are sent on an international assignment.
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 home gross-up tax calculation.
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.