

EXIT PHASE

Cross-border MIPs at exit: the jurisdiction problems you want to avoid

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Cross-border complexity is a hold-long property of an international MIP, but the exit is where it stops being theoretical. During the hold, a participant in another jurisdiction is mostly a register entry with a different address. At exit, that participant becomes a local tax event, a local set of formalities, and a local timetable, and the completion mechanics have to work for all of them simultaneously.

This article maps the problems that recur, and the coordination that prevents them. A caveat that matters more here than anywhere else in this series: jurisdiction-specific questions have jurisdiction-specific answers, and nothing below substitutes for local tax and legal advice. The point of the article is the layer above the local advice: the problems that arise not from any single country's rules, but from running one transaction across several of them at once.

The recurring problems, and when they bite

PROBLEM	WHEN IT BITES	WHAT GETS AHEAD OF IT
Diverging treatment: the instrument taxed as capital in one country, employment income in another, at very different rates	tax Completion, when net outcomes for identical packages differ sharply by country	Mapping the treatment per jurisdiction early in the hold, so design and communication reflect reality
Different moments: jurisdictions grant or vesting, others at disposal	taxable some tax at discovered at exit	Often years before exit, each jurisdiction enters the plan
Employer obligations: withholding, social security and reporting duties that sit with local entities, not the participant	The completion payment run where a missed withholding becomes the employer's liability	Local payroll and reporting advice engaged before the payment mechanics are fixed
Local formalities: notarial requirements, works council or regulatory notifications, exchange-control or securities filings	The signing-to-completion window, where one country's formality can hold the timetable hostage	A per-jurisdiction, assembled during exit preparation rather than during the process
Leavers different regimes: the leaver provisions read differently against different employment laws	under labour the same read against	Any contested leaver, but those still unresolved at exit
Currency payment proceeds in one currency, obligations and participants in others	and routing: settlement calculations obligations participants in others	The final conversion routing mechanics in the completion documentation, not after it

The pattern across every row is the same: none of these is unsolvable, and almost all of them are cheap to solve early and expensive to solve inside the completion timetable. Cross-border problems do not get harder with time; they get harder with deadline.

The real problem is coordination, not any single country

Each local issue has a local specialist who can solve it. What no local specialist provides is the layer that makes the exit work as one event: a single accurate register that knows which participants sit where, under which entity, holding which instrument; one calendar that overlays every jurisdiction's formalities and tax moments onto the deal timetable; one waterfall model whose outputs feed each country's net calculations consistently; and one conductor who briefs the local advisers from the same facts, so five sets of counsel are answering the same question rather than five slightly different ones.

That coordination role is administrative in nature, which is why it is so often unstaffed: it belongs to nobody's mandate. The deal team assumes the local advisers have it; the local advisers each hold their own piece; and the CFO discovers, mid-process, that the integrating layer is them. Everything the ownership article in this series said applies here at its sharpest, because a cross-border exit is the one moment where an unowned plan fails in several languages at once.

A practical rule of thumb for timing: the jurisdiction mapping (who is where, taxed how, with which formalities) should exist at least twelve months before a likely process, and ideally from the moment each country enters the plan. It is a modest document. Its absence is the difference between an exit that completes on schedule and one that waits for a notary.

What this means in practice

FOR FUND MANAGERS

Ask for the jurisdiction map before the process starts. One page per country: participants, entity, instrument, tax moment, formalities, local adviser. If it does not exist, its assembly is the first exit-preparation task.

Appoint the conductor explicitly. Someone must own the cross-border layer: the register, the combined calendar, the adviser briefings. Assuming it is covered is how completion dates slip.

Let the timetable respect the slowest formality. Notarial and notification requirements do not compress under deal pressure. Find the binding constraint early and plan around it.

FOR CFOS AND MANAGEMENT TEAMS

Know your own jurisdiction's treatment now, not at completion. The tax moment, the rate character, and any employer withholding that will pass through payroll. Your net outcome depends on rules that were knowable years earlier.

Keep entity and residence data current in the register. Participants move countries mid-hold more often than plans expect, and each move changes the exit mechanics for that person.

Engage local advice per event, not per crisis. A leaver in another jurisdiction, handled with local input at the time, is a closed file. The same leaver handled from head-office assumptions is an open question the exit will have to answer.

One last thought

There is a tendency to treat cross-border complexity as a tax topic, and therefore as something to hand to advisers when the time comes. The local questions are indeed for local advisers. But the exit does not fail on any single country's rules; it fails in the gaps between them, on the calendar nobody merged, the register nobody reconciled, and the formality nobody put on the critical path.

Those gaps are administrative, which means they are preventable, cheaply, by whoever owns the plan, well before the process starts. One register, one calendar, one set of facts briefed to every adviser. That is the discipline, and it is the work we do at MIP Desk.