



QAPITA

The Cross-Border *Cap Table Playbook.*

What actually breaks when your ownership, equity, and compliance span more than one country — and the operating model that keeps them from breaking.

ABOUT THIS PLAYBOOK

The Cross-Border Cap Table Playbook

Most cap table advice is written for a single entity in a single country. The moment a company opens a second entity — a subsidiary in India, an EOR contract in Germany, a holding company in Singapore — the rules most founders were taught stop applying.

This playbook is written for that moment. It covers the structural, tax, and governance mechanics of running one ownership record across many jurisdictions, and names a risk most equity guides skip entirely: the valuation lag window that opens between a parent company's 409A and its subsidiaries' local valuations during periods of fast growth.

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01 THE VILLAIN IN THE ROOM

Your spreadsheet was never the problem. Your borders are.

A cap table is a promise: this is who owns what, right now, everywhere. A single spreadsheet can keep that promise inside one entity, one currency, one regulator. The moment your company crosses a border, the promise gets harder to keep — not because the spreadsheet got worse, but because the thing it is trying to describe got more complicated.

This is the villain of this playbook: not any one tool, team, or mistake, but the silent assumption that ownership can still be tracked the way it was when the company had one entity and one set of rules. Every fault line in the chapters ahead traces back to this one assumption outliving its usefulness.

3,000+

private companies now run equity programs across more than one country on modern platforms

6+

distinct compliance regimes a typical Series B company touches once it opens US, Indian, and Singapore entities

20%

IRS penalty tax triggered the moment a 409A valuation is found stale or invalid

WHAT THIS PLAYBOOK COVERS

- The four structural fault lines that fracture a cap table once it spans borders
- The valuation lag window - a compounding risk almost no equity guide names directly
- An operating model built around one source of truth, not reconciled spreadsheets
- A governance rhythm that keeps every entity audit-ready ahead of your next raise

01 THE VILLAIN IN THE ROOM

Three forces pull your cap table apart at the same time.

None of these forces is exotic. Each one is a normal, healthy sign of a growing company. Together, unmanaged, they are what quietly turns a clean cap table into a liability.



Legal fragmentation

Each entity you open is its own legal person, with its own board, its own corporate actions, and its own filing obligations. Nothing about entity B is automatically true of entity A — including who owns it.



Currency & tax divergence

A grant priced in USD, vesting for an employee paid in INR, taxed under rules written for neither, creates three separate sources of truth for one single option grant.



Regulatory asynchrony

US 409A cycles annually. Indian FEMA and RBI reporting run on their own clocks. ESOP rules in Singapore, the UK, and the UAE don't share a calendar — or even a definition of what "equity" means.

The result isn't a data problem. It's a structural one — and it compounds with every entity, every hire, and every funding round you add.

01 THE VILLAIN IN THE ROOM

It doesn't break all at once. It breaks role by role.

By the time a cross-border cap table problem reaches the board, it has usually already cost four different people a week each.



Founders & CEOs

Can't answer "what percentage of the company do I actually own after the India subsidiary's ESOP pool?" without a week of reconciliation.



Finance & Controllers

Close the books twice — once for the parent's GAAP/ASC 718 stock comp expense, once for each subsidiary's local statutory filing — and the two rarely tie out cleanly on the first pass.



Legal & Company Secretaries

Chase signatures across time zones for board approvals that must be filed in a specific order across entities, or risk voiding a grant retroactively.



HR & People teams

Promise equity to a candidate in a country where the instrument they were offered may be restricted, illiquid, or taxed at grant rather than at exercise.

02 THE FOUR FAULT LINES

Every cross-border cap table problem traces to one of four fault lines.

Study enough multi-entity companies and the same four failure patterns show up again and again — regardless of stage, sector, or which countries are involved. They rarely appear one at a time. A funding round often triggers all four simultaneously.

**Entity structure**

Who legally owns what, through which holding layers

**Instrument portability**

Whether a SAFE, option, or RSU even means the same thing abroad

**Tax & regulatory divergence**

When equity is taxed, and who must withhold or report it

**Valuation governance**

Whether every entity is pricing equity off the same defensible number

The next four pages take each fault line in turn. The fourth - valuation governance - gets a full chapter of its own, starting on page 12.

02 THE FOUR FAULT LINES



Fault line 01

Entity structure

A holding company in Singapore. An operating subsidiary in India. A US Delaware entity that raised the last round. Each structure looks reasonable on its own — and each one adds a layer between "who owns the group" and "who is on any single entity's register."

WHERE IT BREAKS

Look-through ownership gets lost

A US parent's cap table shows "India subsidiary: 100%" — but not which investors, at the parent level, that 100% actually represents once preference stacks and SAFEs convert.

ESOP pools don't net up cleanly

An option pool reserved at the subsidiary doesn't automatically map to an equivalent dilution figure at the group level, especially when the subsidiary itself has minority co-investors.

IP and value can sit in the wrong entity

If IP was developed in the subsidiary but ownership value is meant to accrue to the parent, a transfer pricing and valuation mismatch is already baked in before anyone notices.

The Fix

Maintain a group ownership chart alongside every entity's local register — updated on the same cadence, not reconstructed at diligence time. The group chart is what investors and acquirers actually diligence first.

02 THE FOUR FAULT LINES



Fault line 02

Instrument portability

A SAFE is a US-shaped instrument. An ESOP option assumes a US-style strike-and-exercise mechanic. Neither is guaranteed to exist, or to be taxed the same way, once your cap table needs to grant equity to someone outside the US.

INSTRUMENT-BY-GEOGRAPHY REALITY CHECK

Instrument	US treatment	Cross-border reality
Employee stock options (ESOs)	US: taxed at exercise (or grant, if 409A mispriced)	India: taxed at exercise (perquisite) AND again at sale (capital gains)
SAFEs / convertible instruments	US: standard, well-understood by investors and courts	Many jurisdictions: no direct legal equivalent - often restructured as CCDs or local convertible notes
RSUs	US: taxed at vesting	UK: employer NIC liability triggers at vesting, often unbudgeted by US-based finance teams
Phantom stock / SARs	US: cash-settled, avoids securities law issues	Cross-border: still triggers income tax for the recipient in their home country - frequently missed entirely

The Fix

Build the instrument-to-jurisdiction matrix before you grant, not after. Confirm local enforceability and tax treatment per country before an offer letter goes out — not when the employee's first payslip looks wrong.

02 THE FOUR FAULT LINES

Every cross-border cap table problem traces to one of four fault lines.

**Fault line 03****Tax & regulatory divergence**

Every country decides independently when equity becomes taxable, who must withhold, and what must be reported — and to whom. A compliance calendar built for one jurisdiction is, at best, one-quarter complete for a four-country company.

A SAMPLE OF WHAT DIVERGES**United States**

Options taxed at exercise; 409A required annually or at material events; ASC 718 expense recognition for financial reporting.

India

ESOP perquisite tax at exercise; capital gains tax again at sale; RBI/FEMA reporting for any cross-border equity issuance to residents

United Kingdom

Employer NIC liability on RSU vesting; separate EMI scheme rules with strict eligibility caps most scale-ups outgrow

Singapore

Often used as the holding layer itself; equity events at the Singapore entity can trigger reporting obligations distinct from the operating subsidiary below it

This is why compliance calendars fail when they're built entity-by-entity instead of as one merged view. Section 5 builds that merged calendar.

03 THE VALUATION LAG WINDOW

The gap almost no equity guide names: the valuation lag window.

Every piece of standard cap table advice tells you to keep your 409A current. Almost none of it tells you what happens to the rest of your group's equity while that 409A is being prepared, refreshed, or simply aging toward its 12-month expiry — while your subsidiaries are pricing options against their own, differently-timed local valuations.

That gap — the window where a parent's FMV and a subsidiary's local plan valuation are both "technically valid" but no longer reflect the same underlying company — is where phantom equity leakage happens. It's invisible until a diligence process or an audit forces every entity's numbers into the same room at once.

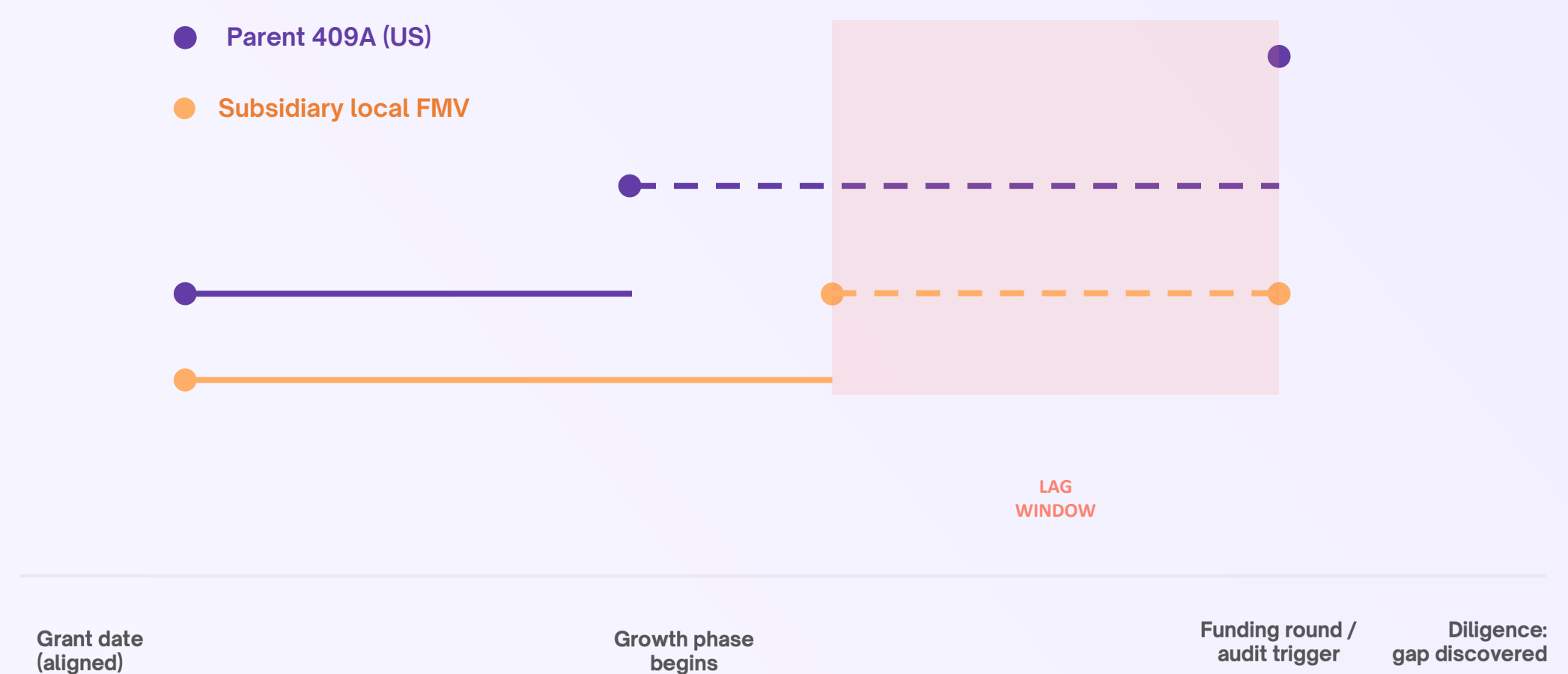
WHY THIS MATTERS MOST FOR NON-VC-BACKED PRIVATE COMPANIES

VC-backed companies get their valuation discipline forced on them every 12–18 months by a new priced round. Non-VC-backed companies — family businesses professionalizing their cap table, PE-backed roll-ups, bootstrapped companies granting phantom stock or profit interests — have no external forcing function. The lag window opens quietly and stays open far longer.

03 THE VALUATION LAG WINDOW

How the window opens.

A parent 409A and a subsidiary's local valuation start life aligned. Fast growth — the exact condition that makes equity grants most valuable to retain talent — is also what pulls them apart.



WHAT WIDENS THE GAP

- The parent raises a priced round and refreshes its 409A immediately — the subsidiary's local valuation, tied to a slower or annual-only local cycle, does not move for months.
- The subsidiary's local currency depreciates or appreciates sharply against the functional currency used in the parent 409A, and neither valuation is re-run to reflect it.
- A material event (new product line, key customer win, layoff) hits the subsidiary's standalone economics without being classified as material at the group level, so only one side updates.

03 THE VALUATION LAG WINDOW

What "phantom equity leakage" actually costs you.

Leakage isn't theft and it isn't fraud. It's value quietly moving to the wrong side of the cap table because two valuations that should agree, don't - and nobody was assigned to notice.

Underpriced grants at the fast-moving entity



If the subsidiary's local FMV lags the parent's real growth, new hires there are granted options at a strike price below true economic value. That's a direct wealth transfer to new joiners at the expense of existing holders — invisible until a later valuation catches up all at once.

Overpriced grants that quietly kill retention



The opposite also happens: a subsidiary valuation that overshoots (common after a strong local quarter that doesn't reflect group-level dilution) prices options so high they're functionally worthless as retention tools — and nobody notices until attrition spikes.

THE THIRD LEAK: DOUBLE TAXATION EXPOSURE

When the parent 409A and the subsidiary's valuation disagree by a wide margin at the moment of a taxable event, tax authorities on both sides have grounds to challenge the number — and they can both challenge it upward. An IRS audit that finds a 409A inconsistent with a subsidiary's own valuation report doesn't just risk the US penalty; it hands the subsidiary's local tax authority a documented reason to reassess independently. Two audits, two penalty exposures, one root cause.

03 THE VALUATION LAG WINDOW

Who carries this risk without realizing it.

The lag window is widest exactly where nobody is required to check for it — outside the venture-backed mainstream that most cap table content is written for.

HIGHEST

Family businesses professionalizing equity

Introducing phantom stock or profit interests for the first time across a domestic parent and an overseas unit, with no prior 409A discipline to anchor to.

HIGH

PE-backed platforms doing roll-ups

Each acquired entity arrives with its own legacy valuation history; the lag window opens the moment two acquired companies are graded against different clocks.

HIGH

Bootstrapped / profitable private companies

No investor-driven valuation cadence exists at all — the only forcing function is whichever finance lead remembers the 409A is expiring.

LOWER

VC-backed, single-country companies

Priced rounds every 12–18 months create an external forcing function — though this protection disappears the moment a second entity opens.

03 THE VALUATION LAG WINDOW

Closing the window: a practical protocol.

None of this requires exotic tooling. It requires treating valuation as a group-level governance process, not an entity-by-entity compliance chore.

1

Synchronize valuation triggers across entities

Any material event that would trigger a parent 409A refresh — a funding round, an acquisition, a major contract — should automatically flag every subsidiary's valuation for review, even if the local rules don't independently require it.

2

Use one consistent methodology, adjusted for local facts

The valuation approach (income, market, or asset-based) should be applied consistently across entities, with documented, defensible adjustments for local market and currency factors — not a different methodology chosen for convenience at each entity.

3

Set a maximum lag tolerance, not just an expiry date

12 months is the outer legal limit for a 409A, not a target. Define a shorter internal tolerance — for instance, no more than 2 quarters of divergence between any two entities' effective valuation dates — and monitor against it actively.

4

Document the reconciliation, not just the numbers

When two valuations diverge for a defensible reason (genuine local market divergence, for instance), write down why. That memo is what turns a red flag in due diligence into a non-issue.

THE TAKEAWAY

A cap table that's accurate at every entity individually, but never checked for agreement between entities, isn't actually accurate. It's just unaudited.

04 THE OPERATING MODEL

Stop reconciling. Start architecting.

Every fault line in this playbook has the same underlying fix: build one operating model that every entity feeds into, instead of stitching entity-level spreadsheets together after the fact. This section covers the three components that model needs.



A single source of truth

One ownership ledger that every entity, currency, and instrument type reads from and writes to — not a monthly export-and-merge exercise.



An entity relationship map

A living chart of every legal entity, its ownership by the entities above and below it, and which corporate actions at one entity ripple into another.



An instrument-jurisdiction matrix

A pre-built reference of which equity instruments are valid, how they're taxed, and what they require procedurally in every country you operate or hire in.

04 THE OPERATING MODEL

The single source of truth, in practice.

"Single source of truth" is an overused phrase. In a cross-border context, it means something specific: one record that survives every entity's local reporting cycle without needing to be rebuilt.

A SOURCE OF TRUTH SHOULD BE ABLE TO ANSWER, INSTANTLY:



What percentage of the group does any individual holder own, look-through, across every entity?



Which grants, at which entities, are priced off a valuation older than our internal tolerance?



If we closed a Series C tomorrow, which subsidiary option pools would need an immediate refresh?



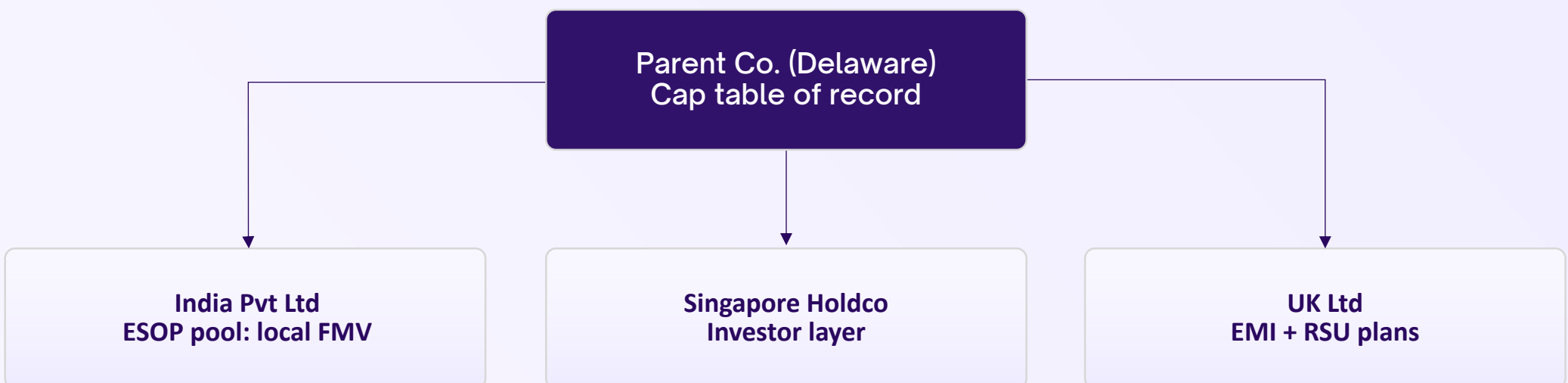
Which instruments, in which countries, still lack a documented local tax treatment memo?

If any of these takes more than a few minutes to answer, the "source of truth" is really a collection of sources that happen to agree most of the time. That gap is exactly where the valuation lag window and phantom equity leakage from Section 3 take root.

04 THE OPERATING MODEL

Mapping entities and instruments together.

A MINIMAL ENTITY RELATIONSHIP MAP



WHAT THE MAP MUST TRACK PER CONNECTION

Ownership %

Direct and look-through percentage at each level of the structure, kept current with every corporate action.

Governing law & instrument set

Which instruments are legally valid at that entity, and under which jurisdiction's companies law they're issued.

Valuation linkage

Which valuation (parent 409A or local FMV) prices grants at that entity, and its current effective date.

Filing dependencies

Which corporate actions at this entity require prior or parallel board/regulatory approval at another entity in the chain.

05 THE COMPLIANCE RHYTHM

A calendar that runs on group time, not local time.

Section 2 showed why entity-by-entity compliance calendars fail: they treat each country's deadlines as independent, when in a group structure they're not. This is what a merged calendar looks like in practice - organized by trigger, not by country.

ONGOING

Cap table hygiene

- Every grant, transfer, and cancellation entered same-week, at every entity
- Look-through ownership recalculated automatically, not on request

QUARTERLY

Cross-entity reconciliation

- Compare effective valuation dates across every entity against your internal lag tolerance
- Reconcile parent ASC 718 stock comp expense against subsidiary statutory filings

ANNUALLY

Valuation refresh cycle

- Parent 409A refreshed on schedule or at material event, whichever comes first
- Subsidiary local valuations refreshed on the same trigger logic, even where not locally mandated

EVENT-DRIVEN

Material event response

- Funding rounds, acquisitions, and major contracts trigger a full cross-entity valuation review within a fixed window
- Board approvals sequenced and filed in the order each jurisdiction requires

05 THE COMPLIANCE RHYTHM

Someone has to own the merge, not just the entities.

The single most common failure isn't a missing process — it's that every entity has a local owner for its own compliance, and nobody owns the view across all of them. Assign that role explicitly.

Group Equity Owner

Usually Finance or the General Counsel's office. Owns the merged calendar, the lag-tolerance policy, and sign-off on any cross-entity valuation discrepancy before it reaches the board.

Entity-Level Custodians

Local finance or company secretary at each subsidiary. Owns that entity's statutory filings and feeds every corporate action to the Group Equity Owner same-week.

Escalation Trigger

Any valuation divergence beyond the internal lag tolerance, or any instrument granted without a documented jurisdiction check, escalates to the Group Equity Owner automatically — not at the next scheduled review.

06 SPREADSHEET VS. PLATFORM

What actually changes when you stop stitching by hand.

This isn't a pitch for abandoning spreadsheets on principle — plenty of single-entity companies run them well. It's about naming precisely where they stop being sufficient once borders enter the picture.

Capability	Spreadsheet stitching	Unified platform
Look-through ownership	Manual recalculation across files; stale within days	Live, automatic, at any level of the structure
Valuation lag detection	Nobody is assigned to compare dates across entities	Flags divergence beyond your defined tolerance automatically
Instrument-jurisdiction rules	Institutional knowledge, undocumented, in one person's head	Codified matrix, applied consistently at every new grant
Audit trail	Reconstructed under time pressure during diligence	Exists continuously; export-ready at any moment
Multi-currency reporting	Manual FX conversion, frequently done at stale rates	Automated at current or agreed rates, entity by entity

The market has largely converged on this pattern: Carta and Pulley remain strong for single-entity, US-centric equity, while platforms with cross-border-native architecture — including Ledgy and Qapita — are increasingly the default once a company has two or more entities across geographies. The right choice depends on your entity footprint today, not just your stage.

06 SPREADSHEET VS. PLATFORM

Built for exactly this problem.

Qapita is a global equity management platform built from the ground up for companies that don't fit the single-entity, single-country mold — supporting more than 2,700 companies across India, Southeast Asia, and the US, backed by Charles Schwab.



End-to-end equity management

Grants, vesting, digital signatures, certificates, and audit-ready records for common stock, SAFEs, warrants, ESOPs, and phantom equity in one ledger.



Global compliance support

Built to handle multi-country tax rules, legal entity structures, and cross-border equity plans natively, not bolted on.



Scenario modeling

Test new funding rounds, option pool refreshes, and exits across every entity before a term sheet is signed.



Investor and employee portals

Transparency for every stakeholder, at every entity, without a separate spreadsheet per audience.

07 THE READINESS CHECKLIST

A pre-flight audit for your next round, hire, or exit.

Run this before a diligence process starts, not during one. Every item traces back to a fault line or the valuation lag window covered earlier in this playbook.

ENTITY STRUCTURE

- ☐ A current group ownership chart exists, showing look-through ownership at every level
- ☐ Every entity's local register reconciles to the group chart as of this month

INSTRUMENTS

- ☐ Every instrument type in use has a documented jurisdiction validity and tax-treatment memo
- ☐ No offer letters reference an instrument not yet confirmed enforceable in that country

VALUATION GOVERNANCE

- ☐ Parent 409A is within its 12-month window, or a refresh is already scheduled
- ☐ Every subsidiary's local valuation is within your internal lag tolerance of the parent 409A
- ☐ Any valuation divergence beyond tolerance has a documented reconciliation memo

COMPLIANCE RHYTHM

- ☐ A named Group Equity Owner exists, distinct from each entity's local custodian
- ☐ The last quarterly cross-entity reconciliation is complete and on file

07 THE READINESS CHECKLIST

What your checklist result actually means.

This isn't a pass/fail test — it's a map of where your next surprise is most likely to come from.

Most items checked

Diligence-ready

Your structure will hold up well under investor or acquirer scrutiny. Keep the quarterly reconciliation rhythm going — readiness decays quietly if the calendar lapses.

Some gaps, concentrated in one area

Targeted risk

You likely have one fault line doing most of the damage. If the gaps cluster in valuation governance, treat that as urgent — it compounds fastest and is hardest to unwind retroactively.

Gaps across most categories

Structural rebuild needed

This is common for companies that added entities faster than they built process. Start with Section 4's operating model — fixing structure before layering on compliance will save you from rebuilding twice.

CLOSING THOUGHT

Borders don't break cap tables. Silence does.

Every fault line in this playbook — entity fragmentation, instrument mismatches, tax divergence, and above all the valuation lag window — grows in the silence between entities that never quite talk to each other. None of it requires a crisis to fix. It requires deciding, before the next raise or the next hire in a new country, that the group's ownership record deserves the same rigor as any single entity's books.

If you're building that operating model now — whether you're on your first foreign subsidiary or your fifth — Qapita's equity management platform was built for exactly this problem.

[Talk to Qapita](#)