International Share Plans

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Why Implement an international share plan?

With companies increasingly operating across various countries, there has been a sharp rise in global employee mobility. Employers have therefore had to consider how to sufficiently reward its disparate workforce and share plans have been utilised effectively by many. However it is important to be aware of the benefits and constraints when operating share plans globally as a means of attracting, motivating and retaining high-calibre employees.

Most share plans can be extended globally, but vary in terms of legal and tax complexities. Often companies will create a simplified overarching share plan that covers all countries, but depending on budget and timescales for implementation, companies may tailor their plans for certain countries to maximise the value to employees by minimising tax liabilities.

Whilst there are numerous considerations involved when designing a global share plan, its launch can help unite employees by rewarding them with the same incentives. It can help increase engagement and loyalty to the overall business, helping employees feel part of a larger group. If designed correctly, global share plans offer an effective way of remunerating employees consistently across an entire global structure.

Key considerations when implementing an international share plan:

- due diligence required - local advice to be sought on legal, tax and accountancy:
  - tax treatment of share based rewards differ in each jurisdiction
  - withholding tax and social security amounts vary
  - withholding taxes need to be withheld and paid at the right time
  - conditions to obtain any corporate tax relief on the release of shares may be set
  - will need to apply for and obtain double tax treaty relief where applicable
  - local securities laws and regulations differ
  - currency control laws may make it illegal to move money in and out of the country
  - data protection laws may restrict information flow
  - local approval or filings may be required
- will need to keep accurate records of employee status and mobility between different countries over the lifetime of the award

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- corporate governance compliance and institutional investor expectations need to be managed
- employment contractual rights may be affected
- documentation may need to include legally required content
- currency fluctuations may have a material impact
- local expectations and level of understanding will differ
- administrating and communicating the value to employees needs careful planning to overcome:
    - language barriers
    - cultural variations
    - technological access and development
    - local HR and payroll support variations.

- size of the workforce in each jurisdiction - many companies set a minimum employee threshold to ensure it is worth while and not cost prohibitive
- establishing local champions to help fellow employees participate and understand the plan
- setting up an electronic nominee service to help international employees sell their shares easily

In some countries it is not legally possible to implement a share plan or it proves cost prohibitive, so many companies use viable alternatives such as phantom plans, allowing employees to participate on the same basis as others, but they receive a cash equivalent to either the value of the shares or the increase in that value over a period of time.

As you can see, there are various obstacles for employers to overcome when launching a global share plan, but Share Plan Partners draws on its extensive experience with the design and implementation of global share plans, allowing companies to benefit from their use whilst ensuring all of the above considerations are met. Contact us to set up a FREE consultation to discuss your share plan requirements both in the UK and internationally.

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