Phantom Share Plans

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What are Phantom Share Plans?

A phantom share plan provides employees with a notional award that is subject to all the same rules of the associated share plan to ensure all participants are treated equally, but instead of receiving shares, participants receive a cash amount equivalent to the gain they would have received if they had been in the share plan. The cash payment is based on the gain on vesting and no shares are actually involved.

There are added advantages to phantom plans, such as:

- no dilution of the issued share capital;
- no complications with voting, dividend rights or reclaiming shares when an employee leaves; and
- provides flexibility and low administration costs.

Phantom plans tend to be adopted and operated in countries where share plans are difficult to implement due to legal restrictions or are prohibitively expensive to implement.

Tax implications

For Employees:
The cash payment is subject to income tax and NICs in the same way as salary and cash bonuses.

For Employers:
The employer has to pay the associated employer NICs on the cash payments, but can claim corporation tax relief on the cost of funding the cash payments.

Share Plan Partners can advise and help you with the setting up of a phantom share plan. Please contact us for more information.

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