



How to offer equity incentives to a global team



Offering equity to global teams isn't as tricky as it seems.

Equity incentives can be a powerful talent magnet for high-growth startups, as well as a critical talent retention mechanism. But as soon as you start hiring internationally, managing these incentives can quickly get complicated.

It doesn't have to be, though. In this guide, we'll show you how — with the right support — it can be easy to provide a globally-compliant equity incentive program for your team.

Specifically, we'll explain:

This toolkit shares:

- The benefits of offering equity incentives to a global team
- The different types of equity incentives and stock options you can potentially offer (including their pros and cons)
- How equity laws change across borders
- The main challenges of offering equity incentives
- How to quickly and easily overcome those challenges with Remote Equity



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Glossary

For ease of reference, here are some quick explanations of key concepts referred to throughout the guide:

 Equity plan	A compensation strategy where a company offers employees ownership interest in the form of stock or other equity awards, such as stock options, stock appreciation rights, restricted stock units or restricted stock awards
 Stock option	The option, given to a team member, to buy a set number of shares for a fixed price (known as the strike price). The team member is not obligated to exercise the option
 Stock option agreement	The document your team members must sign if they want to exercise their stock options at a later date. It covers key details such as the type of stock option, number of shares, strike price, vesting schedule, and expiration date.
 Exercise	The act of purchasing company shares at the predetermined strike price as granted by the stock option.



Vesting schedule

The schedule that determines when your team members can exercise their options. A typical vesting schedule might be four years with a one-year cliff. This means the individual must stay with your company for at least a year before they can start exercising their options, which will then continue to vest on a regular basis for the remaining three years.



Spread

The difference between the current market value of your company's stock and the exercise price of the option.



Post-termination exercise period (PTEP)

The period after a grantee's relationship with the company is terminated, during which the grantee may exercise his or her stock options.



Tax-favored

A specific type of stock option or equity plan that receives preferential tax treatment, meaning it is taxed in a more favorable way compared to regular income.



Why offer equity incentives?

Equity incentives give your employees a sense of ownership in your company's future, and a chance to share in the rewards of success. As a result, they act as a great motivator.

Benefits for employers

As an employer, equity incentives can help you create a better working relationship with your team members, as you are all invested — literally — in the company's future.

They can also help you compete for top talent with larger enterprises. Your company may not be able to match the compensation offered by such organizations, but the chance to invest in the next unicorn is a massive opportunity for ambitious candidates.

In addition, equity incentives don't usually require you to put money upfront, which isn't the case with most other benefits. This is key for smaller businesses and startups who need to manage their finances and cash flows more carefully.

Benefits for team members

Stock options and equity incentives are highly sought-after by employees for a good reason: the upside can potentially dwarf most other benefits. It enables your people to:



Reap the benefits of the work they've done



Invest in the future of a growing company



Feel engaged and enjoy a strong sense of ownership



What equity incentives can you offer?

When most people think of equity incentives, they think of stock options. However, stock options are not the only type of equity you can offer.

Here are some of the different kinds of equity incentives you can offer to your global team members:

Stock options

This kind of equity gives your team members the right to purchase shares in your business at a fixed price. There are primarily two type of stock options:

1. Non tax-favored

These are stock options that don't qualify for a specific tax-favored scheme.

Non-qualified stock option (NSO)		
What is it?	Advantages	Disadvantages
A type of stock option that can be offered to anyone who performs work for your company, including employees (direct, or through an employer of record (EOR)), independent contractors, and partners.	Workers at high-growth companies (such as startups) have the chance to profit substantially. They also have more control and can choose when to exercise their options. NSOs do not trigger the Alternative Minimum Tax.	The cost of exercising options becomes more expensive as the company matures, and the difference between the exercise price and market price is smaller. In the US, holders are taxed twice: once when they exercise (income tax), and again when they sell (capital gains tax).

2. Tax-favored

These are stock options that do qualify as tax-favored schemes.

Incentive stock option (ISO)		
What is it?	Advantages	Disadvantages
A type of stock option in the US that can only be issued to your company's employees. If you are using an EOR to employ team members in another country, you cannot issue ISOs.	You do not need to pay payroll taxes on the exercise of ISOs, which can save costs. ISOs can also have favorable tax advantages for your employees, with potentially no regular income tax on exercise, and capital gains treatment if the stock is held for a defined period of time.	You must manage the administration yourself, which can be complex. ISOs can also trigger the Alternative Minimum Tax for your employees.

Enterprise management incentive (EMI)		
What is it?	Advantages	Disadvantages
A type of stock option offered in the UK. It is government-backed and specifically designed for smaller businesses and growth startups.	For employers, EMIs are flexible and highly customizable. No income tax is due on grant or exercise	There are tight eligibility restrictions, especially for larger businesses.

Bons de souscription de parts de créateur d'entreprise (BSPCE)

What is it?	Advantages	Disadvantages
A type of equity incentive offered in France. Like EMIs, they are designed for SMBs and startups.	Employers do not have to pay social contributions on BSPCE gains, and are highly flexible. For your people, there are favorable tax advantages, and no requirement to pay anything up front when granted or exercised.	BSPCEs are restricted to certain businesses (i.e., those less than 15 years old and having gross assets below a certain value).

Stock appreciation rights (SARs)

A type of equity incentive that is tied to the value of your company's stock. If the value increases within a specific period of time, your team members are entitled to receive the amount of the increase in cash (or the equivalent number of shares). Also known as Virtual Stock Options (VSOs), stock appreciation rights do not actually grant the recipient equity in the company.

Stock appreciation rights (SARs)

What is it?	Advantages	Disadvantages
A cash bonus that is tied to the value of shares.	Owners of SARs have no rights to shares in the company, so the company maintains full control. There is also no cost to the recipient to exercise.	SARs are a contractual obligation to pay out bonuses, and can become expensive for the company. Recipients also have no control over taxes (and SARs tend to be more heavily taxed than other equity incentives)

Other types of equity incentives

This is stock which is simply given away to your team members, without them having to purchase it. Stock awards are sometimes used as performance incentives.

Restricted stock award (RSA)		
What is it?	Advantages	Disadvantages
A grant of company stock with restrictions on when it can be sold or transferred. These restrictions can be tied to the vesting period, or to your team member (or your company) meeting certain performance requirements	Recipients receive actual shares of stock immediately, along with voting rights and dividends. In the US, there are also potential tax benefits under Section 83 (b).	RSA can be harder to manage compared to other equity incentives



Restricted Stock Unit (RSU)		
What is it?	Advantages	Disadvantages
RSUs give your team members interest in company stock, but they have no tangible value until vesting is complete. Upon vesting, they are considered income, and a portion of the shares is withheld to pay income taxes. The recipient receives the remaining shares and can sell them at their discretion. RSUs do not need to be exercised.	The RSUs will always have value as long as the company exists. There is no need to purchase them like options.	There is lower control over taxation timing. Double-trigger RSUs can create a tax liability, and the owner risks losing them if they leave the company before the triggers occur.



How do equity incentives differ by country?

Equity incentives may differ in each country based on the local tax treatment.

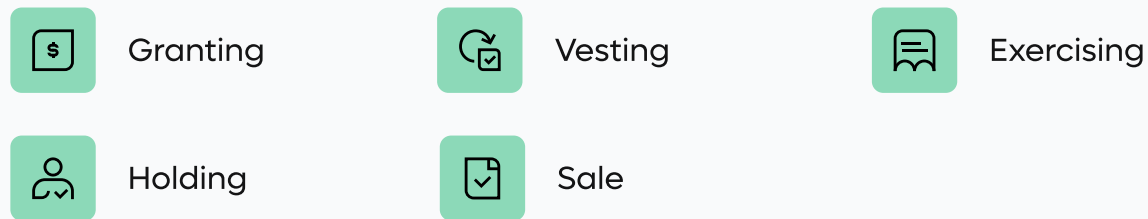
Preferential tax treatment

As mentioned, in some countries — under certain conditions — the equity incentive you’ve granted may qualify for a preferential tax treatment for your team members (such as ISO in the US, EMI in the UK, and BSPCE in France).

Taxable events

Taxable events occur when certain actions or transactions trigger a tax liability for your team member. These events are critical because they determine when and how much tax the team member owes, and the timing and nature of these taxable events depend on the type of equity incentive involved.

Taxable equity events include:

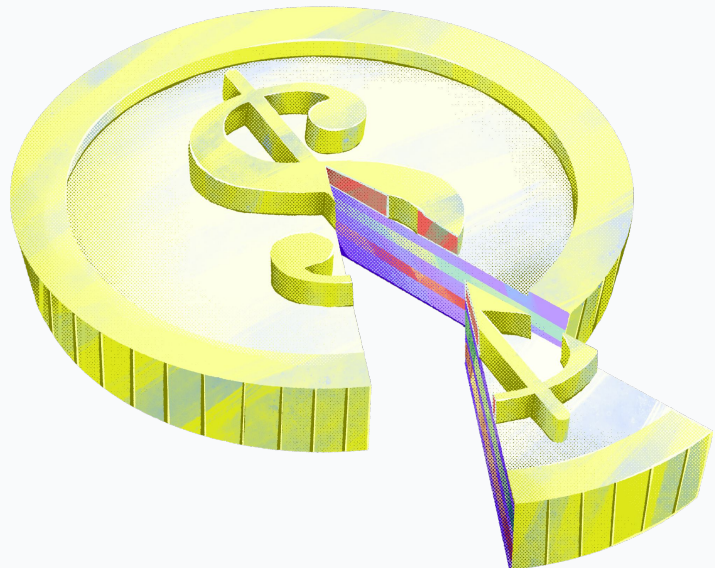


Every country has different laws outlining which events are taxable, and typically more than one kind of event is taxable. In most countries, there are two different tax events, but on two different tax bases (i.e., there is no double taxation).

How does this generally work?

At exercise, the increase in value of the underlying shares from grant to exercise (i.e., the spread) is taxed as income.

Then, at sale (e.g., exit), the increase in value of the underlying shares from exercise to the sale event is taxed as capital gains.



For example, let's say you grant shares to a new hire at an exercise price of \$0.10. When those shares vest, the hire exercises them at a price of \$25 per share. The hire would then need to pay tax based on the gain in value (i.e., \$24.90) from the time of grant to exercise.

If the income tax is less than the capital gains tax, the recipient can potentially reduce taxation by exercising early (if the stock option plan allows it). This is because the tax basis is potentially reduced at exercise (which is usually more heavily taxed), and the tax basis at sale is increased (which is usually taxed less).

Event	Income?	Taxable	Notes
Grant	Rarely	Rarely	Potential tax risk in countries that don't have clear rules and practices
Vest	Rarely	Rarely	Potential tax risk in countries that don't have clear rules and practices
Exercise	Usually	Usually	Most countries tax; some defer
Sale	Usually	Usually	Most countries tax; some do not



How do you offer equity incentives?

To offer equity incentives to any team member — domestic or otherwise — you first need to set up an equity incentives plan.

This allows your company to issue shares to your people (and, in some cases, other key stakeholders) through stock options, awards, and SARs.

For instance, if you want to offer stock options to your team members, you may want to create an equity incentive plan. Typically, an equity incentive plan outlines the general terms of how equity incentives are offered and treated, including (among others):



The types of workers that are eligible to receive stock options



The minimum price per share of stock the recipient must pay



The timeframe within which stock options can be granted



The total number of shares that can be issued to your team members



The standard PTEP



What do the experts say?

[Watch now](#)



For more expert advice on building an equity plan for a global team, watch this insightful discussion with Sam Ross (Remote), Mike Wu (Carta), and Pedro Barros (Remote).



What are the challenges of offering equity incentives to global teams?

The benefits of offering equity incentives are clear, but if you have team members in multiple countries, things can get complex.

Here are some of the main challenges you'll need to tackle:

Exposure to tax and securities laws

With equity incentives, there are multiple tax and securities laws to abide by in different countries. Failure to do so can result in fines, penalties, and reputational damage for your organization, as well as less favorable tax treatment.

To make things more complicated, these tax laws differ in each country — sometimes radically. What might not be an issue in Germany, for instance, could be a major problem in Japan. You'll have to stay on top of changes to these laws, too, which can happen frequently in some jurisdictions.



Remote Equity can handle all of this, and ensure that you are always fully compliant with these local laws.

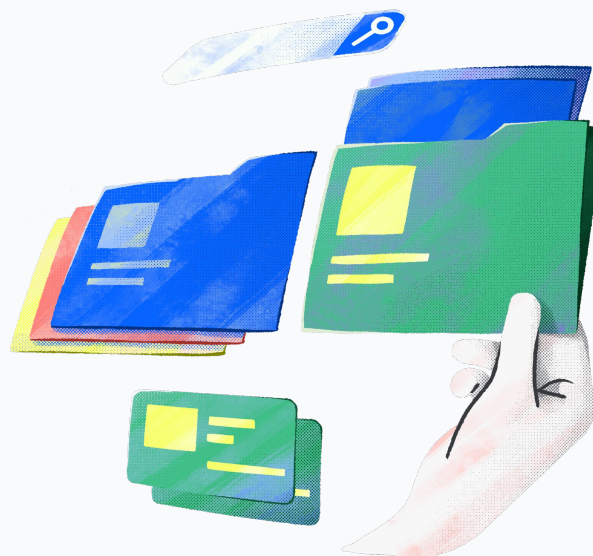
Tax reporting and withholding

One of the key obligations for equity incentives is the legal requirement to report and withhold employee taxes. And without a local expert to guide you, this process can be full of potential pitfalls.

You can, of course, find and hire local tax consultants to stay informed of local requirements, but this is a costly and time-consuming process. Again, it's much easier and more cost-effective to use [Remote Equity](#), which ensures you stay fully compliant with all tax requirements related to equity incentives.

Special tax requirements

Some countries offer specialized tax withholding systems for equity incentive schemes — which can often be beneficial for both you and your team members. You may not be aware of such regimes, or you may be unsure if you're eligible.



In addition, these regimes can be complex and resource-intensive. Without intimate knowledge of how they work, you can easily make mistakes, or lose time and resources trying to understand and submit everything. This can potentially lead to you and your people missing out on these tax-favorable regimes.

Dealing with multiple providers

For most startups and SMBs, it's impractical to have your own in-house tax and legal teams in every country you hire in. As a result, you'll have to deal with third-party vendors, all of whom offer different services, charge different rates, and provide varying levels of reliability.

Finding reputable providers — and managing your relationships with them — is a massively time-consuming process. This is difficult in any market, but especially so in foreign environments where you may not have the right level of local knowledge and experience.

With Remote Equity, you don't need to worry about this; we have top-tier equity compensation experts in each jurisdiction. This also means that you only need to use one platform — and at a fraction of the costs.

Education and communication

Equity incentives are a powerful benefit, but they should not be overly complicated or onerous for your people to understand. Always bear in mind that equity incentives are less common outside of the US, and you may need to focus on providing the right education. This is especially true for EOR employees and independent contractors.

“	What people want is simplicity. If they are confused and don't understand what they're getting, then they're not getting an incentive.	
	SAM ROSS Chief Legal Officer at Remote	

It's a good idea to think about the questions your employees will have when the plan is being set up. You should also plan to clearly lay out what the equity incentive is, and what the employees who take advantage of it are getting.

Determining employee eligibility

There are multiple kinds of equity incentive plans, and it's crucial to make sure that your employees are eligible for your chosen plan — wherever they are in the world.

Otherwise, you run the risk of creating inequality in your global benefit offerings. This can be hugely demotivating for existing employees, and discourage potential candidates.

Remote Equity can help you identify quickly and easily whether or not a team member is eligible, and provide guidance on alternative options.



How does Remote Equity help?

Remote Equity makes it quick and easy to grant and manage equity for your international team members (including contractors and partners).

We handle all the tax, regulatory, and compliance requirements of your equity plan in different countries, ensuring that borders are not a barrier to a competitive benefits package. We can also draft your main stock options plan, outlining the rules, guidelines, and structure of your stock options program.

Specifically, the platform enables you to:



Grant (and manage) equity to global employees and contractors in seconds (compared to an average of three months with legal firms).



Remove the risk of costly fines and legal penalties, and ensure full compliance with local tax and documentation laws.



Save money and avoid costly third-party and manual processes.



Improve your talent acquisition and retention by educating employees on the true value and implications of their stock options

Remote Equity is fully integrated with Carta, and supports multiple types of equity incentives including ISOs, NSOs, and SARs.

“

If you're responsible for deducting tax and you don't, you can get into trouble with the government. It could lead to serious penalties for your company. That's the advantage of partnering with an expert provider that considers everything.

SAM ROSS

Chief Legal Officer at Remote



With Remote Equity, you can issue grants to your team members worldwide, without having to go through complex, manual, and expensive processes with multiple local lawyers.

remote equity
Grant and manage equity for your global team.

Equity in your team

- 4/18 EMPLOYEES WITH EQUITY
- 4 COUNTRIES
- 70,000 SHARES OFFERED

Search

NAME	COUNTRY	EQUITY	# GRANTS	VESTING %	VE
AD Albert Dominick	United Ki...	10,000 SHARES 0.01% \$5,666	2	75%	4
DC Dunstan Clifford	Portugal	5,000 SHARES 0.005% \$5,666	1	50%	4
EV Eve Vaughan	Belgium	25,000 SHARES 0.015% \$5,666	1	20%	4
GD Gracie-Mae Dr...	France	20,000 SHARES 0.013% \$5,666	1	60%	4

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Remote equity app NEW

Discover how Remote Equity can help you create and manage grants for your entire workforce, wherever they may be.

[Discover Remote Equity app](#)

Schedule a product demo with our experts

Learn how Remote Equity helps you create and manage grants for your employees, wherever they may be.

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To learn more about Remote Equity and how it can save your business time, money, and resources, [book a demo with the team today](#).

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