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Global Reward Update – Wrap Up

April 2025

As we approach spring it seems like a good time for some share plan "spring cleaning" and checking in on key developments impacting global incentive plans since our last update. Some are an update on information provided in previous Global Reward Updates (GRUs) and others are new developments.

We hope this summary is useful, and if you have any questions, please do get in touch with your usual Deloitte contact or any of the Incentives partners listed on the final page.

Please use the links below for each of the country updates:

Global tax & legal updates

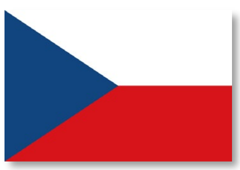
Global tax & legal updates

Canada: Further deferral of proposed changes to capital gains and stock option inclusion rate

In our December GRU Wrap Up (here is the link) we discussed the continued delays in implementing the proposed changes to the capital gains and stock option inclusion rate in Canada.

On 8 January 2025, the Canadian Revenue Agency (CRA) announced that it would begin applying these proposed changes. However, on 31 January 2025, the Minister of Finance announced that the federal government is again deferring the effective date of the capital gains inclusion rate changes from 25 June 2024 to 1 January 2026. Other related proposed changes, such as the taxation of stock options and withholding rates will also be deferred until 1 January 2026. The proposed increase to the lifetime capital gains exemption to $1.25 million remains effective from 25 June 2024.

Please contact us if you have any questions relating to the above, or if you would like our assistance in preparing communications to any of your employees regarding the impact of these changes.



Czech Republic – Approval of changes to taxation of ESOPs

The Czech parliament has approved changes to the taxation of employee stock ownership plans (ESOPs), confirming the proposals outlined in our December GRU Wrap Up (here is the link). The optional deferral regime for share-settled awards came into effect on 1 April 2025, impacting tax liabilities retrospectively from 1 January 2024.

Companies with ESOPs must decide and communicate their chosen approach for awards granted between 1 January 2024 and 31 March 2025, as well as for future awards.

If employers opt to use the deferral regime in respect of awards granted to Czech participants between 1 January 2024 and 31 March 2025, they must notify the designated Czech tax office by the end of May 2025. If no notification is made by this deadline, the deferred income will become taxable in 2025.

In relation to shares acquired after 1 April 2025, employers must notify the Czech tax office that they want to use the deferral regime by the 20th day of the month following the month in which the shares are acquired. If no notification is made by this deadline, the acquisition value will be taxed in accordance with the “old regime”, i.e. in the taxable period in which the shares are acquired.

Please contact us if you require any further clarification or assistance in determining the best approach for your company and communicating these changes to your employees.

Germany - Tax advantaged plans for start-ups to be extended to corporate groups.

In Germany, start-up companies which meet certain qualifying conditions can benefit from a favourable tax regime, such that the tax arising on free or discounted shares awarded to employees can be deferred to the date of sale.

A new "affiliated entities" clause has been introduced into the German Income Tax Act, which now enables employees of subsidiaries and other affiliated entities of start-ups (both within and outside of Germany), to benefit from the tax deferral.

Until now, this regime was only available in respect of share awards in the employer entity itself. These changes were included in the Annual Tax Act 2024 which was published in December 2024 and have been in effect as of 1 January 2024.

Please contact us if you would like to discuss these changes in more detail.

Israel – Confirmation of annual online share plan reporting dates

In October 2024 we issued a Global Reward Update for Israel (here is the link). At the time, there was uncertainty as to the date of the first annual share plan reporting deadline.

The Israel Tax Authority has now confirmed that the first online share plan report must be filed by 30 April 2025, in respect of the 2024 financial year.

Please contact us if you would like any assistance regarding the above.

Luxembourg – Changes to tax regime for highly skilled inpatriate workers enacted

In our December GRU Wrap Up (here is the link), we covered the proposed changes to the tax regime for highly skilled inpatriate workers. The proposals were enacted with no changes by the Luxembourg Parliament at the end of last year and came into effect on 1 January 2025.

Employees already benefiting from the previous regime in force until 2024, can opt in to the new regime. No pre-agreement is required from the Luxembourg tax authorities for the migration to the new regime.

Please contact us if you would like our assistance in preparing employee communications or have any questions in relation to the above.

New Zealand – Tax point for ESS benefits

In June 2024, we issued a Global Reward Update (GRU) for New Zealand (here is the link). It had historically been accepted that the taxing point in relation to employee share options was the date of exercise. In the early part of 2024, the New Zealand Inland Revenue (NZIR) issued a draft interpretation statement which stated that the correct interpretation of the law was that the taxing point is the first date the shares are held by or for the benefit of the employee, being the date the employee is registered as the owner of the shares.

Following a period of consultation, the interpretation statement has now been finalised. NZIR have acknowledged that there can be a delay between when an employee exercises their options and when the shares are delivered. NZIR have accepted that in some cases, it can be difficult to determine the exact date when the employee has received the shares and as a result, the NZIR have confirmed that it will allow the vest/exercise date to be treated as "best evidence" of when the shares are held by or for the benefit of the employee provided:

1. The shares are expected to be held by or for the benefit of the employee beneficiary within 10 working days after the exercise or vesting date under the employee share scheme (ESS); and
2. The employer is unable to determine the exact date by taking reasonable steps.

If these conditions are not met, the tax point will be the date the shares are held by or for the benefit of the employee, which will usually be when the shareholding is registered in the name of the employee.

There are no guidelines on what may be considered reasonable steps. However, NZIR have provided examples on page 33 in their revised guidance (here is the link).

Please contact us if you would like to discuss the above in further detail

Norway – Adoption of proposed changes to exit tax rules.

In our December GRU Wrap Up (here is the link), we covered the proposed changes to exit tax rules in Norway.

The Norwegian Parliament adopted the proposed changes in relation to emigrations that occurred after 20 March 2024 and clarified that, for exit tax purposes, NOK 3 million serves as a basic allowance, meaning that exit tax will only apply to the portion of the latent share gain that exceeds this amount.

Please contact us if you would like our assistance or have any questions relating to the above

Norway – Adoption of proposed changes to share option taxation for new companies

In our December GRU Wrap Up (here is the link), we covered the proposed changes to the share option taxation rules for new companies. The Norwegian Parliament adopted the proposals, with no changes, with effect from 13 March 2025.

Please contact us if you have any questions relating to the above.

United Kingdom: PISCES Consultation

The Private Intermittent Securities and Capital Exchange System (PISCES) is a new type of stock market that will facilitate secondary trading of private company shares on an intermittent basis. HM Treasury ran a previous consultation on PISCES. Many respondents, including Deloitte, submitted questions about the tax implications for companies and employees in relation to employees trading their shares on PISCES.

At the Spring Statement, HMRC published a tax technical note (link) aiming to address questions raised and provide clarity on the tax implications. The technical note in particular sets out the case for how tax advantaged Enterprise Management Incentives (EMI) and Company Share Option Plan (CSOP) will interact with PISCES, a matter which is still being considered by the government in respect of existing awards. In addition, the technical note has provided some clarification on important points such as how to apply the readily convertible asset (RCA) rules and approach tax valuation in respect of shares traded on PISCES.

Deloitte will continue to engage further with the Treasury on these matters.

United States – Streamlined Section 83b election process.

To simplify the Section 83(b) election process, the IRS introduced Form 15620 on 7 November 2024. This election allows individuals receiving non-vested property transferred in connection with the performance of services, such as shares or equity compensation, to elect to include the value as taxable income at the time of transfer, rather than at vest.

While the new form provides a standardised format, reducing errors and easing compliance, taxpayers can continue to use the sample language and procedures set out in the Treasury Regulations under Section 83(b).

Importantly, the 30-day deadline for filing an election from the date the property is transferred remains unchanged, and missing this deadline forfeits the election opportunity.

We recommend employers communicate the introduction of the new form to employees. Companies should review their equity and reward plans to determine where this election may be available and consider educating employees about the benefits and requirements of making such an election.

Please contact us if you would like any assistance regarding the above.

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