

Stock options

Back in trend?



Greek Parliament enacts tax favorable regime for stock options



Recent amendment in Greek tax laws brings stock options into the ambit of capital gains taxation (15% rate) rather than employment income (up to 45% tax rate), subject to certain vesting conditions. This provides a significant incentive to structure long term incentive programs around this concept for Greek tax resident executives. An even more beneficial regime is provided for startups, aiming to bolster the activity in this field.

What does this mean for employers?



The legal process

Greek corporate law contains explicit provisions regulating stock options in art. 113 of Law 4548/2018. Process is triggered by a shareholders resolution which can set the main terms of the program, or even delegate most aspects to the BoD, which normally sets out a detailed program. For listed companies parameters of the Remuneration Policy must also be taken into account.

Eligibility includes BoD members and employees of both parent and subsidiaries, as well as regular service providers. Employment contract or collective labour agreement provisions need to be taken into account.

Further process of issuing new or transferring own shares needs to be streamlined specially when it comes to listed companies.



The HR perspective

Stock options are used as Long-term incentive (LTI) by many companies worldwide in their rewards package. LTIs are defined as a type of compensation plan intended to reward performance and foster engagement of key employees.

A significant amount of executive pay is made up of LTI's intended to act as an incentive to align their goals with those of the business and thus further contribute to the company's long-term sustainability.



The Accounting impact

IFRS 2 'Share-based payment' captures the purchase of goods or services received as part of share-based payment arrangements.

Estimates are required of the number of options expected to be exercised and the value of the options. Such estimates are complex to calculate where performance criteria, such as earnings targets, are involved. Specialist valuation skills are likely to be required in order to determine the amounts to be reported in the financial statements. Special considerations apply for group situations (parent and subsidiaries).

Remuneration committees should look at the terms and conditions in order to determine the information that will need to be disclosed.



How can PwC help?

Tailored tax advice on the specificities and conditions of the new law

Drafting of corporate resolutions, stock option program, publication requirements etc.

Provide insight on local and multinational companies' LTI's practices in Greece

Design/Redesign the total rewards strategy to embed in the most effective way a Stock Options plan, determine the right pay mix between the different elements of rewards and employee eligibility

Develop performance measures, KPI's that will be aligned with the changes in the Stock Option plan

Scenario analysis on future state of implementing a Stock Option plan and identify the most beneficial way to implement changes in the reward package

Assist in communication of any changes for a successful buy-in from all stakeholders

Accounting advice on the requirements of IFRS or Greek GAAP for the recognition, measurement and disclosure requirements of stock options

Performing valuations of stock options



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