



May 2024

CENTRE & MEMBERS' NEWS



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Going global

Drawing on its experience of supporting clients in 70 countries, **Abbiss Cadres** has created a general guide on immigration considerations and cross-border employee assignments – *The Beginner's Guide to Global Mobility*.

Baker McKenzie has released its *Field Guide to Going Global*, a legal resource for US based companies taking business models, products and technology international. The guide examines foreign law issues arising at different phases of global expansion, from online to boots-on-the-ground.

State of wellbeing programmes in 2024

Buck (a Gallagher Company) recommended an *HRO Today* piece featuring Gallagher's *2024 Wellbeing and Voluntary Benefits Survey* advocating a greater focus on employee benefit and rewards programmes. Two-thirds of employees would change jobs for an improved incentive package, and many believe employers should be doing more to improve their financial wellbeing.

Digital nomads: the rules for working in Italy

Foreign workers, both employed and self-employed, will be able to work remotely in Italy more easily thanks to an advantageous tax regime for EU workers, and the Digital Nomad visa for non-EU workers.

Fabrizio Spagnolo, Gian Marco Lettieri and Ilaria Romano of **CMS Italy** focus on the needs of foreign workers engaged in *highly skilled work performed remotely*.



Digital Nomad Photo by Peggy Anke on Unsplash

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All-employee share plans in mergers or acquisitions

Equiniti has published the initial article in a series [exploring the impact of corporate actions on employee share plans](#). Graham Bull addresses key points from both the company and employee point of view:

- ⇒ What's the impact on Sharesave where there is a cash-only offer/acquisition?
- ⇒ What can make a cash offer acquisition more complex?
- ⇒ What happens with a share offer, or an offer with a mixture of cash and shares?
- ⇒ What happens if the acquiring company is a foreign company?
- ⇒ What about Share Incentive Plans?

PE's unlikely champion for giving workers a leg up with employee ownership

Pete Stavros of KKR appeared on *60 minutes* for CBS News on May 5 2024 in a feature on employee ownership that celebrates the wins for average American earners, calling them “life-changing”.

Pete Stavros, introduced as “the leading employee ownership apostle” for his advocacy and educational work on employee ownership, said “This is the right thing to do that also happens to be good business.”

The segment features the case study of CHI Overhead Doors, bought by KKR in 2015, converted to an employee ownership model and sold in 2022 for “a ten-fold return”. The pay-outs to employees are claimed to have benefited the entire community in Arthur, Illinois.

Should companies be owned by their workers?

A [Freakonomics podcast](#) from May 8 2024 features employee ownership and hosts discussions with **Pete Stavros (KKR and Ownership Works)**, **NCEO founder Corey Rosen**, and Marjorie Kelly, distinguished senior fellow at The Democracy Collaborative. [The NCEO blog](#) described the feature as covering “a wide range of topics, including private equity's increasing interest in employee ownership, the history and power of employee ownership and Esops in the US, and how to scale ownership across the economy”. A full transcript is available.

Talking tax and incentives: an introduction to share incentives

Following on from the podcast *What is an Employee Ownership Trust and how does it work?* **Lewis Silkin** has released a second podcast: [Talking tax and incentives: an introduction to share incentives](#). Partners in the tax, rewards and incentives team discuss share options and incentives, including the Enterprise Management Incentive (EMI), Company Share Option Plan (CSOP), Save As You Earn (SAYE), Share Incentive Plan (SIP), Long Term Incentive Plan (LTIP) and Management Incentives Plan (MIP).



Photo by Will Ulmer on unsplash.com

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Responding to a mental health emergency

Mental Health Awareness Week (May 13 – 19) shines a spotlight on the importance of employee well-being. In *Lexology* **Lewis Silkin** considers how employers can prepare for and respond to mental health emergencies at work. Responding to a mental health emergency can be challenging for employers and will often require balancing an employee's safety with their privacy in circumstances which require prompt action. The article concentrates on what steps may be appropriate for an employer to take, and draws on the recent guidance from the Information Commissioner's Office.

IFRS and EFRAG publish Interoperability Guidance on ISSB Standards and ESRS

In the disclosures & reporting section of its *May ESG newsletter*, **Linklaters** reported that on May 2, the IFRS Foundation and EFRAG published interoperability guidance to illustrate the alignment between the International Sustainability Standards Board's IFRS Sustainability Disclosure Standards (ISSB Standards) and the European Sustainability Reporting Standards (ESRS). The guidance explains how companies can efficiently comply with both sets of standards, with a specific focus on climate-related reporting. The guidance is not intended to be a formal statement of equivalence: its goal is to increase efficiency for entities that report under both standards by describing their degree of interoperability.

Changes to the structure of executive pay

MM&K takes the view that remuneration committees will be busy meeting the challenges of corporate governance reform, seeking shareholder approval for atypical remuneration policies or designing pay required increasingly to be *competitive in an international context*.

Czechia: New tax treatment for share plan income

Tapestry Compliance reported on new tax rules in Czechia that directly impact employee share awards and apply to income received from January 1 2024, irrespective of the date awards were made under the plan.

There is still ongoing uncertainty about how the new rules apply and additional guidance from the tax authority is expected.

The new rules mean that employee share plans are no longer taxed at vesting or purchase. Instead, the point at which tax is charged is deferred until the occurrence of a *trigger event*.

Trigger events include the sale of the shares, termination of employment, winding up of the employing entity or the employee ceasing to be a Czech tax resident. There is a long stop expiry date of 10 years from the date of acquisition of the shares by the employee. On a trigger event, if there is no recharge, employees will be required to report and pay the income tax in their annual tax return. Where there is a recharge, the tax will be paid through payroll.

The new rules will apply to share plans offered to employees in Czechia by either their direct employer or by the foreign parent company. The deferral rules cover most types of standard employee share plans (RSUs, restricted shares and purchase plans) but, unusually, they do not apply to non-transferable option plans. This is surprising as non-transferrable options are commonly used in employee incentive plans.

Tapestry commented: *"This type of tax deferral is not unusual globally, although it is more commonly limited to SMEs, with a particular emphasis on tech start-ups who look to attract and retain employees with generous share plans where there is no budget for high salaries. Postponing the point of tax on the shares until sale is the*

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icing on the cake for this type of remuneration structure. As with any new tax regime, there are additional administrative steps for both employers and employees to be aware of, however.

“A few practical issues have already been identified, including the mismatch with social taxes, the exclusion of options from the deferral rules and the practical matter of (where plan costs are subject to a recharge)

how employer withholding can operate sensibly on a sale of shares. Care will therefore be needed. If you are introducing or already operate a share plan in Czechia, we recommend checking the impact of the new rules on internal processes (in particular if you operate a recharge, considering how to communicate the changes to employees, and ensuring withholding is operated compliantly.”

Selling an EOT-owned company: Can it be done, and what are the consequences?

Esop barrister David Pett of **Temple Tax Chambers**, addressed issues around the sale of EOT- owned companies in an analysis on LinkedIn.

“The first question – often overlooked – must be: Is a sale by the trustee, of its controlling interest in the EOT-owned company, really in the best interests of the beneficiaries of the EOT as a class?”

A point raised is that financial interest is not the only factor to consider in the ‘best interests’ of beneficiaries, as wider impacts such as future job security and pension entitlements may be taken into account.

It is worth noting:

“The trustee, or directors of the trustee company, have a duty to determine such questions independently and without regard to their personal interests.

“The trustee should be separately advised – meaning that it is not sufficient for the lawyers acting for the EOT-owned company and/or the original vendors to procure the provision of advice by different teams after ‘Chinese Walls’ have been put up between

them. Rather, the trustee(s) should appoint distinct legal advisers who have no conflict of interests with those of other interested parties such as the original vendors or the EOT-owned company itself. (See the comments of the judge in the case of South Downs Trustees [2018].

“Ceasing to meet the ‘controlling interest requirement’ will trigger a disqualifying event giving rise to a clawback charge to capital gains tax on the part of the trustee (calculated by reference to the base cost of the original vendors). This, when added to the amount of any outstanding consideration due from the trustee to the original vendor(s), plus any interest thereon, will eat into the net proceeds available for distribution to beneficiaries.”

Further issues discussed include tax costs, conflicts of interest, the timing and eligibility in distributing net proceeds of a sale of shares in the EOT-owned company amongst the members of the class of beneficiaries, and unfair tax implications for employees compared to other shareholders as distributions are taxable as employment income.

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Share plan annual reporting deadline: July 6

Travers Smith provides a legal briefing on [annual employee share plan reporting obligations](#). Saturday July 6 is a hard deadline and companies will not receive a reminder from HMRC to file their returns.

Why cyber resilience is key to accelerating and safeguarding critical change

Based on data from the [PwC 27th UK CEO Survey](#), ceos are focusing business plans on transformative change to meet economic challenges and growth concerns. The data show that 53 percent of UK ceos take personal responsibility for organisational change, yet one in five doubt the ten-year economic viability of their organisation's current business model, and only 42

percent have strong confidence 2024 will deliver growth.

PwC UK provides an overview on the key role [cyber resilience](#) plays in creating successful change, assessing data from multiple sources, including its [2024 Digital Trust Insights survey](#) and [Global Risk Survey 2023](#). Cyber security maintains trust, reputation, and builds resilience to protect value and create new sources of value.

UK NEWS

Taxpayers let down by poor HMRC customer service

Customers cumulatively spent 798 years on hold waiting to speak with HM Revenue & Customs (HMRC) in 2022-23 – more than double the time spent waiting in 2019-20, according to a new National Audit Office (NAO) report on the tax collector's customer service.

HMRC's strategy is to encourage customers to turn to its digital services first so that queries can be resolved quickly and easily online. This is intended to cut costs servicing telephone calls and correspondence, as well as free up staff to serve people who need extra support. However, it is not clear how far and fast digital will reduce demand for telephone and correspondence services. Digital services are better suited for

straightforward queries and reporting changes in circumstances.

HMRC has not yet done enough to raise awareness of its digital services, increase customers' confidence in online or understand how effectively these services meet customers' needs. The move to digital has not eased pressure on traditional services as much as HMRC expected. The quality of service provided by HMRC telephone and correspondence has been far below the levels expected in recent years, and has not met annual targets.

Advisers are taking more time on average to answer calls, and handle fewer calls than in 2019-20. Many avoidable customer calls are caused by HMRC itself for reasons including process failures and delays, and customers chasing progress.

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While the total number of telephone calls has fallen, the total amount of time spent on each call has increased. This means HMRC's workload has fallen more slowly than reductions in call volumes. More taxpayers hold multiple jobs, meaning they have less straightforward needs, and fiscal drag has brought more people into the tax system. With HMRC's call-handling workload falling less than expected, it has not been able to make the staff reductions it planned. Owing to budgetary constraints, it now needs to cut staff numbers by 14 percent in 2024-25, despite only achieving a nine percent reduction between 2019-20 and 2023-24.

In March 2024, HMRC announced that it would restrict a number of its helplines, including closing its Self Assessment helpline for six months, to address both the funding pressures it faces and the backlog of queries. HMRC reversed its decision one day after announcing the changes to the public. The department had trialled closing and restricting helplines in 2023, but its evaluation of these changes did not consider stakeholder views or adequately assess the impacts of the changes on customers.

The NAO recommends that HMRC develops more realistic plans for cutting the services it is replacing with digital channels and adopts a more customer-focused approach to encourage the take-up of new services.

HMRC should also reduce avoidable and expensive forms of contact, for example by increasing opportunities for customers to send correspondence and documentation through secure electronic networks, and learn from the implementation of its digital projects.

Gareth Davies, head of the NAO, said: "HMRC's telephone and correspondence services have been below its target service levels for too long.

"While many of its digital services work well, they have not made enough of a difference to customers, some of whom have been caught in a declining spiral of service pressures and cuts. HMRC has also not achieved planned efficiencies.

"HMRC must allow more time for these services to bed in and understand the difference they make before adjusting staffing levels."

The report is available from the NAO website <https://www.nao.org.uk/reports/hmrc-customer-service/>

Meanwhile the Centre has been working closely with HMRC to develop worked examples with the aim of making life easier all round.

Workplace volunteering: the triple dividend

A report by **Pro Bono Economics** (whose ceo, Matt Whittaker, and director of research and policy Dr Jansev Jamal have spoken at Centre events) finds that **workplace volunteering** improves employee wellbeing and productivity, helps charities to meet their objectives, and provides billions in potential gains to the UK economy.



Photo by krakenimages on Unsplash

UK NEWS

HSBC removes bonus cap for UK employees

HSBC shareholders have voted in favour of removing the EU-imposed bonus cap for its UK-based workers, marking the latest major international bank to do so. The decision was made at the bank's annual general meeting. It was recommended by the board after the UK government's **decision to remove the cap after Brexit**.

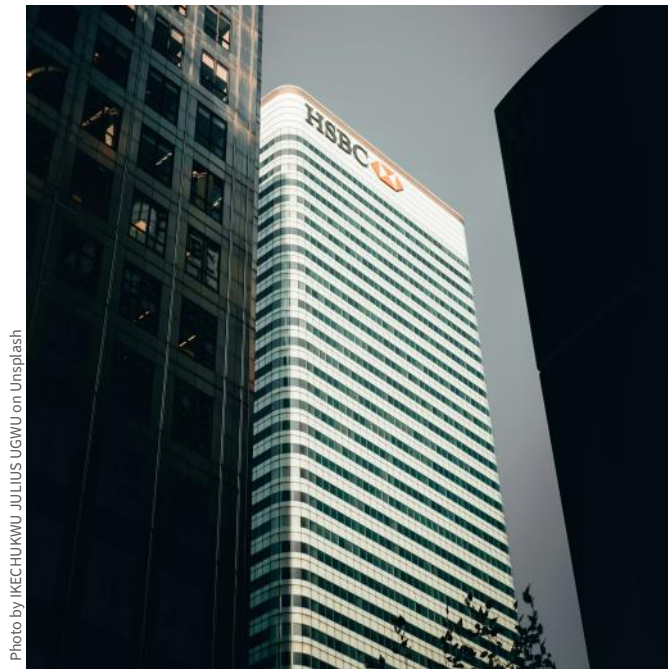


Photo by /KECHUKWU JULIUS UGWU on Unsplash

WORLD NEWS

Dividends payments soar globally as worker pay stagnates

Shareholders are more successful at securing bumper payouts than workers are at winning higher pay. Two studies show dividend payments to shareholders over the last three years grew an average of 14 times faster than worker pay across 31 major economies. The division of profits in economies accounting for 81 percent of GDP is also heavily skewed to shareholders. This has widened the gap between the rich and those on middle to low incomes, **according to the Guardian**.

India: Esop non-disclosure triggers black money law

A brush with the harsh *Black Money law* [Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015] can sometimes be an unwanted consequence of employee stock ownership plans offered by overseas companies. A number of resident individuals working in Indian subsidiaries and arms of offshore parents have recently received notices from the Income Tax (I-T) department which has pointed out amounts that either went **undisclosed or untaxed or both**.

OECD: Steady global growth expected for 2024 and 2025

The global economy is continuing growing at a modest pace, according to the OECD's latest *Economic Outlook*. It projects steady global GDP growth of 3.1 percent in 2024, the same as in 2023, followed by a slight pick-up to 3.2 percent in 2025.

The impact of tight monetary conditions continues being felt, particularly in housing and credit markets, but global activity is proving relatively resilient, the decline in inflation continues and private sector confidence is improving.

The OECD unemployment rate stood at 4.9 percent in February, close to its lowest levels since 2001. Real incomes are rising in many OECD countries as inflation moderates, and trade growth has turned positive. The outlook continues to differ across countries, with weaker outcomes in many advanced economies, especially in Europe, with contrasting **strong growth in the United States and many emerging market economies**.

WORLD NEWS

Singapore: Redhill's employee stock ownership plan to keep talent

Singapore based **global communications agency Redhill** has established an Esop for its 200 employees, with the first tranche open to current personnel who have been with the company for at least three years. The agency operates across 20 regions, including Singapore, Malaysia, Indonesia, Hong Kong, India, the Philippines, Vietnam, and Thailand.

USA: What AI, employee ownership, and the future of work have in common

An increasing proportion of Americans are worried that the adoption of artificial intelligence and other emerging technologies will displace their jobs, up to 22 percent in 2023 from 13 percent in 2017, according to Gallup.

While upskilling is largely recognised as a vital step towards thriving amid technological change, and ensuring that adoption of new technologies complement, rather than substitute for, human labour, low levels of employee engagement mean that most workers do not want to upskill. But more employee ownership would give workers more skin in the game.

Forbes contributor *Zenga News* reporter Christos Makridis wrote that given the growing recognition across the aisle that income inequality has surged and requires a solution, employee ownership has emerged as a topic of bipartisanship. Employee ownership has the potential to deliver a double dividend: increased employee engagement and sharing of organisational profits, **counteracting the thinning of the middle class**.

USA: Inside the weird world of litigation finance

An article on financial news site *Sherwood* investigates **the \$15 billion US litigation finance industry** where “*deep-pocketed and often anonymous third parties fund lawsuits*” in order to take a large percentage of the settlements. Litigation cases range widely, including personal injury, divorce, climate, antitrust and investor-state dispute settlement (ISDS), but the largest funded category is intellectual property and patent law. Case studies are detailed in the article.

“Supporters say that litigation funding gives plaintiffs — who may not have the financial means to stay in a protracted court battle — a fighting chance. Critics say that it helps wealthy investors exert control over the legal system and that it’s less often a case of helping David fight Goliath than a case of helping the wealthy sue the ultrawealthy”. According to the piece, despite being a large scale “*high risk, high reward*” industry, “*litigation finance hasn’t faced much state or federal regulation in the US*”. Litigation finance has been a factor in the UK Roadchef case, where its benefits remain to be demonstrated.

USA: Jim Simons, ‘quant king’ dies at 86

Jim Simons, the mathematician who started the most profitable quantitative hedge fund in history, passed away in New York City on May 10, according to a statement from his foundation on its website.

At Renaissance Technologies, Simons pioneered the use of mathematical models and algorithms to make investment

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decisions, leaving a record that rivalled that of industry titans like Warren Buffett and George Soros. Simons' flagship Medallion Fund, saw annual returns of 66 percent from 1988 to 2018, according to Gregory Zuckerman's book "The Man Who Solved the Market."

He was dubbed "Quant King" for his innovative use of an automated trading system to take trading decisions.

Between 1988 and 2018, his Medallion Fund generated trading profits of over \$100 billion, with an annualised return of 39 percent after fees. **Only in 2005 did Simons permit his staff members to make investments in the fund**, which had been closed to new contributions since 1993.

USA: Employee stock purchase plans offer 'free money', but also carry complexity and risk, experts say

Last month, CNBC's *Your Money* explored the risks and rewards of **employee stock purchase plans**. In 2020, roughly half of public companies offered an ESPP, according to a 2021 survey from the National Association of Stock Plan Professionals and Deloitte Tax, adding "If you have access to one, it's worth considering because "there's free money to be had," said certified financial planner Matthew Garasic, founder of Unrivaled Wealth Management in Pittsburgh.

But Kristin McKenna, president of Darrow Wealth Management in Boston riposted "With limited income, yearly goals like investing up to your **employer's 401(k) match** should come before your ESPP. "People get really excited about them, but it doesn't always make sense."

EO NEWS

NEW EOTs

- ◆ Car parts and accessories retailer **BullsEye Superfactors**
- ◆ Historic funeral directors **Lodge Brothers Funerals**
- ◆ Communications agency **Orchard Media and Events Group**
- ◆ Online prescription service **UK Meds**
- ◆ Digital marketing agency, Ireland **Wolfgang Digital**



LIBRARY OF WEBINAR BROADCASTS:

The Role Of Direct Employee Share Ownership In Market Economics; Esop Sofa: Hot Topics In Employee Share Ownership – Newspad Review VIII ; Esop Centre *newspad* Online Round-table; Esop Sofa: Esop Round-Table *newspad* Review VII; Esop Sofa: Hot Topics In Employee Share Ownership – *newspad* Review VI; Employee Share Plans & The Benefits For SMEs; Employee Share Schemes, Levelling-Up & Social Mobility; Why Employee Share Ownership Matters; International Share Schemes: Exporting the Vision; Esop Sofa: Hot Topics In Employee Share Ownership – *newspad* Review V; Share Schemes And The Impact Of Inflation; The Future of Gig Working As A Dynamic Economic Alternative; The Employee Voice: Share Plan Votes ; Esop Sofa: Hot Topics In Employee Share Ownership – *newspad* Review IV; Innovative Tax Techniques For Employee Share Schemes; Share Schemes For Non-Employees & The Gig Economy; Esop Sofa: Hot Topics In Employee Share Ownership; Building Back Better With Your Employees Through Shared Ownership ; EOTs: The Credible Alternative To Succession; The Role of Employee Share Schemes In Achieving The UN Sustainable Development Goals; Esop Sofa: Hot Topics In Employee Share Ownership - *newspad* Review ; Beyond Brexit: EU-UK Social Security Contribution Rules; Esop Sofa: Hot Topics – *newspad* Review; The Share Valuation Worked Examples Group In The Changing Valuation Landscape ; Looking Ahead To 2021: Moving Beyond Brexit In Financial Services Regulation; Insights Into Share Valuation for Employee Share Schemes: Revealed Through Dynamic Case Studies;

Lessons From Lockdown: Re-Assessing How You Manage Share Plans In A Digital Way; Employee Share Schemes: Innovative Communication Strategies Guaranteed To Increase Employee Take-Up ; Selling Your Company To An EOT - How It Differs From An MBO; Institutional Investors' Views On The Use Of Share Plans; Esop Sofa – Hot Topics; Employment-Related Securities: The Complexity Unravelling Into Practical Application; Employee Ownership & The Future Of Capitalism; Could Equity Be Used To Replace A Portion Of An Employee's Salary?; The Case For Employee Share Ownership: The Heart Of The Matter Revealed; Esop Sofa Lockdown Stories; Share Valuation: The Wisdom On Price-Setting For Your Employee Share Schemes; Tools Of Engagement: The Power Of All-Employee Plans; Awarding Shares To Employees In A Covid-19 World; The Employee Share Trust: Establishing A Dynamic Market For Your Employee Share Schemes; How To Ensure All -Employee Share Plans Remain Relevant; Esop Sofa - What Are Today's Big Employee Share Ownership Questions?; Enterprise Management Incentives (EMIs) – Powerful Lessons From Five Practical Case Studies; Enterprise Management Incentives (EMIs) – Igniting Your Business By Sharing Success; Esop's Tales: The Foundation Of The Esop Centre.

Broadening horizons, Z/Yen Group is hosting a range of webinars over the coming weeks. For a full listing of Z/Yen, Long Finance, FS Club, and Esop Centre webinars look here - <https://fsclub.zyen.com/events/webinars/> - or sign up for mailings - <https://fsclub.zyen.com/#Subscribe>



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