
Israel

Stock Option Plans

Employment

Labor Concerns

There is a risk of employees claiming that they are entitled to compensation for loss of rights under the Plan where the Plan is amended or discontinued or where their employment is terminated.

There are laws which prohibit discrimination against, and/or less favorable treatment of, employees on certain grounds, including age, gender, disability and part-time status. Companies should be mindful of this when determining the eligibility of employees to participate in a Plan, the benefits being granted and the exercise of any discretion.

Communications

A disclaimer should be included in the award agreement, which acknowledges each employee's receipt of the Plan documents and the discretionary nature of the Plan, and confirms that termination of employment will result in the loss of unvested rights.

Although there is no legal requirement to do so, it is recommended that the Plan documents be translated.

Government filings must be made in Hebrew.

Electronic execution of award agreements may be acceptable under certain conditions, which are not onerous.

Regulatory

Securities Compliance

Neither the grant nor the exercise of Options is likely to trigger any prospectus requirements provided that grants are made to no more than 35 employees over a 12-month period.

Foreign Exchange

There are no foreign exchange restrictions applicable to the Plan.

Data Protection

Employee consent for the processing and transfer of personal data is a recommended method of compliance with existing data privacy requirements. Generally, an employer must register data processing activities and databases with the local data protection authorities.

Tax

Employee Tax Treatment	<p>An employee will not be subject to income tax on the grant or exercise of Options.</p> <p>An employee is generally subject to income tax on the gain upon the net proceeds of sale when the Stock is sold.</p>
Social Security Contributions	<p>Social security contributions are due from both the Subsidiary and the employee on all income received up to a threshold.</p>
Tax-Favored Program	<p>Many employee stock option plans are structured to comply with the requirements of a “trustee capital gains” track under which the gain can be split into ordinary income and capital gains components (rather than the entire gain being subject to ordinary income tax), allowing employees to benefit from more favorable tax treatment. This track requires the engagement of an Israeli trustee, the adoption of a Sub-Plan, and the deposit of the Stock with or under the supervision of the Trustee for a two year holding period.</p>
Withholding and Reporting	<p>The Subsidiary has an obligation to withhold the income tax and social security contributions due.</p> <p>Reporting requirements apply to the Subsidiary.</p>
Employer Tax Treatment	<p>A deduction is generally available in the case of an approved trustee capital gains plan, where the Subsidiary reimburses the Issuer for the costs of the Plan. A written reimbursement agreement is required.</p>

Israel

Restricted Stock and RSUs

Employment

Labor Concerns

There is a risk of employees claiming that they are entitled to compensation for loss of rights under the Plan where the Plan is amended or discontinued or where their employment is terminated.

There are laws which prohibit discrimination against, and/or less favorable treatment of, employees on certain grounds, including age, gender, disability and part-time status. Companies should be mindful of this when determining the eligibility of employees to participate in a Plan, the benefits being granted and the exercise of any discretion.

Communications

A disclaimer should be included in the award agreement, which acknowledges each employee's receipt of the Plan documents and the discretionary nature of the Plan, and confirms that termination of employment will result in the loss of unvested rights.

Although there is no legal requirement to do so, it is recommended that the Plan documents be translated.

Government filings must be made in Hebrew.

Electronic execution of award agreements may be acceptable under certain conditions, which are not onerous.

Regulatory

Securities Compliance

Neither the grant nor the vesting of Restricted Stock or RSUs is likely to trigger any prospectus requirement provided that grants are made to no more than 35 employees over a 12-month period.

Foreign Exchange

There are no foreign exchange requirements applicable to the Plan.

Data Protection

Employee consent for the processing and transfer of personal data is a recommended method of compliance with existing data privacy requirements. Generally, an employer must register data processing activities and databases with the local data protection authorities.

Tax

Employee Tax Treatment	For both Restricted Stock and RSUs, an employee is generally subject to income tax on the gain upon the net proceeds of sale upon the sale of the Stock.
Social Insurance Contributions	Social security contributions are due from both the Subsidiary and the employee on all income received up to a threshold.
Tax-Favored Program	Many restricted stock and RSU plans are structured to comply with the requirements of a “trustee capital gains” track under which the gain can be split into ordinary income and capital gains components (rather than the entire gain being subject to ordinary income tax), allowing employees to benefit from more favourable tax treatment. This track requires the engagement of an Israeli trustee, the adoption of a Sub-Plan, and the deposit of the Stock with or under the supervision of the Trustee for the duration of a two-year holding period.
Withholding and Reporting	<p>The Subsidiary has an obligation to withhold the income tax and social security contributions due.</p> <p>Reporting requirements apply to the Subsidiary.</p>
Employer Tax Treatment	A deduction is generally available in the case of an approved trustee plan where the Subsidiary reimburses the Issuer for the costs of the Plan. A written reimbursement agreement is required.

Israel

Employee Stock Purchase Plans

Employment

Labor Concerns

There is a risk of employees claiming that they are entitled to compensation for loss of rights under the Plan where the Plan is amended or discontinued or where their employment is terminated.

There are laws which prohibit discrimination against, and/or less favorable treatment of, employees on certain grounds, including age, gender, disability and part-time status. Companies should be mindful of this when determining the eligibility of employees to participate in a Plan and the exercise of any discretion.

Communications

A disclaimer should be included in the award agreement, which acknowledges each employee's receipt of the Plan documents and the discretionary nature of the Plan, and confirms that termination of employment will result in the loss of unvested rights.

Although there is no legal requirement to do so, it is recommended that the Plan documents be translated.

Government filings must be made in Hebrew.

Electronic execution of award agreements may be acceptable under certain conditions, which are not onerous.

Regulatory

Securities Compliance

The offer of purchase rights under the Plan is unlikely to trigger any prospectus requirements provided that the offer is made to no more than 35 employees over a 12-month period.

Foreign Exchange

There are no foreign exchange restrictions applicable to the Plan.

Data Protection

Employee consent for the processing and transfer of personal data is a recommended method of compliance with existing data privacy requirements. Generally, an employer must register data processing activities and databases with the local data protection authorities.

Tax

Employee Tax Treatment	An employee is generally subject to income tax on the value of the gain (i.e., sale proceeds minus purchase price) when the Stock is sold. However, the position is not beyond doubt and there are several “fast track” taxpayer specific rulings available that allow companies to elect the treatment (including taxation on the value of the discount when the stock is purchased) and clarify their withholding obligations under the Plan.
Social Security Contributions	Social security contributions are due from both the Subsidiary and the employee on all income received up to a threshold.
Tax-Favored Program	Many employee stock purchase plans are structured to comply with the requirements of a “trustee capital gains” track under which the gain can be split into ordinary income and capital gains components (rather than the entire gain being subject to ordinary income tax), allowing employees to benefit from more favourable tax treatment. This track requires the engagement of an Israeli trustee, the adoption of a Sub-Plan, and the deposit of the Stock with or under the supervision of the Trustee for the duration of a two-year holding period.
Withholding and Reporting	<p>The Subsidiary has an obligation to withhold the income tax and social security contributions due.</p> <p>Reporting requirements apply to the Subsidiary.</p>
Employer Tax Treatment	A deduction is generally available in the case of an approved trustee plan where the Subsidiary reimburses the Issuer for the costs of the Plan. A written reimbursement agreement is required.