


# ESOP choices for Czech startups



## Qualified stock options vs. phantom shares: a side-by-side guide

	Qualified stock options	Phantom shares
What it is	Right to buy company shares; real equity on exercise.	Cash bonus tied to company value; no real shares.
Best for	Startups with Czech employees; teams aiming for global-standard equity; tax-sensitive companies.	Early-stage startups needing fast, low-cost setup; companies mainly with contractors/advisors; founders not yet ready for tax-efficient equity.
Eligibility	Employees only (must hold <5% of shares, 12m employment, salary ≥1.2× min wage).	Employees, contractors, and advisors (broad eligibility, high flexibility).
Corporate structure	Czech entity; turnover < CZK 2.5bn, assets < CZK 2bn; not a bank, insurer, law, audit, or tax advisory firm.	Works with any corporate structure.
Employee rights	Shareholder rights after exercise (voting, information, dividends).	No shareholder rights; only cash payout (typically at exit).
Cap table	Impacts cap table on exercise; must be shown in fully diluted cap table from the start.	No direct legal impact, but best practice is to show in fully diluted cap table.
Vesting	≥3 years (with 1-year cliff); acceleration possible on ≥67% sale or IPO.	Flexible; time - or performance-based; typically 4 years with 1-year cliff.
Payout / liquidity	At share sale (or after 15 years).	On exit or company buy-back; no secondary market.
Taxation	No tax at grant or exercise (if strike ≥ FMV). At sale: 15–23% income tax; social/health generally don't apply.	Taxed as employment income; subject to income tax + social/health contributions (effective burden ~50%).
Admin & reporting	Requires FMV valuations, board/GM approvals, and 20-day reporting to tax office.	Light admin; plan docs + payroll treatment at payout.
Cost / complexity	Medium: legal setup + ongoing compliance.	Low: simple docs; inexpensive to launch.
Investor view	Positive: standard equity incentive, long-term alignment.	Neutral to negative: simple early-stage tool; limited alignment. May raise concerns with US/Western European VCs.
Switching later	Already equity-based; standard for growth and exit.	Convertible to stock options later; earlier conversion maximizes tax benefits.

+ Qualified stock options		- Phantom shares	
Qualified stock options	Phantom shares	Qualified stock options	Phantom shares
Tax-efficient for employees	Simple, inexpensive setup	More admin, valuations & reporting required	High taxation at payout
Global standard	Works for contractors and any structure	Eligibility limits (5% cap, 12m employment, salary threshold)	May raise concerns with US/Western European VCs
Equity-based from day one	No direct legal impact on cap table		

 Got questions?  
Reach out to us and we'll get back to you asap.

Reach out