

# Employee shares: New legal framework effective from 2026

Legal alert

October 2025

*In September 2025, the Czech Parliament finally approved an amendment introducing the concept of “qualified employee stock options” – informally referred to as employee shares granted under Stock Ownership (Option) Plan (ESOP). The aim is to allow employers to reward their employees by offering the opportunity to acquire an ownership interest or share in a company through special options, the regime of which is newly enshrined in the Income Tax Act. The amendment will take effect on 1 January 2026.*

Until now, Czech companies have been forced to use various contractual or hybrid solutions - option agreements, future share transfer agreements, or ad hoc incentive schemes, the enforceability and compliance with the law of which have often been questionable. The amendment mitigates these practical obstacles by introducing a specific legal framework. Qualified employee options may only be granted to so-called qualified employees under conditions specified in more detail in the law. The new regime provides for vesting, restrictions on transferability, conditionality of exercise of certain rights, etc.



## Contractual Requirements

To grant a qualified employee option, the law requires a written contract (or written acceptance of the ESOP terms). It is recommended that companies (over and above the requirements of the Act) also provide for additional details, in particular more detailed rules for vesting, for repurchase upon employee departure (good leaver/bad leaver), exercise of voting rights upon acquisition of a participation in the company, limitation periods or mechanisms to protect other shareholders (pre-emption rights, tag/drag along). This increases legal certainty and predictability for all parties - employers, employees and investors.



## *Practical Implementation*

A practical prerequisite for the operation of the new regime will be a revision of the constituent documents of companies and a more detailed regulation of the rights and obligations of employees holding shares after the exercise of their options. In a number of cases, shareholder agreements or investment contracts will also need to be amended to reflect the new mechanism and to reflect the interests of investors affected by the existence of employee shares (in particular with regard to protection against dilution and the related exercise of voting rights). Corporate governance will also play an important role: i.e., the possible need to realign decision-making processes for employee share distributions, repurchases or changes to ESOP terms.



## *Next Steps and Recommendations*

The amendment thus provides a clearer and more legally anchored (albeit mainly tax) instrument, which has been missing for a long time. At the same time, it opens up a number of questions: to what extent the terms may be different for individual employees or how Czech courts will approach the assessment of good/bad leaver arrangements. It can be expected that practice will gradually evolve a balance between contractual freedom and employee protection.

Overall, this is a significant step forward in the area of employee remuneration. It opens up the possibility for Czech companies to offer employees a share of the growing value of the company in a way that is legally predictable and comparable to foreign schemes. However, the success of the new regulation will depend on the quality of implementation - on whether companies adapt their existing corporate documentation in a timely and sufficient manner and prepare transparent and fair programmes.

Clients are therefore advised to start preparing now so that they can take advantage of the new opportunities as soon as the amendment takes effect.



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