sprintax dividends

Unlocking hidden value within your ESOP program

How dividend withholding tax recovery can supercharge your employee share plan and elevate employee rewards

Executive summary

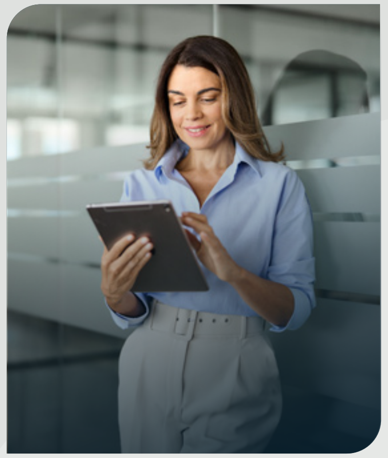
Employee Stock Ownership Plans and other forms of equity compensation have become essential tools for attracting, retaining, and aligning top talent. Once limited to senior executives, these programs are now widely used across job levels and geographies, reflecting a broader shift toward long-term incentives and ownership-driven culture.

But for all the attention paid to plan design, grant size, and vesting schedules, a critical part of the employee experience often goes unnoticed: dividend income, and more specifically, how much of it is silently lost to Dividend Withholding Tax (DWT).

When employees hold shares in companies headquartered outside their country of residence, foreign governments often withhold a significant portion of any dividend payouts before the income ever reaches the employee. While international tax treaties often allow for partial refunds of this withheld amount, most employees never recover it. This is primarily due to a lack of awareness, but for those who are aware, the reasons are simple: the process is complex, poorly understood, and rarely supported by employers.

This creates a quiet but meaningful erosion of equity value. Employees see lower-than-expected income from their shares, and the employer's investment in equity compensation becomes less impactful. For both parties, the root cause of this issue remains unclear.

That's where the opportunity lies.



By helping employees recover dividend withholding tax, companies can deliver a net-gain benefit that improves the realized value of their equity programs, with minimal impact on their compensation budget. Whether facilitated through a third-party partner or supported through internal guidance, DWT recovery can enhance financial outcomes for employees and position the company as a leader in thoughtful, employee-first rewards strategies.

Few organizations are currently offering this support. That means HR, Total Rewards, and Executive Compensation teams willing to act now have a chance to differentiate, not only by boosting the financial return of their equity plans, but by signaling a deeper commitment to employee value realization.

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Authors

Conor Duffy

Content Marketing Executive

Sprintax Dividends

Ryan Ludden

VP of Sales

Sprintax Dividends

The growing **strategic importance** of equity compensation

Equity compensation has become a cornerstone of modern employee reward strategies. Once upon a time equity may have been something that only concerned C-suite executives but, in today's highly competitive global talent market, reward strategies are becoming increasingly important across the broader employee population. Companies are leaning more and more on rewards packages like Employee Stock Ownership Plans (ESOPs), Restricted Stock Units (RSUs), and Performance Share Plans (PSPs) to align incentives, foster ownership mindsets, and drive long-term retention.

But offering equity is only part of the equation. Delivering its realized value, the actual financial benefit employees receive, is where many organizations fall short without even realizing it. While design, vesting, and taxation are well-covered by internal teams and advisors, one area remains surprisingly under-optimized by companies and rewards teams all over the world: DWT recovery.

Whenever employees receive dividends from shares in non-domestic companies, a portion of those payments is typically withheld by the tax authorities in the country of the dividend paying company. These withheld amounts are frequently, at least partly, refundable under tax treaties or domestic law provisions. Yet, in most equity programs, they are left unclaimed. The result of this is employees losing out on income they are legally entitled to and employers forgoing a powerful opportunity to extend their benefits package.

This may seem like a minor technicality, but in the globalized world we live in, with companies headquartered in countries like Switzerland, Ireland, or the United States hiring employees across the globe, the impact of un-reclaimed DWT can compound significantly. This is especially true for executives with a large share package or long-tenured employees who have amassed a substantial amount of shares in their time with the company. Yet, despite this, few HR teams incorporate DWT recovery into their benefit delivery model.

There are multiple reasons for this. For many, it's as simple as a lack of awareness that this tax can be reclaimed and, even for those aware of DWT recovery, reclaiming these funds is often seen as too complex, too niche, or even, by some, as "not our department". But in today's landscape, where every basis point of employee value matters, that thinking is outdated and could become harmful. DWT is now an easily solvable problem, thanks to emerging financial tools and outsourced tax services. And more importantly, it represents a new benefit that can be offered to employees, with minimal impact on the company's bottom line.

As HR and Executive Compensation leaders look to squeeze more value from existing plans, reclaiming what's already earned and rightfully owed, is an opportunity that should no longer be ignored.

In this whitepaper, we'll explore:

- What DWT is and why it's often overlooked in ESOP administration
- How recovery works and what's legally reclaimable
- The strategic upside of integrating DWT recovery into your total rewards model
- Practical implementation options that minimize administrative burden
- A powerful DWT reclaim impact study, demonstrating the scale of opportunity

What is Dividend Withholding Tax and why does it matter?

The rise of global equity plans in large multinationals with cross-border operations has made it increasingly common for employees to hold shares in companies that are headquartered outside their home country. This global reach provides numerous benefits to employees and companies alike, but with this global reach comes a little-known friction point that quietly eats away at the value of equity plans: Dividend Withholding Tax.

What is Dividend Withholding Tax?

DWT is a tax deducted at source from dividend payments before they reach investors. Usually this functions as an advance payment toward an individual's or corporation's income tax liability. However, in the case where an employee is located outside the country where the company's headquartered, this withholding tax does not take into account any tax treaties between the withholding government and the government of the employee's resident country.

This generalized reduction in dividend income can be frustrating but it is a standard, legal, and widespread practice. Nevertheless, for employees receiving foreign dividends under an ESOP, it can significantly reduce expected dividend income.

Real-world example:

In this scenario, a U.S.-based employee owns shares in a Swiss multinational healthcare company as part of their ESOP. This stock plan entitles the employee to annual dividend payments based on the number of shares they own. However, as this company is headquartered in Switzerland, before the employee sees a cent of these dividend payments, the Swiss government withholds 35% of the payment.

Gross Dividend	Withheld by Switzerland (35%)	Employee Receives
$1,000	$350	$650

In this case, the U.S. employee is losing out on $350 which is withheld at source by the Swiss government. Unbeknownst to the employee however, the U.S. has a bilateral income tax treaty with Switzerland, reducing this tax rate to just 15%.

This means that instead of being taxed at 35%, the employee's dividend payments should only be taxed at 15%, allowing them to reclaim the 20% difference, increasing their net dividend payment from $650 to $850.

Gross Dividend	Withheld by Switzerland (35%)	Reclaimable Difference (20%)	Employee Receives
$1,000	$350	$200	$850

But here's the issue: very few employees and employers are aware of the possibility of DWT recovery and, as such, very few claims are ever filed, leaving money behind for no reason.

The hidden erosion of value

For HR and Compensation teams, this presents a blind spot. While companies work hard to structure and communicate equity plans as part of their compensation philosophy, if proper care is not paid to the details of these plans, the actual realized value can be quietly diminished, sometimes substantially so. This is especially true when there are missed reclaims spanning multiple years.

This diminished value doesn't just present itself monetarily in the form of smaller than expected dividend payments, it could also see employees incorrectly assuming the company or plan is underperforming. Ultimately, the result of inaction is an erosion in the perceived value of the equity benefit provided by the company.

In countries with high withholding tax rates, such as Switzerland (35%), France (25%), or Ireland (25%), the impact is more than just rounding error. And over time, especially in plans with consistent dividend payouts or long holding periods, the cumulative loss can be material.

Most employees never recover these funds

While tax treaties often allow for partial or full recovery of the withheld tax, depending on holding location, the process can be complicated, paperwork-heavy, and poorly understood. While the majority of employees may be unaware of the possibility of recovery, for those who are, it's easy to be put off by the cumbersome refund application process.

Language barriers, local tax office requirements, complex documentation, and long processing times all slow down and complicate the reclaim process. As a result, it is estimated that $50 billion of withholding tax is left unclaimed globally every year, income individuals are legally entitled to, but never receive.

The bottom line for HR teams

No Executive Compensation Team would set out to design a cash bonus plan where up to 35% could vanish on the way to the employee, so why accept that with an equity program?

DWT recovery represents low-hanging fruit: a way to restore value to your equity program, improve employee perception, and align total rewards with realized value. Above all, DWT recovery presents HR and Compensation teams with the opportunity to differentiate their compensation offering in a saturated talent market.

Why most ESOPs overlook DWT recovery

For all the time and consideration which goes into modern equity plan design, DWT recovery has remained untouched by many. Despite the fact that it sometimes results in a substantial reduction in plan value, it rarely features in conversations about equity plan optimization.

There are many reasons for this, ranging from avoiding responsibility to simply being a strategic blind spot, however, regardless of the reasoning behind it, DWT recovery forms a crucial element of optimizing your equity plan and should not be overlooked.

It's considered an employee responsibility

For HR teams aware of, or made aware of, the availability of DWT recovery, it is easy to shift the responsibility on to employees. It is their money after all. It might seem too complex and personal a matter for HR or the Compensation team to tackle.

This thinking mirrors an outdated benefits model, one that assumes personal responsibility even when complexity or lack of transparency makes action nearly impossible from an individual perspective. In reality, most employees lack the awareness, time, and tax expertise to navigate international refund processes. This results in more than just money being left unclaimed, with employees silently absorbing the loss, it leaves employees dissatisfied.

Plan administrators and brokers might support employees on a transactional level, but rarely provide proactive tax recovery services. For Compensation leaders focused on maximizing benefit value and employee satisfaction, DWT is a major gap.

Cross-border recovery is fragmented and opaque

Dividend withholding tax is governed by an ever-changing world of country-specific tax treaties, forms, and refund mechanisms. This lack of global standardization makes the process inherently messy as each country will have its own:

- Default withholding rate
- Refundable portion
- Claim window (sometimes as short as 2–3 years)
- Filing process and documentation requirements (such as certifying tax residency)

Even when employees are eligible for refunds, if it is left up to the individual, the burden of understanding and navigating this labyrinth falls entirely on them which is why many avoid it altogether. And because dividend tax is "invisible" on most employee payslips or broker statements, the true impact remains hidden from both employees and employers.

Employers often don't know what's being lost

The lack of centralized data or reporting means most organizations don't track how much dividend value is being withheld, let alone available to be reclaimed.

The reclaimable amount doesn't occupy a line item in payroll. There's no centralized reporting from plan administrators and no cost center assigned, so it's not measured or managed.

But just because the loss isn't visible doesn't mean it isn't real. Across large employee populations and high-dividend jurisdictions, these amounts can easily reach seven or eight figures annually in forgone income, money that should have enhanced the perceived and actual value of your ESOP or global equity plan.

A strategic blind spot hiding in plain sight

The irony is that this is a value lever where any potential costs are far outweighed by the value delivered. This isn't a case of increasing salaries, granting more shares, or issuing new benefits. This simply requires helping employees recover what's already theirs. And yet, most HR and Compensation teams unknowingly leave this value on the table.

So, the question is:

If you could increase your employees' compensation, with minimal impact on your compensation budget, why wouldn't you?

In a market where talent is mobile, equity-rich, and increasingly aware of their financial entitlements, the organizations that take action on DWT recovery won't just enhance financial wellness. They'll stand out as employers who go the extra mile to deliver real, realized value.

How DWT recovery can elevate your equity compensation program

It can be easy to view DWT recovery as an employee-first solution but, while the benefits to employees are undeniable, when properly implemented, DWT recovery can deliver equally strong benefits to employers as well.

DWT recovery represents a strategic opportunity to strengthen the perceived and actual value of your equity compensation program. A well-structured and effectively communicated reclaim program can turn an overlooked benefit into one which delivers tangible financial rewards, reinforces employee trust, and acts as a powerful differentiator in competitive talent markets, while also improving employee wellbeing and increasing productivity.

A small change that adds up

Satisfaction and stress are two key factors impacting employee performance and organizational output. Employee disengagement, overextension, ineffectiveness, and burnout are estimated to cost U.S. companies an average of $5 million each year.

A huge contributor to this figure is financial stress with finance-related stress being one of the most common causes of stress in the U.S., affecting 72% of individuals. When employees find themselves under financial strain, they tend to show a reduced capacity to perform professional duties to a high standard. Employees faced with financial difficulties are inclined to be more distracted, with heightened stress levels leading to a loss of sleep, resulting in overall disengagement and reduced productivity at work.

Not only does this reduction in productivity increase organizational costs, it can also damage company morale, a costly fix once it has taken root.

DWT recovery provides employers with an opportunity to reduce the financial burden on employees. Providing employees with the insight and support required to reclaim money that is legally theirs, reducing financial stress, and ultimately, increasing employee productivity.

Results build goodwill

Even modest returns can generate outsized perception benefits when employees can see and understand the results and the effort behind them.

In an era where employees are bombarded with different benefits and compensation plans, understanding the “real value” of equity compensation can be a complex task. DWT recovery demonstrates to employees a proactive effort to maximize their actual take home benefit from their employer.

Not only does this show attention to detail and a finer understanding of the company’s compensation offering, but it also reinforces fairness and builds goodwill, especially if the employer facilitates the process.

DWT recovery goes deeper than recovering $500 or $1,000. It builds a sense that the company goes beyond just the granting of equity, to ensuring that employees extract the maximum possible value from it.

Enhancing trust and transparency

As company cultures have shifted to become more employee-centric and wellness focused, so too have their compensation packages. DWT recovery aligns with these broader trends in compensation package design, reflecting a culture where employers recognize the hidden friction in global rewards programs, act on behalf of employees to simplify complexity, and share data transparently to help employees understand what’s being withheld and why.

This proactive approach strengthens the psychological contract between employer and employee, reinforcing a rewards philosophy that prioritizes net value, not just optics.

“We don’t just give you stock. We help you keep more of what it earns.”

A differentiator in a crowded market

While there is an expectation of familiarity with DWT recovery in the world of institutional investing and private wealth management, this expectation does not currently extend to private companies and, as such, very few employers offer it to company shareholders.

This current lack of awareness creates a clear first-mover advantage for companies who implement the recovery process into their benefits package. Adding DWT recovery support to an equity plan offering signals sophistication in plan administration, differentiates the benefits offering from other competitors, and strengthens your narrative during hiring negotiations with increasingly equity-conscious candidates.

In tight labor markets, particularly in sectors like tech, biotech, and financial services, where multiple companies are all vying for the best candidates in a limited talent pool, these details matter. A candidate choosing between two comparable equity offers may see DWT recovery as a signal of maturity, value, and long-term support.

The strategic opportunity

It is important to realize the strategic opportunity presented by DWT recovery. It's a tailored enhancement to existing equity programs that:

- Increases realized income
- Improves employee sentiment
- Reinforces trust and transparency
- Differentiates your employer brand
- Increases employee output

Yet still, almost no organizations offer it as part of their compensation package.

Now is the time to turn this overlooked area into a visible value proposition and start treating DWT not as a tax issue, but as a strategic component to your equity compensation design.

How to integrate DWT recovery into your rewards program

Recognizing the strategic opportunity that DWT recovery represents is the first step, the next is implementing the recovery process. This process is far more feasible today than it was even a few years ago. Whether you're exploring pilot programs for executives or seeking a broader rollout across your ESOP population, the good news is you don't have to build out the infrastructure from scratch.

Below are the key pathways, decisions, and best practices for integrating DWT recovery into your total rewards offering.

Facilitating DWT recovery: Choosing the right model

There are two main implementation models, each with its own trade-offs in terms of employer involvement, employee experience, and internal complexity.

Partner with a third-party tax agent or fintech provider

This is the most scalable and lowest-friction option. Providers like Sprintax offer DWT reclaim services that:

- Handle jurisdiction-specific documentation
- Liaise with foreign tax authorities
- Manage deadlines, audit trails, and compliance
- Provide employee interfaces or white-labeled portals

Benefits:
- No need to build in-house capabilities
- Global coverage and up-to-date treaty knowledge
- Streamlined employee experience with minimal HR/Payroll burden
- An experienced team of tax professionals, looking out for you

This approach is ideal for large companies with distributed equity ownership or complex international share plans.

Employee-led recovery support

In this model, the employer provides education and resources (e.g., guides, country-specific instructions, or intranet portals) and leaves the actual reclaim process to employees.

Benefits:
- No vendor costs
- Low compliance exposure

Drawbacks:
- Lower uptake
- Poor employee experience due to process complexity
- Higher risk of forgone value
- Lack of scalability

Unless your equity population is small and homogeneous, this approach is better suited as a transitional step rather than a long-term strategy.

Centralized in-house support (rare)

A few large multinationals or financial institutions may have in-house tax teams capable of managing DWT reclaim on behalf of employees. This is capital-intensive and generally not recommended unless tax administration is already a core capability of your business.

Legal and compliance considerations

- **Jurisdictional variation:** Withholding rates, reclaim eligibility, and documentation requirements differ widely (e.g. Form 82-I for Switzerland, 5000/5001 for France).
- **Employee data:** Tax reclaim often requires sensitive personal information (e.g., proof of residence, identity documents, broker statements). Choose vendors who offer secure, GDPR-compliant systems.
- **Time limits:** Many countries impose statutes of limitations (often 2–4 years) on reclaim eligibility. Delays can mean permanently forfeited refunds.
- **Plan design implications:** Ensure your equity plan and grant documentation support or permit employer-led DWT facilitation where applicable.

Collaborate with your legal and tax teams to assess risk exposure and determine if additional plan amendments or policy updates are required.

Ensuring internal alignment

Function	Role in DWT recovery implementation
HR/Rewards	Strategy, program sponsorship, communication
Payroll/Finance	Employee data sharing, vendor payments (if applicable)
Global Mobility/Tax	Jurisdictional guidance, legal risk assessment
Legal/Compliance	Vendor agreements, policy review, documentation protocols
IT/Security	Data privacy assessments for third-party tools

Relief at source:

Tax relief on dividend payments doesn’t always have to be a post-payment solution. Certain jurisdictions allow companies and individuals to apply relief at source to their dividend payments. When relief at source is active the reduced withholding rate is applied upfront, so employees receive their maximum dividend payment immediately, rather than filing for a refund later.

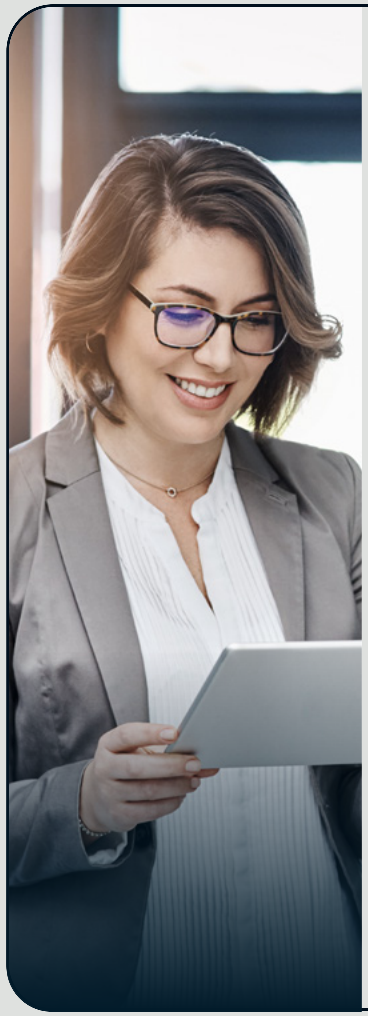
Where available, this can be a highly effective solution for organizations with the right infrastructure in place. When combined with the right DWT recovery approach, relief at source provides companies with the opportunity to move beyond maximizing past reclaims and towards future-proofing their dividend payments for the period that relief at source is active.

DWT recovery in action for a global multinational

Company profile

- **Industry** - Biotechnology
- **Headquarters** - Switzerland
- **Employee count** - 80,000+ globally
- **Equity compensation** - Broad-based employee stock ownership plan
- **Key jurisdiction** - Switzerland (subject to 35% dividend withholding tax)

The problem



As part of its long-term employee incentive strategy, a large Swiss multinational company offers a broad-based Employee Stock Ownership Plan (ESOP), enabling employees around the world to acquire and hold shares in the Swiss-listed parent entity. While the plan was viewed internally as a cornerstone of the company's global rewards framework, an issue emerged: despite generous share allocations, feedback from employees across multiple jurisdictions outside Switzerland highlighted confusion and dissatisfaction around lower-than-expected dividend income.

The HR team soon discovered that:

- Switzerland's 35% dividend withholding tax was being automatically deducted at source for all employees, regardless of location, before dividend payments reached the employees.
- The majority of employees were eligible to reclaim a portion of this withheld amount under bilateral tax treaties, but were unaware of this possibility.
- No reclaim process existed within the company's current equity administration and there was no history of large scale reclaims within the company.
- The value leakage was untracked and unmanaged, affecting both employee perception and the plan's long-term ROI.

Ultimately, leadership recognized that an untapped opportunity existed, not just to address employee dissatisfaction, but to materially enhance the realized value of the ESOP.

The solution

To address the issue, the company engaged **Sprintax Dividends,** a specialist DWT reclaim service to design and implement a compliant, scalable recovery program across its global workforce. The solution was delivered in three structured phases:

Analysis

- Conducted a full audit of the company's dividend payments, shareholding data, and eligible jurisdictions.
- Identified all employees in countries with tax treaties enabling partial DWT recovery from Switzerland.
- Estimated potential reclaimable amounts and segmented employee populations by refund eligibility, jurisdiction, and shareholding.
- Delivered a jurisdictional map and financial impact report to the Total Rewards team to guide strategic rollout.

Support

- Provided an online portal enabling employees to securely submit required tax documentation.
- Produced a dedicated landing page with support materials such as webinars, video walkthroughs, and PDF guides.
- Provided localized guidance on what each employee needed to submit based on their country of tax residence.
- Offered dedicated customer support to assist employees through the reclaim process.
- Worked with internal stakeholders across HR, payroll, and legal to ensure data privacy and compliance with local and international tax rules.

Reclaim

- Prepared and submitted reclaim applications to the Swiss tax authorities, leveraging treaty provisions.
- Supported the end-to-end recovery process, including follow-ups and re-filing where necessary.
- Liaised with local tax authorities to provide transparent refund timeline estimations.

How Sprintax Dividends **works**

1. The employee creates their account and answers some simple questions about their residency, shareholdings, and dividend earnings.
2. Sprintax software then determines the employee's eligibility and provides an estimated refund for each tax year.
3. Finally, the employee uploads their dividend statement and certificate of tax residency (if required). Sprintax software then prepares the final refund application for submission.

The **result**

Average refund
$2,454

Within the first 12 months of program rollout, the company saw strong results across both financial and engagement metrics:

- Over **$1,000,000 in DWT** refunds returned to employees across 15 countries
- Average refund of **$2,454 per participant**
- Positive feedback from employees who appreciated the company's effort to optimize the value of their equity compensation
- HR and Rewards teams reported minimal internal workload due to the provider's turnkey management of the reclaim process
- Boosted employee perception of the ESOP program as a thoughtful, well-managed part of their total compensation package

By integrating DWT recovery into its global equity compensation strategy, the company enhanced financial outcomes for thousands of employees while also demonstrating a commitment to maximizing every component of employee value. In a competitive talent market, this initiative has become a high-impact differentiator in the company's global rewards offering.

"Greatly simplified filing for refund of Swiss tax on dividends and the Sprintax team provided clear and timely communication from start to finish."

Conclusion

Dividend Withholding Tax recovery is no longer a niche concern confined to institutional investors or financial specialists. Instead, it is a tangible opportunity hiding in plain sight within the equity compensation frameworks of many global companies. As organizations continue to invest heavily in equity-based incentives to attract and retain top talent, ensuring that employees realize the full financial value of those programs is critical.

Ignoring DWT leaves meaningful compensation on the table, reduces employee trust, increases organizational costs, and undermines the impact of otherwise well-designed equity plans. The good news is that reclaiming this value is not only possible, it's increasingly practical, scalable, and compliant when supported by the right tools and partners.

Forward-thinking HR, Total Rewards, and Executive Compensation leaders now have a chance to deliver for their employees. By integrating DWT recovery into your equity strategy, you turn an overlooked technicality into a strategic advantage. You help your employees reclaim what's rightfully theirs. And you position your organization as one that delivers on its value promises.

In today's competitive talent landscape, that kind of commitment is not just appreciated. It's remembered.

Sprintax, Inc.
79 Madison Ave, 8th Floor
New York,
NY 10016

If you would like any additional information please contact:

Ryan Ludden
VP Sales Sprintax
Dividends

rludden@sprintax.com

sprintax.com/dividends