

# On 1.1.2017, MEERA Bhd Grants To An Employee The Right To Choose Either 12,000 Shares Or Cash Payment

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### Introduction

On 1.1.2017, MEERA Bhd, a prominent player in the Malaysian corporate landscape, made a significant move in its employee compensation and reward strategy by granting a key employee the right to choose between receiving 12,000 shares or a cash payment. This decision reflects a broader trend among corporations to offer flexible benefits that align with individual preferences, motivate employees, and enhance shareholder value.

In this article, we explore the implications of this grant, the context within MEERA Bhd's corporate policies, the strategic importance of such employee benefit schemes, and how they impact both the company and the employee. We will also analyze the legal and financial considerations involved, the advantages of share-based rewards versus cash payments, and how this move fits into the broader landscape of Malaysian corporate practices.

### Context and Background

Employee share schemes have become an integral part of modern corporate remuneration packages globally. They serve multiple purposes: incentivizing performance, aligning employee interests with those of shareholders, improving retention, and fostering a sense of ownership among employees.

In Malaysia, companies like MEERA Bhd have increasingly adopted such schemes, especially in response to market competition and the need to attract top talent. By 2017, many Malaysian companies had formalized Employee Stock Option Plans (ESOPs), Restricted Stock Units (RSUs), or other similar arrangements.

MEERA Bhd's decision to allow an employee to choose between shares and cash signifies a flexible approach, recognizing that different employees value different forms of compensation differently. Some may prefer the immediate liquidity of cash, while others might favor the potential for future growth through shares.

### Details of the Grant

The key details surrounding the grant are as follows:

- Date of Grant: 1st January 2017
- Recipient: A designated employee of MEERA Bhd
- Options Offered:
  1. Receive 12,000 shares in MEERA Bhd
  2. Receive a cash payment equivalent to the value of 12,000 shares at the prevailing market price

## Legal and Tax Considerations

When a company grants shares or cash payments to employees, several legal and tax implications arise:

### Legal Aspects

- Employee Agreement: The employee must have a formal agreement outlining the terms of the grant, including the right to choose and any vesting conditions.
- Shareholder Approval: Large share grants may require approval from the company's shareholders, especially if they impact share capital.
- Regulatory Compliance: The grant must comply with Bursa Malaysia listing requirements and the Malaysian Companies Act.

### Tax Implications

- For Shares:
  - The employee may be liable for income tax on the market value of shares at the time of receipt.
  - Capital gains tax may apply upon disposal, depending on Malaysian tax laws.
- For Cash Payment:
  - The cash received is typically treated as employment income and taxed accordingly.

### Advantages of Offering a Choice

Providing an employee with the option to choose between shares and cash offers several benefits:

- Flexibility: Employees can select the form of reward that best suits their financial situation or investment preferences.
- Motivation and Retention: Share options can foster a sense of ownership, encouraging employees to contribute to the company's growth.
- Tax Planning: Employees can plan their tax liabilities more effectively based on their choice.
- Alignment of Interests: Shares incentivize employees to work toward increasing shareholder value.

### Strategic Significance for MEERA Bhd

This move by MEERA Bhd underscores its strategic focus on talent retention and motivation. By offering such a flexible benefit, the company demonstrates:

- Commitment to Employee Welfare: Recognizing the diverse preferences of its workforce.
- Innovation in Compensation: Moving beyond traditional salary increases to more creative reward schemes.
- Alignment with Shareholder Interests: Encouraging employees to participate in the company's success through equity ownership.

## Financial Impact on MEERA Bhd

Granting shares or cash payments has financial implications for MEERA Bhd:

- Dilution of Share Capital: If the shares are issued to employees, it may dilute existing shareholders' stakes unless treasury shares are used.
- Cost of Cash Payments: Cash rewards impact the company's cash flow and overall expenses.
- Potential for Increased Share Price: Employee ownership can positively influence stock prices through improved performance and morale.

## Implementation Process

The implementation of such a scheme involves several steps:

1. Approval and Planning: The company's board and shareholders approve the scheme.
2. Employee Selection: Identifying eligible employees and explaining options.
3. Grant Documentation: Drafting agreements detailing the rights and obligations.
4. Valuation of Shares: Determining the fair market value at the time of grant.
5. Communication: Ensuring employees understand their options and tax implications.
6. Execution: Issuance of shares or cash disbursements upon exercise or decision.

## Legal and Regulatory Compliance

To ensure compliance, MEERA Bhd would need to:

- Obtain shareholder approval if required by law.
- File necessary disclosures with Bursa Malaysia.
- Adhere to the Malaysian Code on Corporate Governance.
- Ensure proper tax reporting and withholding.

## Impact on Employee Motivation and Company Performance

Offering a choice between shares and cash can have a significant positive impact on employee motivation:

- Enhanced Engagement: Employees who own shares are more invested in the company's success.
- Reduced Turnover: Such schemes can improve retention rates.
- Performance Incentives: Employees are motivated to work toward increasing share value.

- Financial Planning: Employees can choose the option best suited for their personal financial goals.

## Comparative Analysis with Other Malaysian Companies

Many Malaysian companies have adopted similar schemes, reflecting a broader trend:

- Company A: Offers RSUs with a choice between cash dividends and stock.
- Company B: Implements an ESOP program with flexible vesting.
- Company C: Provides direct share grants with a cash alternative.

These schemes have proven effective in enhancing employee loyalty and aligning interests.

## Conclusion

The decision by MEERA Bhd on 1.1.2017 to grant an employee the right to choose between 12,000 shares or a cash payment exemplifies innovative employee reward strategies in Malaysia. It combines legal, financial, and motivational considerations, emphasizing flexibility and alignment with corporate goals.

Such schemes are increasingly relevant in today's competitive talent market, offering benefits for both employees and companies. As MEERA Bhd continues to grow, its approach to employee rewards — exemplified by this flexible grant — could serve as a model for other Malaysian corporations seeking to enhance their human capital strategies.

By understanding the legal, tax, and strategic implications of such grants, stakeholders can better appreciate the value and impact of flexible employee benefit schemes in the Malaysian corporate context.

## Frequently Asked Questions

### **What was the significance of MEERA Bhd granting an employee the right to choose between shares or cash on 1.1.2017?**

It represented a flexible benefit scheme allowing employees to choose between equity participation or immediate cash compensation, enhancing employee engagement and retention.

### **How does offering an employee the choice between shares and cash impact MEERA Bhd's financial statements?**

The company must recognize the fair value of the share award as an expense and account for the cash payment if chosen, potentially affecting profit margins and liabilities.

## **What are the accounting considerations for MEERA Bhd when granting 12,000 shares versus cash payment?**

The company needs to determine the fair value of the shares at grant date, record a share-based payment expense, and account for cash payments as liabilities if the cash option is exercised.

## **Why might MEERA Bhd have decided to offer this flexible benefit to its employees?**

Offering a choice can motivate employees, align their interests with company performance, and provide flexibility to meet individual financial needs.

## **Are there any tax implications for employees when choosing between shares and cash from MEERA Bhd?**

Yes, typically, cash received is taxable as income, while shares may be taxed upon sale or disposal, depending on local tax laws, affecting employee net benefits.

## **What are the potential risks for MEERA Bhd in granting employees the option to choose shares or cash?**

Risks include dilution of existing shares if shares are issued, potential cash outflows if employees choose cash, and accounting complexities in valuing and recording these benefits.

## **How might this benefit scheme influence employee morale and retention at MEERA Bhd?**

Providing a flexible benefit can boost morale by recognizing employee preferences, incentivize performance, and improve retention by aligning employee interests with company success.

## **Could this type of benefit scheme be considered a form of employee share ownership plan (ESOP)?**

While similar, this scheme is a one-time grant offering choice rather than a formal ESOP; however, it promotes employee ownership and engagement akin to ESOP benefits.

## **Additional Resources**

MEERA Bhd Grants To An Employee The Right To Choose Either 12,000 Shares Or Cash Payment: An In-Depth Analysis

The corporate landscape often witnesses innovative compensation strategies aimed at motivating employees, aligning their interests with shareholders, and enhancing overall corporate performance. One such notable initiative by MEERA Bhd on January 1, 2017, involves granting an employee the right to choose between receiving 12,000 shares or a cash payment. This gesture not only reflects the company's commitment to rewarding talent but also underscores its strategic approach towards employee engagement and financial flexibility. In this comprehensive review, we delve into the intricacies of this decision, exploring its implications, legal considerations, benefits, potential challenges, and broader significance within the corporate governance context.

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## **Understanding the Context: The Significance of Share-Based and Cash Compensation**

Before analyzing the specific case involving MEERA Bhd, it's essential to understand the broader landscape of employee compensation, especially the strategic use of shares and cash payouts.

### **1. Share-Based Compensation**

- **Alignment of Interests:** Employees holding shares tend to be more invested in the company's long-term success, aligning their interests with those of shareholders.
- **Retention Tool:** Share grants serve as incentives for employees to stay committed over the long term.
- **Potential for Appreciation:** If the company performs well, the value of the shares could increase, providing additional upside to employees.
- **Tax Considerations:** Depending on jurisdiction, share grants may be taxed differently than cash, sometimes offering tax advantages or deferrals.

### **2. Cash Compensation**

- **Immediate Liquidity:** Cash payments provide instant financial benefit, which can be crucial for employees' liquidity needs.
- **Flexibility:** Cash can be used for various purposes, such as debt repayment, investment, or personal expenses.
- **Simplicity:** Cash compensation involves straightforward transactions without the complexities associated with share transfers or tax implications.

### **3. The Hybrid Approach: Choice and Flexibility**

Offering employees a choice between shares and cash combines the benefits of both, catering to individual preferences and financial circumstances. It demonstrates a flexible and personalized approach to employee rewards, fostering loyalty and motivation.

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### **Details of the MEERA Bhd Employee Right Grant: What Was Offered?**

On January 1, 2017, MEERA Bhd introduced a unique employee benefit: granting an employee the option to select either:

- 12,000 Shares of MEERA Bhd, or
- A Cash Payment equivalent to the value of 12,000 shares at prevailing market prices.

This provision appears to be part of a broader employee share scheme or incentive program, possibly linked to performance, retention, or recognition initiatives.

### **Key Elements of the Grant**

- Eligibility: The specific employee(s) eligible for this benefit, possibly senior management or high-performers.
- Valuation Method: The cash equivalent was likely calculated based on the share price at the date of the grant.
- Timeframe: The decision likely had a deadline or window within which the employee could choose.
- Tax & Legal Implications: The structure would need to conform to applicable tax laws, securities regulations, and corporate governance standards.

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### **Legal and Regulatory Considerations**

Implementing such a flexible grant involves several legal and regulatory factors, especially considering securities laws, employment law, and corporate governance frameworks.

## **1. Securities Law Compliance**

- Share Issuance: If the employee opts for shares, the company must ensure proper issuance procedures, shareholder approval if required, and adherence to the company's Articles of Association.
- Disclosure: Material transactions involving employee share grants often require disclosure in financial statements or regulatory filings.
- Restrictions: There may be lock-in periods or restrictions on resale, especially if the shares are newly issued.

## **2. Tax Implications**

- Employee Taxation: The employee may be subject to income tax on the cash payment or the value of shares received, depending on jurisdiction.
- Company Deductions: The company may claim tax deductions for the expense, aligned with the fair value of the shares or cash paid.
- Timing: The tax event typically occurs at the point of receipt, but specific rules vary.

## **3. Employment Law and Contractual Agreements**

- Rights and Options: The grant must be documented clearly, outlining the employee's right to choose, deadlines, and any conditions.
- Vesting Schedules: If applicable, vesting periods or performance criteria can be incorporated.
- Termination and Forfeiture: Conditions under which the grant or choice could be revoked or forfeited upon employment termination.

## **4. Corporate Governance and Approvals**

- Board Approval: Such grants generally require approval from the company's board or remuneration committee.
- Shareholder Approval: If new shares are issued, shareholders may need to approve the issuance, especially if it affects share capital or dilution.
- Documentation: Proper legal documentation, including resolution minutes and employee agreements, is essential.

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# Implications for Employee and Employer

The decision to allow an employee to choose between shares and cash presents multiple implications:

## 1. For the Employee

- Financial Flexibility: The employee can tailor their compensation based on personal financial goals or tax planning.
- Investment Opportunity: Choosing shares can be viewed as an investment in the company's future.
- Tax Considerations: Employees must consider the tax impact of their choice, possibly seeking financial advice.
- Risk Factors: Shares carry market risk; cash provides certainty.

## 2. For MEERA Bhd (the Employer)

- Enhancing Employee Engagement: Offering choice demonstrates a personalized and flexible approach, boosting motivation.
- Cost Management: The company can manage cash flows better by offering shares instead of immediate cash payouts.
- Shareholder Relations: Proper disclosures and approvals are necessary to maintain transparency and investor confidence.
- Legal and Administrative Burdens: Managing such grants requires robust systems and legal compliance.

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## Potential Benefits of the Grant

Implementing a scheme where an employee can choose between shares or cash can yield several benefits:

- Attracting Top Talent: Flexibility is attractive to high-caliber employees seeking personalized compensation.
- Retention: The promise of share ownership encourages long-term association.
- Performance Incentives: Shares can motivate employees to contribute to company growth.
- Market Perception: Such innovative schemes can enhance corporate reputation as employee-focused.
- Tax Optimization: Depending on jurisdiction, employees might optimize their tax liabilities.

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# Potential Challenges and Risks

Despite the benefits, there are challenges and risks associated:

- Market Volatility: Shares' value can fluctuate, affecting employee satisfaction and company valuation.
- Dilution: Issuance of new shares may dilute existing shareholders' ownership.
- Tax Uncertainty: Complex tax implications can cause confusion or unintended tax liabilities.
- Legal Complexities: Ensuring compliance with securities laws and employment contracts can be intricate.
- Administrative Overhead: Managing choices, documentation, and compliance demands resources.

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## Broader Significance and Strategic Considerations

The case of MEERA Bhd's employee grant reflects a broader trend in corporate compensation strategies aimed at balancing financial incentives with flexibility.

### 1. Aligning Interests and Enhancing Motivation

- Offering options empowers employees, making them stakeholders in the company's success.
- It fosters a culture of ownership, accountability, and motivation.

### 2. Demonstrating Innovation in HR Practices

- Forward-thinking companies are adopting such schemes to differentiate themselves in competitive talent markets.
- It aligns with global best practices emphasizing personalized employee benefits.

### 3. Financial and Shareholder Impact

- While beneficial, companies must carefully assess dilution effects and shareholder perceptions.
- Transparent communication about such schemes is crucial for maintaining trust.

## 4. Regulatory Evolution

- As markets evolve, regulations around employee share schemes are also developing.
- Companies need to stay updated and ensure compliance to avoid legal pitfalls.

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## Conclusion: Reflecting on the Strategic Value of the 2017 Grant

MEERA Bhd's decision on January 1, 2017, to grant an employee the right to choose either 12,000 shares or a cash payment exemplifies a progressive approach to employee remuneration. It underscores the company's recognition of individual preferences and the importance of flexible incentive schemes in fostering loyalty, motivation, and alignment with corporate goals.

The initiative encapsulates a blend of legal diligence, strategic foresight, and an understanding of employee needs. While it introduces certain complexities, the potential benefits — including enhanced engagement, motivation, and corporate reputation — make it a noteworthy case study in modern corporate management.

As companies continue to innovate in employee compensation, such schemes could become more prevalent, especially as legal frameworks evolve to accommodate flexible, personalized rewards. For stakeholders, understanding these nuances is vital to appreciating the strategic depth behind such initiatives.

Ultimately, MEERA Bhd's 2017 grant highlights the importance of balancing financial incentives with personalized employee engagement strategies, setting a benchmark for future corporate practices in Malaysia and beyond.

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