



Index Ventures OptionPlan

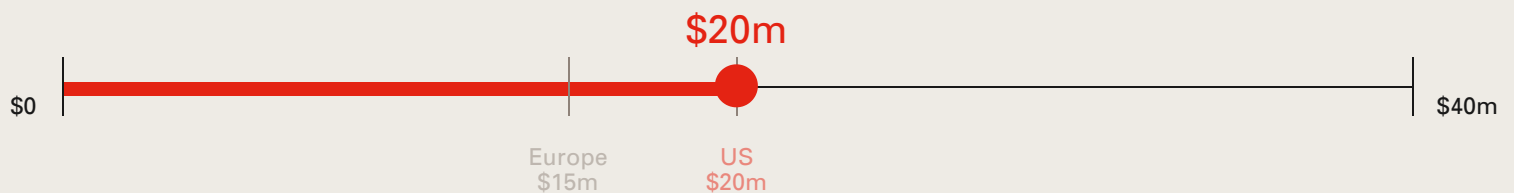
Entrepreneurs know how important stock options are for hiring and retaining the best talent. But to create an effective option plan you need to know how much to award to each team member. We compiled the largest ever set of benchmark data, comprising over 20,000 option grants from more than 1,650 startups across the US and Europe. We want to help you get this right.

What stage are you at?

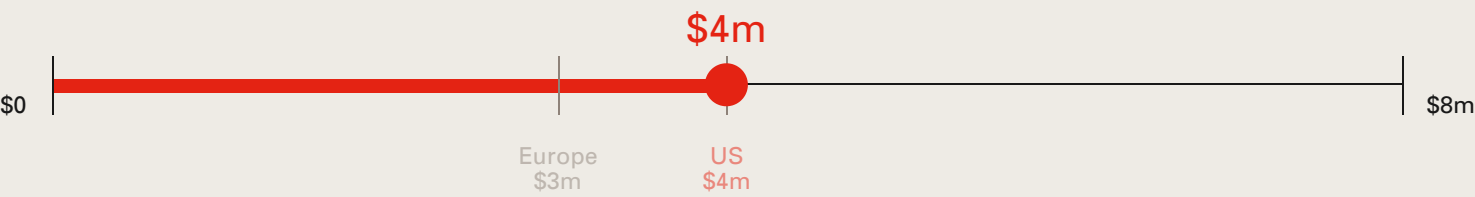
SEED VENTURE

SETUP

1 Seed valuation (pre funding)



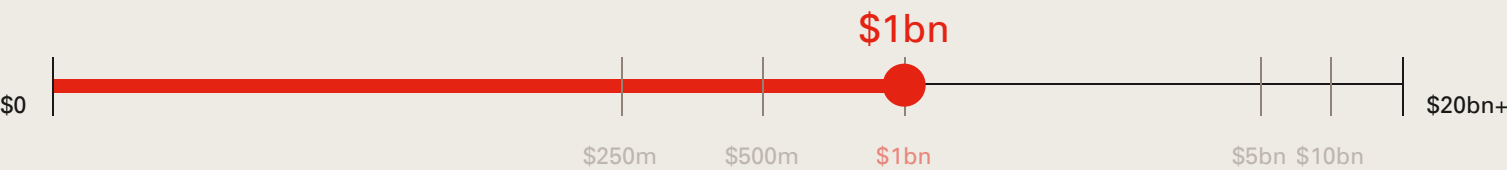
2 Seed funding goal



3 Expected additional funding before exit

Seed only	Additional dilution = 0%
Series A	Additional dilution = 20%
Series A and B	Additional dilution = 33%
✓ Series A, B and C	Additional dilution = 41%
Series A, B, C and D	Additional dilution = 47%

4 Exit valuation aspiration



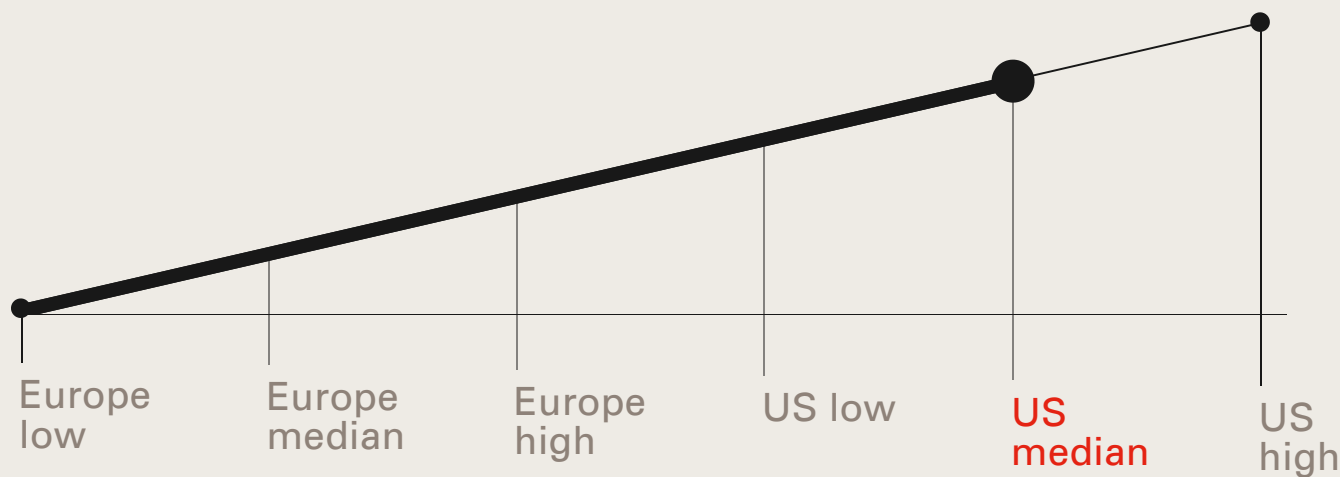
5 Country



In the US, startups typically use ISOs to reward talent. If the employee sells their shares more than one year after exercise and two years after grant, total upside is taxed at a reduced capital gains rate (up to 20%). If the holding requirements are not met, upside is taxed as income (up to 39%). Strike prices 60% below last-round valuation are common.

HIRING PLAN

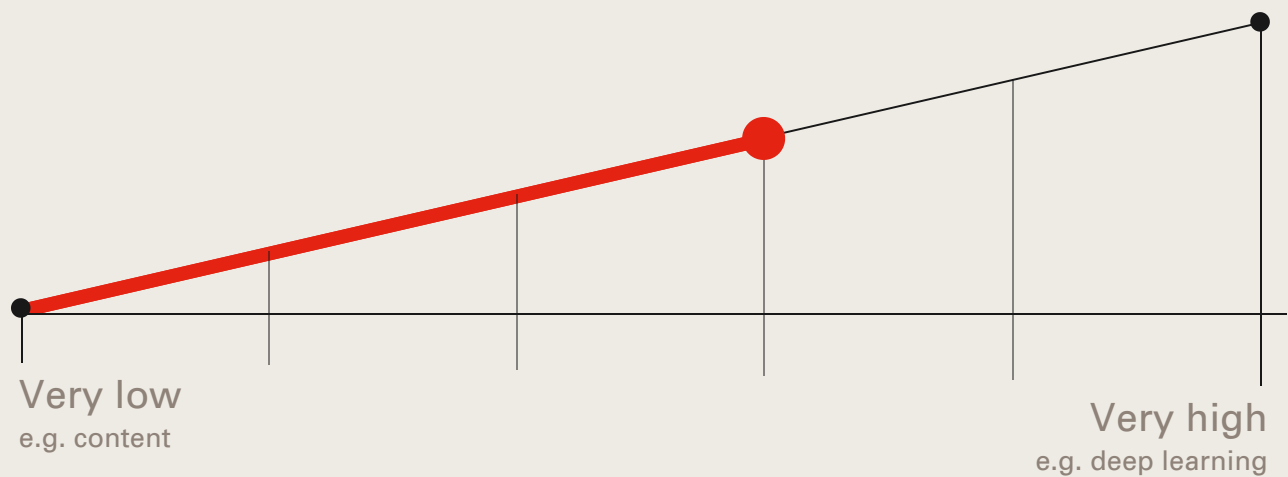
6 Geography - determines salary level



Salaries

Role	Senior	Mid-level	Junior
Tech	\$ 185,000	\$ 135,000	\$ 100,000
Non-tech	\$ 125,000	\$ 100,000	\$ 65,000

7 Technical DNA - determines option allocation level



Option grants as % of salary

Role	Senior	Mid-level	Junior
Tech	85 %	70 %	60 %
Non-tech	65 %	65 %	40 %

8 Hiring plan (Up to Series A)

Total: 12

Role	Senior	Mid-level	Junior
Tech	3	3	3
Non-tech	0	2	1

9 Compensation per hire - cash and equity summary

Tech

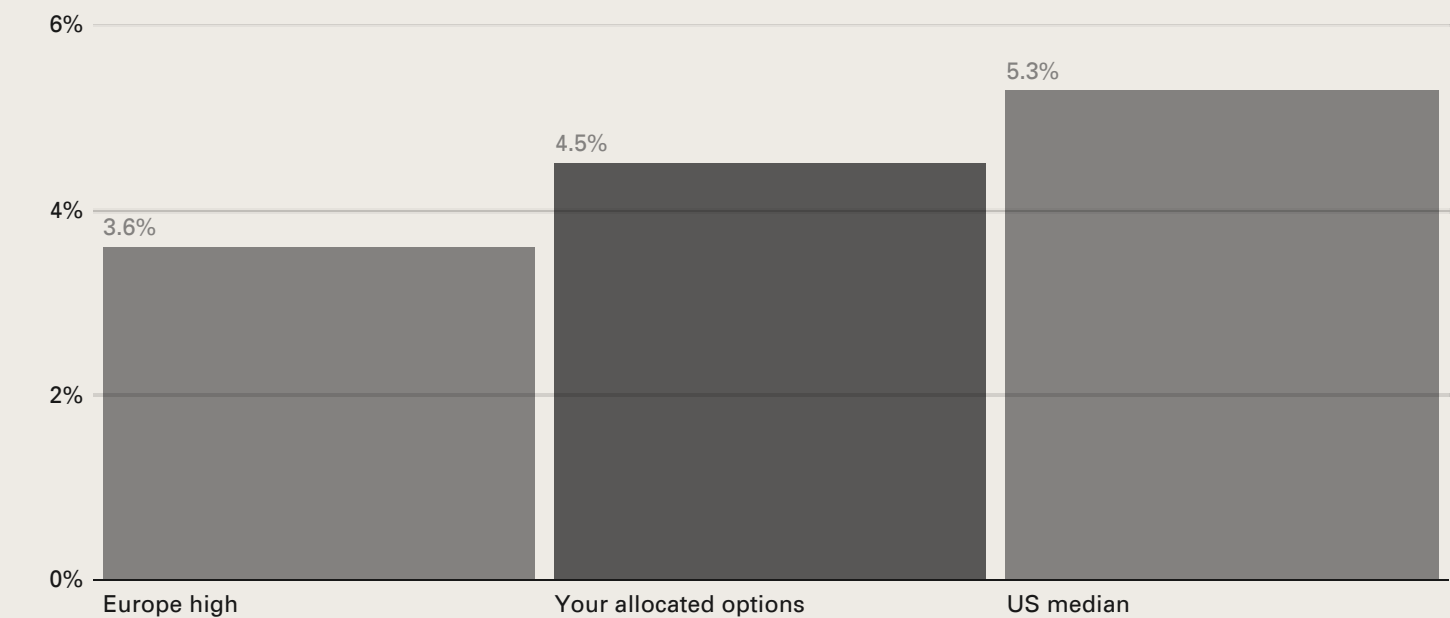
Role	Salary (\$)	Options (% of salary)	Options (\$)	Ownership (%)
Senior	\$ 185,000	85 %	\$157,250	0.655%
Mid-level	\$ 135,000	70 %	\$94,500	0.394%
Junior	\$ 100,000	60 %	\$60,000	0.25%

Non-tech

Role	Salary (\$)	Options (% of salary)	Options (\$)	Ownership (%)
Senior	\$ 125,000	65 %	\$81,250	0.339%
Mid-level	\$ 100,000	65 %	\$65,000	0.271%
Junior	\$ 65,000	40 %	\$26,000	0.108%

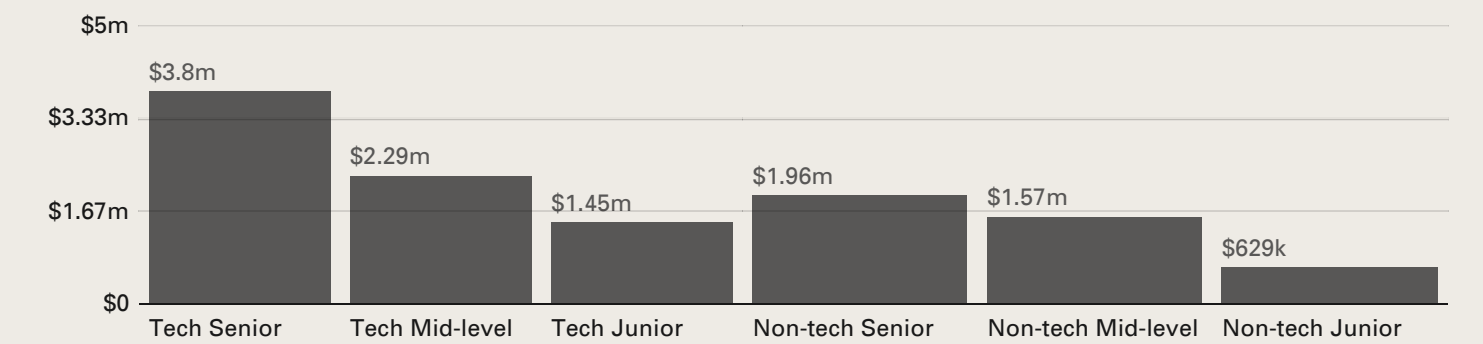
ANALYSIS

A Total options granted to post-seed hires

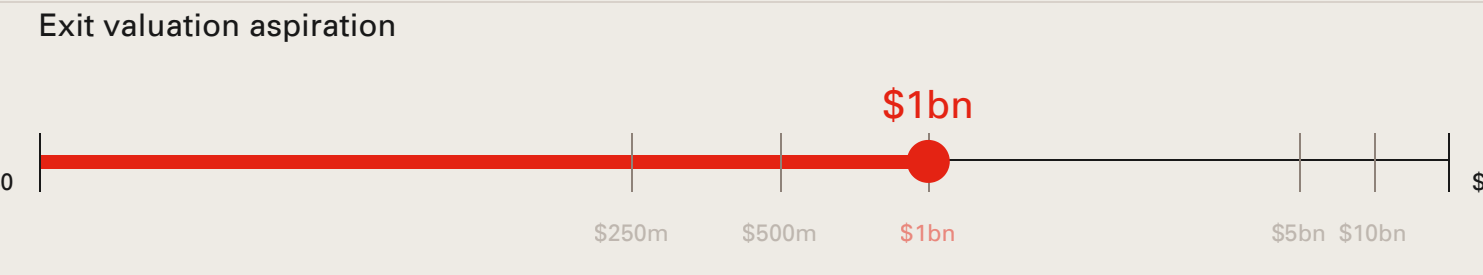


Your stock option allocations to employees hired following your seed round total 4.5% of your fully diluted equity.

B Employee upside summary, pre-tax



Based on an exit valuation of \$1bn, team members hired at Seed stage would jointly see pre-tax upside on their options of \$26.39m.



C Seed team upside: pre and post-tax

Tech

Senior



Mid-level



Junior



Non-tech

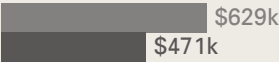
Senior



Mid-level



Junior



ASSUMPTIONS

The outputs here are based on a number of underlying assumptions.

1/ General Assumptions

- The Seed model is purely for calculating option grants made to employees after seed fundraising, and before Series A.
- The Venture model is purely for calculating option grants made to employees after Series A fundraising, and before Series B.
- Option holders are still employees at the point of exit, with fully vested grants.
- No further option grants are made to these employees.
- Option holders exercise all their options within one tax year.
- Series A dilution assumes a \$20m fundraise at a \$80m pre-money valuation (Seed model only).
- Series B dilution assumes a \$50m fundraise at a \$250m pre-money valuation.
- Series C dilution assumes a \$100m fundraise at a \$750m pre-money valuation.
- Series D dilution assumes a \$200m fundraise at a \$1.8 billion pre-money valuation.

2/ Tax assumptions

- Tax regimes, social charges (health, social security etc), and currency exchange rates correct as of November 2018.
- Strike price discounts applied for each country reflect common practice by startups and tax authorities.
- Options are granted under the most favorable scheme in place in that country at the point of grant.
- Calculations assume the most beneficial tax outcome - in some countries, exercise and sale of stock options happens simultaneously. In others, there is a holding period assumed before sale (see country specific assumptions).
- Where relevant, capital gains allowances have been taken into account (see country specific assumptions).
- Tax rates assume no other deductions or sources of income or capital gain for the individual.
- Tax rates for Executives, and for Directors (engineering, devops, ML) assume a salary of \$150,000.
- Tax rates for all other roles, including all Seed roles, assume a \$50,000 salary.
- For countries where it makes a difference, assume \$50,000 gross upside from options (see country specific assumptions).

3/ Country-specific tax assumptions

[Click here to see detail](#)

Australia

Tax favourable scheme used and all requirements met including that employees must hold options or shares for at least 3 years

Strike price is 40% of last round valuation

Austria

Virtual stock options used

Assumes \$50,000 upside from stock options

Strike price is 100% of last round valuation

Belgium

Warrants used

Tax at grant

Employee commits not to exercise the warrants within a period of 3 years following the grant, so 9% (rather than 18%) is taxed at income rates

Assumes \$50,000 upside from stock options

Strike price is 100% of last round valuation

Canada

Stock options used

Sale is more than 2 years after exercise, so C\$850k is entirely tax free

Assumes \$50,000 upside from stock options

Strike price is 40% of last round valuation

Czech Republic

Virtual stock options used

Assumes \$50,000 upside from stock options

Strike price is 100% of last round valuation

Denmark

Warrants used

Simultaneous exercise and sale

Assumes \$50,000 upside from stock options

Strike price is 100% of last round valuation

Estonia

Strike price is 40% of last round valuation

Finland

Standard stock options used

Simultaneous exercise and sale

Assumes \$50,000 upside from stock options

Assumes Helsinki taxes

Ignores pension and unemployment

Strike price is 100% of last round valuation

France

BSPCE used and all requirements met

Employee's tenure is more than 3 years at date of sale, so reduced 19% tax rate applies

Strike price is 80% of last round valuation

Germany

Virtual stock options used

Assumes \$50,000 upside from stock options

Strike price is 100% of last round valuation

Ireland

KEEP used and all requirements met

Includes capital gains allowance

Assumes \$50,000 upside from stock options

Strike price is 100% of last round valuation

Israel

Stock options issued in capital gains track and all requirements met

Options are held in approved trust scheme for 2 years following grant

Strike price is 40% of last round valuation

Italy

Innovative startups scheme used and all requirements met

Strike price is 100% of last round valuation

Netherlands

Standard stock options used

Simultaneous exercise and sale

Includes 25% of the gain at exercise being non-taxable

Strike price is 100% of last round valuation

Norway

Share purchase plan used

Simultaneous exercise and sale

Assumes \$50,000 upside from stock options

Strike price is 80% of last round valuation

Poland

Stock options used

Issuing entity must be an EU/EEA Joint Stock company or from a jurisdiction where Poland has a tax treaty so capital gains rates apply

Strike price is 100% of last round valuation

Portugal

Virtual stock options used

Small company requirements met so 14% rate applies

Strike price is 100% of last round valuation

Spain

Virtual stock options used

Assumes \$50,000 upside from stock options

Strike price is 100% of last round valuation

Sweden

QESO used and all requirements met including employees remaining with the company for 3 years post grant

Strike price is 20% of last round valuation

Switzerland

Standard stock options used

Assumes \$50,000 upside from stock options

Assumes Zurich taxes

Single taxpayer, no children

Strike price is 100% of last round valuation

UK

EMI used and all requirements met

Options held for more than 2 years between grant and sale, so 10% tax rate applied (Entrepreneurs' relief)

Includes capital gains allowance

Assumes \$50,000 upside from stock options

Strike price is 20% of last round valuation

US

ISO used and all requirements met

Options held for more than one year after exercise and two years after grant, so treated as long term capital gain tax

Calculation includes federal, state and local taxes

Assumes single taxpayer, no children

Assumes \$50,000 upside from stock options

Strike price is 40% of last round valuation



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