

# SHARE SCHEMES: THE FACTS

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A guide to Share Schemes,  
key information, and how  
Ad Valorem can  
help you.

## Share Schemes

### What are employee share schemes?

Employee share schemes allow employers to incentivise their employees by offering them a set number of shares in their company for an agreed price in a specified time window.

There are various types of government approved share incentive schemes which are currently available, as well as unapproved share schemes. Some of these schemes have tax advantages for the employees which make them more favourable.

By creating an employee share scheme your company can attract and retain the best talent, increase productivity and performance among staff whilst increasing overall business value.

Instead of offering to pay employees top salaries and big bonuses, you can incentivise them with share options in your company which can relieve cashflow pressures.

The tax-advantaged employee share schemes currently available are Share Incentive Plans (SIPs), Save As You Earn (SAYE), Company Share Option Plans (CSOPs) and Enterprise Management Incentives (EMIs).

The most popular scheme with SMEs is the EMI scheme, which we have summarised in more detail below.

### How do EMI schemes work?

EMI share option schemes are a great way for you to introduce incentive arrangements. One of the big advantages of the EMI scheme is the flexibility of the scheme, as you do not have to offer them to all employees and the terms for each employee can be different.

You can give your selected employees shares worth up to £250,000 each. These options can be awarded on a time basis or performance basis.

The share options give the employee the right to buy shares in your company within a specified period at a fixed price. This option must be exercisable within 10 years of grant to get favourable tax treatment.

### Is my business eligible for an EMI scheme?

To qualify for the EMI scheme, the company must meet a number of conditions, including that it is an independent company which trades in the UK with gross assets of less than £30 million and less than 250 full time employees.

Certain trades are specifically excluded from the EMI scheme such as property development, hotels, farming and legal or accountancy services. There are also conditions for the employee being offered shares.

#### **What are the tax advantages?**

Provided all of the relevant conditions are met, EMI share options have significant tax advantages which make the scheme even more attractive to employees:

- There should be no income tax or NIC on the grant of the options
- There should be no income tax or NIC on the exercise of the shares if they are exercised within 10 years from grant (unless the shares were granted at a discount or there is a disqualifying event)
- If the options are exercised more than 10 years from the grant, then there will be an income tax and possibly NIC charge on the exercise.
- There will also be a Capital Gains Tax liability on the sale of the shares.

#### **When is the best time to set up an EMI scheme?**

The best time to start is now! A scheme can be set up at any time and so the sooner that you set one up, the sooner your employees will be incentivised.

#### **When is the best time to set up an EMI scheme?**

We can help with every aspect of registering an EMI scheme, including:

- Checking your company's and employee's eligibility, and apply for Advanced Assurance.
- Value your company and obtain HMRC's approval of the valuation
- Work with a solicitor to draw up the correct legal documentation for the company and employees, and ensure the scheme is registered with HMRC correctly.

If you would like any further information about EMI Schemes or some of the other share schemes, please don't hesitate to contact us.



**Get in touch using the details on the back of this flyer to find out how we can help.**



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