

Sharing Your Success

With many businesses starting to feel the upturn in the economy, now is perhaps the time that they may look to incentivise those key staff who have stuck by them through the hard times.

Enterprise Management Incentives Schemes (EMI) have proven to be a very useful and tax efficient way in which you can offer share options to employees, and recent changes to the legislation have made them even more attractive.

Options can be granted over shares in the company, either in the same class as the existing or a new class. For example, the options shares could be non-voting. Provided certain criteria are met, it is possible that the only tax charge payable by the individual on those shares would be capital gains tax (CGT) on the disposal of the shares. CGT is payable at a rate of 28% but this can be reduced

to 10% if the individual qualifies for Entrepreneurs Relief (ER), and there would be no charge to national insurance for the individual or the company.

Previously, to qualify for ER, the individual would have to have held the shares for a period of 12 months following the exercise of the option and own a minimum of 5% of the shares in the company. Since the last budget, the 12-month period starts running from the date the options are granted and the 5% limit has been removed for shares acquired under an EMI scheme. This has brought more people into the 10% band for CGT.

Now is a great time to consider

granting options to employees who you may not be able to offer bonuses or pay rises, as it gives them a future stake in the business and encourages growth and loyalty to the company.



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