



EMI schemes are an attractive option for businesses looking to incentivise, motivate and retain key members of staff

FOR MANY BUSINESS OWNERS AWARDING SHARES IN THEIR COMPANY TO KEY MEMBERS OF STAFF IS AN ATTRACTIVE OPPORTUNITY. IT CAN HELP THE BUSINESS TO MOTIVATE EMPLOYEES, IMPROVE PRODUCTIVITY AND RETAIN IMPORTANT MEMBERS OF THE WORKFORCE.

According to HM Revenue & Customs (HMRC) statistics, over 8,500 companies grant Enterprise Management Incentives (EMI) options to their employees each year.

There are, however, a number of factors that need to be taken into consideration before an EMI scheme is implemented and it is important to ensure that what you are proposing meets all the relevant requirements as set out by HMRC.

At Wilson Wright we can assist clients in setting up EMI schemes, preparing the Scheme Rules and EMI Option Agreements, agree a valuation with HMRC in advance and provide assistance with filing the relevant EMI forms each year.

This factsheet covers the main principles of EMI schemes. Please note that it should be taken as a general introduction only and our team would be happy to discuss this with you in further detail.

HOW DO EMI SCHEMES WORK?

With EMI schemes, a company grants employees options to buy shares at a predetermined price. This is usually the market value of the shares at the date of granting the options which we can help you agree with HMRC in advance.

Both the employee and company concerned will be required to satisfy certain criteria – as outlined below.

There will be no tax charge on the grant of the share options or on the exercise unless the options in question were granted at undervalue.

From the date of the grant any growth in the value of the shares above market value will be subject to Capital Gains Tax (CGT). However, this may be as low as 10% and is only chargeable when the employee sells the shares.

WHAT ARE THE MAIN ADVANTAGES?

The key advantage of an EMI is that it presents the only remaining opportunity to agree a share valuation with HMRC in advance, giving all involved the comfort that market value is being paid.

If the EMI options are granted at market value there will be no charge to income tax on either grant or exercise of the option. National Insurance (NI) may be payable should the shares be readily convertible assets.

When the option is exercised, your company may be able to claim a corporation tax deduction equal to the market value of the shares at exercise, less any amount paid by your employee.

QUALIFYING CONDITIONS – COMPANIES:

The main qualifying conditions are that the company must be a trading company with gross assets of less than £30 million, the business must have fewer than 250 employees and cannot be controlled by another company.

Should there be any doubt that all the qualifying conditions are met, we can help obtain an advance ruling from HMRC to confirm that the company meets the conditions offering reassurance where there may be ambiguity.

The value of shares over which EMI options are held cannot exceed £3 million and the option must be a right to acquire shares that are part of the ordinary share capital of the company and are fully paid up nonredeemable shares.

QUALIFYING CONDITIONS – EMPLOYEES:

EMIs are only available to full-time employees. In these circumstances, 'full time' is defined as working at least 25 hours a week for your company (or 75% of their total working time if less than 25 hours).

Any members of staff with a material interest (30% or more of the shares in your company) cannot participate in an EMI. In addition, the maximum value of shares (valued at grant) over which an employee holds options cannot exceed £250,000.

Our team can help communicate the terms of the Scheme to your staff and ensure that they fully understand the rewards that such a tax advantageous scheme presents.

WHY WILSON WRIGHT?

If you are interested in learning more about EMIs, please contact Wilson Wright. Their eight partners have a wealth of knowledge and, being general practitioners, they are happy to assist with all aspects of clients' affairs including EMI. The services offered by Wilson Wright focus on four core areas; corporate services, private client services, international services and company formations and secretarial.

To find out more about what they can do for you, visit: wilsonwright.com or call 020 7832 0444



MEET THE TEAM

If you require further information or guidance on any of the matters in this guide, do not hesitate to contact the Wilson Wright team.

For full details of our services please visit wilsonwright.com or call 020 7832 0444.

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