

Company Share Option Plan (CSOP)

What is CSOP?

CSOP is a government backed tax-efficient employee option plan, which can allow companies to grant options to employees at today's value, without suffering income tax or NIC on any increase in value.

In some senses CSOP is similar to the highly popular Enterprise Management Incentive (EMI) options, though limits on employee numbers and trade restrictions often make EMI unfeasible or short-lived, hence why CSOP is a popular alternative.

This document has been prepared for general information purposes only and professional advice should be sought before undertaking any specific transaction regarding share options or share awards. It is based on information available as of October 2022.

What are the benefits of CSOP?

CSOP can deliver a tax efficient incentive to employees and benefits from the following:

- Growth in value can be free from income tax and NIC
- Exercise of options generates a corporation tax deduction for the employer company (even where no corresponding income tax charge arises for the employee)
- Ability to agree the share valuation with HMRC in advance
- Up to £30k of shares per employee can be subject to CSOP (increasing to £60k from April 2023)
- Flexibility regarding vesting and performance conditions (beyond needing exercise within 3 and 10 years of grant to secure tax advantages)

When is CSOP used?

CSOP is typically offered to top and middle tier management where the company wishes to incentivise these individuals but cannot implement EMI. This may be the case in some of the following circumstances:

- Companies that have outgrown the 250 employee or £30m gross asset limits for EMI
- Companies that operate in EMI excluded trades such as insurance, hotel operation or financing

How can haysmacintyre help you with CSOP?

haysmacintyre can help with the whole CSOP design and implementation process, including the following:

- Plan feasibility and design
- Agreeing a share value with HMRC
- Drafting plan rules, option agreements and company board minutes
- Dealing with HMRC reporting

If you wish to discuss in further detail, then please do not hesitate to contact David Bareham.

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