

Enterprise Management Incentive options (EMI)

What is EMI?

EMI options allow employees to acquire shares in the employer. They are typically structured as options to subscribe for shares at a fixed price.

What are the benefits of EMI?

Employees acquiring shares in the employer usually crystallises sizeable income tax and NIC charges based on the value of the shares. EMI options mitigate this by capping any income tax due on exercise, based on the value of the shares at grant.

No tax is due on the grant of an EMI option. Growth in value from the date of grant is capital growth, subject to CGT on eventual sale of the shares. The CGT rate payable is currently 20% but can be reduced to 10% if the option/shares are held for a total of 2 years.

The company can also claim a corporation tax deduction on the exercise of an EMI option based on the value of the shares at exercise, less the exercise price. This is very generous given that this amount is often not subject to income tax but still qualifies as corporation tax deductible.

A key point to a successful EMI plan is to agree the market value of the shares at the date of grant with HMRC. This gives clarity on the tax position on eventual exercise. There is also a cap of £250k of shares per employee and £3m overall that can be subject to EMI options. Agreeing the value with HMRC ensures that these limits are met.

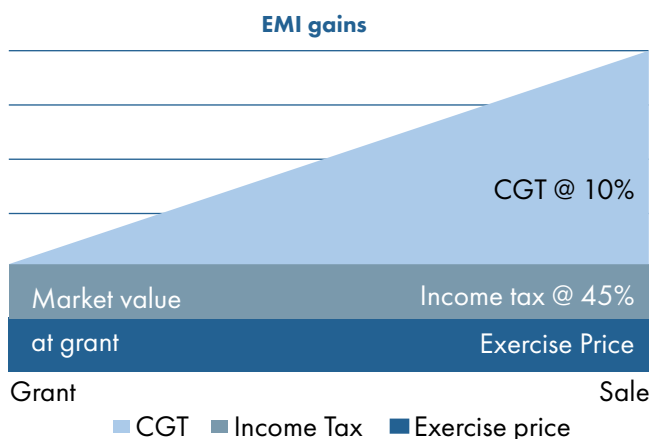
Who can do EMI?

Whilst there are some excluded trades and ownership structures, EMI is typically available for small to medium sized independent trading companies. Optionholders must be full-time group employees.

How can haysmacintyre help?

We can provide a full service, including the following:

- Advising to ensure that EMI is the most appropriate plan for you.
- Reviewing the company's position to ensure all the EMI rules are met.
- Obtaining agreement of market value of the shares with HMRC.
- Drafting option plan rules, board resolution and individual option agreements.
- Assisting with employee communication.
- Dealing with all compliance forms that need to be submitted to HMRC.



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