

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. For those who qualify, companies with high-growth potential can recruit and retain top talent, whilst both employee and employer can benefit from significant tax advantages.

What are the benefits of EMI?

Companies that are in their early stages of growth, or expect to see significant growth in a short period of time, would benefit most from EMI options. Since these companies need to attract talented staff to grow, EMI options offer a tax-efficient incentive for employees, allowing the company to compete on salary and benefits with established competitors.

- No Income Tax or NIC is due on the grant of an EMI option, nor on exercise where the price is at least equal to the market value on grant.
- Growth in value of the shares from the date of grant is subject to Capital Gains Tax (CGT) on the eventual sale of the shares. Although the CGT rate payable is currently 20%, it can be reduced to 10% if the options/shares are held for a total of two 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.

A successful EMI plan will 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.

Which companies qualify for EMI?

Whilst there are some excluded trades and ownership structures, EMI is typically available for small to medium sized independent trading companies with fewer than 250 employees. Optionholders must be full-time employees, working at least 25 hours a week, or who spend 75% of their time working for the company.

How can haysmacintyre help?

We can provide a full service, including:

- Advise on whether EMI is the most appropriate plan for you
- A review of your company's position to ensure all applicable EMI rules are met
- Agreement of market value of the shares with HMRC
- Drafting option plan rules, board resolution and individual option agreements
- Assistance with employee communication
- Dealing with all compliance forms that need to be submitted to HMRC

To discuss the options available to you, please get in touch with our team overleaf.

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