Employee Benefit Trust (EBT)

Summary: a discretionary trust to hold shares for employees

An Employee Benefit Trust ("EBT") is not a share plan, but a trust into which a company can place shares or other assets for the benefit of employees, to be held on their behalf by the trustees. Awards made by the EBT will be at the trustees' discretion, but trustees will frequently take recommendations from the company that establishes the trust.

The EBT can be used in conjunction with tax advantaged schemes such as EMI, CSOP or SIP. For private companies an EBT can play a number of useful roles:

Succession planning: retiring shareholders can sell shares into trust to be used under an employee share plan.

Dilution management: by holding existing share capital, and recycling ownership, dilution can be managed effectively, avoiding share buybacks or holding treasury shares.

Internal market/liquidity: an EBT that is established alongside a share scheme can buy shares from employees, including leavers, and re-use their shares for future awards.

Share price hedging: a company can fund an EBT to acquire shares at a time when the value is low, and warehouse these to satisfy future option exercises or share awards. This mitigates the cost to the company of making awards.

Key Features	How can RM2 Help?
- A method of holding shares on behalf of employees. - The EBT may make discretionary awards. - Not a share plan and no specific tax advantages – but can be used alongside tax advantaged share plans. - Can help create an internal market or reduce dilution for private companies. - Trustees must always act in the best interests of the beneficiaries – a trustee independent of the establishing company is often advised.	- Establish the Employee Benefit Trust including drafting the trust deed. - Act as corporate trustee. - Maintain the EBT bank account and all transaction records. - Prepare and file annual Trust and Estate Tax Returns. - Advise on anti-avoidance regulations governing trusts in the context of share schemes.