

# Share Incentive Plan (SIP)

*Summary: tax advantaged all employee share plan*

**SIP is a share plan for all employees providing a potential zero tax rate (no income tax, no National Insurance Contributions, and no capital gains tax).**

Shares must be offered to all employees on a broadly equal basis (subject to a qualifying period). Shares are held in a trust on behalf of employees. If shares are held for 5 years, there is no tax to pay. Dividends can be reinvested in shares, also on a tax efficient basis. Leavers can be required to sell shares back on leaving, with tax breaks for good leavers. Shares can be gifted, free of tax, to employees ("free shares").

Employees may also buy shares, out of pre-tax salary ("partnership shares"). For each share purchased, employees may get a further two free shares ("matching shares").

The plan is limited to £9,000 worth of shares per employee each year, comprising up to £3,600 free shares, up to £1,800 partnership shares, and up to £3,600 matching shares.

Employees can buy shares by way of monthly deductions or one off payment (eg bonus). The value of shares in a private company can be agreed with HMRC in advance.

The trust can operate as an internal market in a private company and the plan can be operated alongside discretionary schemes to provide additional incentives for key staff.

Key Features	How can RM2 Help?
<ul style="list-style-type: none"><li>♦ Shares – held on behalf of employees in a trust.</li><li>♦ Must be made available to all employees on a broadly equal basis.</li><li>♦ Potential zero tax rate.</li><li>♦ Significant flexibility as to how shares are offered.</li><li>♦ Enables benevolent approach<ul style="list-style-type: none"><li>- using free shares – or can require investment from employees – partnership shares.</li></ul></li><li>♦ Long term plan.</li></ul>	<ul style="list-style-type: none"><li>♦ Feasibility study and equity modelling.</li><li>♦ Advise on design of plan including points based system for free share awards.</li><li>♦ Produce rules of plan, agreements and FAQs for employees, plus any formal approvals required, and handle all awards.</li><li>♦ Agree valuation with HMRC if required.</li><li>♦ Set up trust and act as corporate trustee; register the plan with HMRC; administer plan and trust.</li><li>♦ Employee communications including web portal.</li></ul>



Contact us to arrange a FREE consultation  
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