

Enterprise Management Incentive (EMI)

Summary: tax advantaged discretionary option plan for growth companies

A tax advantaged share option plan providing a potential tax rate of only 10% for participants (no income tax/NICs on grant or exercise, and business asset disposal relief (formerly known as entrepreneurs' relief) on sale. Options may be granted to all or any employees – an EMI option agreement can be entered into with just one key employee if required.

The company offering the options must be independent (not controlled by another company), with fewer than 250 full-time equivalent employees and with gross assets not exceeding £30m. Companies engaged in certain activities – e.g. financial or legal services – may not qualify. Options may only be granted to employees, working full time for the company (or part time provided they work mainly for the company).

Individuals may be granted options over shares with a value of up to £250,000 at the date of grant; the overall company limit is £3m (again valued at the relevant grant date(s)).

The EMI is extremely flexible: options may be granted over any class of shares (e.g. non-voting), with any exercise price and with any performance conditions. For income tax/NIC free exercise an option should be granted with an exercise price set at market value. Maximum Capital Gains Tax (CGT) efficiencies will be achieved if the shares are sold 2 years or more after the date the option is granted.

The value of shares in a private company can be agreed with HMRC in advance.

Key Features	How can RM2 Help?
<ul style="list-style-type: none">Options, not shares.Maximum value of £250k per employee, £3m per company (valued at grant).Company granting the options must be independent, fewer than 250 full time equivalent employees, gross assets less than £30m.Ultimate potential tax rate of 10% (potentially reduced further by annual CGT exemptions).Extreme flexibility as to class of shares, exercise provisions.Flexibility as to leavers – options may lapse for leavers at board discretion.	<ul style="list-style-type: none">Confirm that company qualifies.Advise on design of plan including details of leavers, exercise provisions.Produce rules of plan, agreements, and FAQs for employees, plus any formal approvals required.Agree valuation with HMRC.Arrange grant process plus registration of plan and option grants with HMRC - required to ensure EMI tax status – plus ongoing administration.Employee communications.



Contact us to arrange a FREE consultation
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