

Enterprise Management Incentives (EMI)

Background

The following notes are meant to be used as a **reference guide for EMI**. Specific tax advice should be sought in relation to your own personal circumstances before implementing any of the guidance shown below.

Enterprise Management Incentives

This scheme was introduced to help small, higher risk companies with the potential for growth to recruit and retain key employees.

Under the scheme, options with a market value of up to £120,000 can be granted to any number of employees.

How the company qualifies

The total number of EMI options granted must not exceed £3,000,000 at any one time by the company. The following requirements must also be met:

- The share options granted must be in an independent trading company;
- Gross assets of the company must not exceed £30 million;
- The company must have fewer than 250 employees.

Eligible employees

For an option to be a qualifying option, it must be granted to an 'eligible employee':

- The employee must be an employee of the company;
- The employee must have 'committed time' of at least 25 hours per week, or 75% of their total working time if this is less than 25 hours per week.
- The employee must not already have a material interest in the company.

Material interest is defined by the employee already having beneficial ownership of, or the ability to control more than 30%, of the company granting the options.

Tax advantages

- No tax charge on the grant of the option;
- No income tax or NIC's payable on the employee when the options are exercised. This is provided that the exercise price is set at the market value of the shares at the date of grant;
- An income tax and NIC charge will arise where options are granted at a discount, on the difference between the exercise price and the market value of the shares when granted;
- The shares will be subject to CGT (maximum rate of tax of 18%) when they are sold.

Recent changes

It used to be the case that only UK resident trading companies could qualify to use EMI schemes.

However, this is changing to include companies which have a UK permanent establishment.

Further information....

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