

Employee Ownership Trust

What's in it for the Employees?

Background & Basics of EOTs

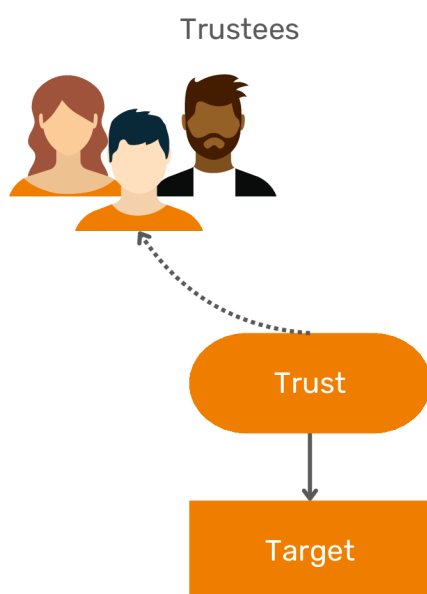
Nuttall Review, 2012,
by Graeme Nuttall;
<https://rb.gy/9xf680>

Recommendations included:
Increased awareness
More guidance
Simplification of structures
Nothing about tax!

Tax changes implemented in Finance
Act 2014

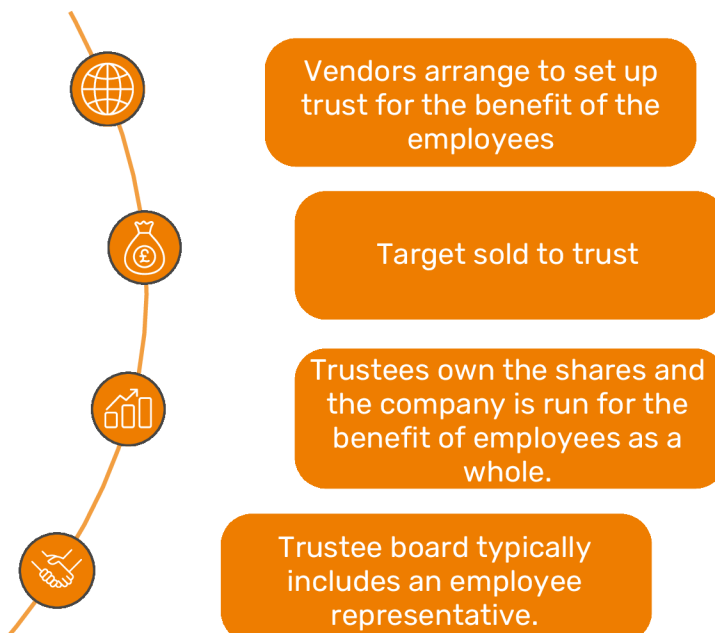
Policy is to promote long-term employee
share ownership

Structure of an EOT acquisition



Benefits of an EOT

- Strong marketing plan to utilise EO as a recruitment policy
- Increased cash reserves for reinvestment and growth
- Increased cash reserves to remunerate employees
- Culture and legacy of the existing business retained
- £3,600 income tax free bonuses
- Increased employee motivation and retention



Employee bonuses

No income tax on qualifying bonus payments

- But NICs still payable

Maximum £3,600 a year

- Unchanged since 2014, so we have suggested an increase
- And that NICs should also be exempted

No changes in the Autumn budget in relation to amount of tax free bonus

Must be a bonus, not regular salary or wages

Must meet a number of requirements set out in the legislation

Employee bonuses

Equality requirement – Section 312C ITEPA

All employees must be able participate in the award on the same terms, can vary by reference to:

Remuneration

Length of service

Hours worked

Each of these must be applied separately

Cannot operate so that some employees get nothing

Indirect employee-ownership requirement – Section 312E ITEPA

EOT must satisfy the controlling interest requirement in respect of the company or of the principal company of the group (per section 236M TCGA)

The EOT must satisfy the all-employee benefit requirement (per sections 236J and 236K TCGA)

Participation requirement – Section 312C ITEPA

All persons in relevant employment – meaning all employees – when the award is determined must be eligible:

- Can exclude probationary periods up to 12 months
- Can exclude people subject to gross misconduct proceedings

Cannot favour directors, former directors, highest-paid employees, specific business units or activities

Trading requirement – Section 312D ITEPA

Employer must be a trading company or member of a trading group. i.e. activities do not include to a substantial extent activities other than trading activities. (as outlined under CGT relief)

Office-holder requirement – Section 312F ITEPA

The appropriate fraction must not exceed $\frac{2}{5}$

ND = Number of directors or other office holders (and connected persons)

NE = Number of employees or office holders

Get in Touch



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As a member of the ICAEW and CIOT Nick specialises in technical corporate tax planning and company reorganisations advising on a variety of projects from mergers and acquisitions to company incorporation, management buyouts and demergers. Nick is a regular writer for various tax journals with articles published in Taxaction, Tax Advisor and ICAEW Taxline. Presenting regular lectures to fellow professionals through various CPD providers including MBL, CPDStore and a variety of CIOT branches.



Pete Miller
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Pete began his career with the Inland Revenue in 1988 with roles in tax districts in Birmingham and London before spending several years in head office, culminating as the Inland Revenue's expert on the rules for company distributions and advance corporation tax. Since going into private practice 25 years ago, Pete has worked for Big 4 firms and run his own business for 11 years, advising a wide range of clients from owner managed businesses to the largest corporate groups. Pete is Chair of the CIOT's Owner Managed Business Tax Technical Committee, as well as being a member of the Tax Policy and Oversight Committee and of the Education Committee.

Client Testimonials

★★★★★

Our company Emerald Associates met with Nick who was courteous and helpful from the outset. It was also very reassuring to have our accountant, who was present at the Teams meeting, say that he had used their services and that they were indeed the experts in the field of Tax. Nick provided great clarity.

★★★★★

I've worked with Pete Miller and Nick Wright from Jerroms Miller on a few projects and each time have found their assistance and expertise invaluable. They and their team have a wealth of expertise and experience across a broad spectrum of taxes, in particular corporate reorganisations.

★★★★★

Jerroms Miller have provided specialist tax support on a number of transactions and reorganisations for our clients. As well as being technically very good Pete and Nick provide excellent ongoing support to clients both during and after the transactions which is both valuable and reassuring.

★★★★★

Jerroms Miller are a fantastic resource for dealing with our complex tax issues or when we need a second opinion on a technical query. Pete, Nick and the rest of the team are always quick to respond with clear and concise advice.



Nick Wright is joined by leading industry experts on the **@TheTaxHour** Podcast.

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