

Company Share Option Plan (CSOPS)

What is it?

A CSOP is a tax-advantaged share option scheme designed for use by small and medium-sized companies.

The scheme allows companies to retain and reward employees and is one of the most tax-efficient methods of giving them equity participation in the business.

CSOP schemes may be preferred to EMI schemes as they have less stringent qualifying conditions whilst retaining a tax advantaged status. However, the limits as to the value of shares under option a lower and the share options must be held for at least 3 years to retain their tax advantaged status.

Tax Treatment

Grant

There is no tax charge on grant provided no discount when granted to the employee.

Exercise

There is also no tax charge when the employee exercises the shares provided the options are exercised between 3 and 10 years following the date of the grant.

Sale

When the shares are sold, CGT will be payable on any growth in value between the exercise price and the sale proceeds.

Requirements

Company Qualifications:

Must be a trading company or holding company of trading group



Must not be under control of another company i.e. cannot be issued by a subsidiary



Share options must be over ordinary shares of the company



Company must register the scheme and self certify conditions are met

Employee Qualifications:

Must be employed by the company or subsidiary



Must work at least 25 hours per week or 75% of working time



Must not have material interest (more than 30% of shares)

Advantages

- Options may be granted to select key employees rather than the entire workforce.
- Employee share ownership helps to align the interests of a company's owners with that of employees.
- In most cases, no income tax or national insurance is payable when options are granted or exercised.

Disadvantages

- A number of trades are excluded from the scheme such as shipbuilding, banking, property development, farming, provision of legal services.
- Subsidiaries cannot grant EMI options, this must be done by the holding company if a group exists.
- If there is a disqualifying event the EMI options will lose their tax advantages (unless exercised within 90 days). Disqualifying events are generally where the company or employee no longer meets the EMI qualifying conditions.

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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