

Enterprise Management Incentives (EMIs)

What is it?

An EMI 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.

EMI schemes are highly flexible and can incorporate various timeframes and conditions that can be adjusted accordingly. Conditions such as, including performance milestones and length of service, plus a clause to lapse the option if the employees leave your employment can all be modified to suit the business.

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.

Sale

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

Requirements

EMI options can only be granted by UK trading companies with less than 250 full-time employees and gross assets no more than £30m.

Employees are required to work for at least 25 hours a week, or, if less, at least 75% of their working time must be for the company.

Employees who have a 'material interest' of more than 30% of the share capital before the options are granted are excluded from participation.

EMIs can be used to give options to selected employees over shares worth up to £250k.

The maximum value of shares in a company over which EMI options can be granted is £3m.

The scheme has to be notified by 6 July following the end of the tax year in which the EMI option is granted.

The shares must be exercised with 10 years of grant or the scheme lapses and the shares become non tax advantaged.

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 EMI options are granted or exercised.
- Relaxations for Business Asset Disposal Relief purposes are available so the employee does not need to hold the minimum 5% shareholding and the option holding period counts towards the 2 year holding period.

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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