

Employee Share Schemes

A COMPARISON

January 2016



EMPLOYEE SHARE SCHEMES AND OPTION SCHEMES PROVIDE A WAY TO GIVE EMPLOYEES A CURRENT OR FUTURE STAKE IN YOUR BUSINESS AND HELP IMPROVE ITS PERFORMANCE.

THIS FACTSHEET PROVIDES A COMPARISON OF SOME OF THE MORE COMMON EMPLOYEE SHARE SCHEMES AND OPTION SCHEMES AVAILABLE.

	Enterprise Management Incentives (EMI)	Employee Shareholder Status (ESS)	Company Share Option Plan (CSOP)	Share Incentive Plan (SIP)	Unapproved option
Best suited to	Small companies wishing to retain and incentivise key staff	Growing companies wishing to incentivise staff	Family or owner managed companies	Companies wishing to offer a flexible scheme to reward all employees	Companies wanting flexibility with the share scheme offered
Share award or option	Option	Award	Option	Award	Option
Company restrictions	Must have gross assets of less than £30m and less than 250 employees. Must also be independent i.e. not controlled by another company	None	Must be an independent company or a company controlled by a listed company	Limited restrictions	None
Monetary limit	£250,000 per employee up to a maximum total of £3m	No upper limit but the shares received should be worth at least £2,000 on issue	£30,000 per employee	The company can gift up to £3,000 worth of shares per year, plus other options available to acquire additional shares	No

If you would like more detailed information or advice please contact Tom Woodcock on 01242 237661 or tom.woodcock@hazlewoods.co.uk

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	Enterprise Management Incentives (EMI)	Employee Shareholder Status (ESS)	Company Share Option Plan (CSOP)	Share Incentive Plan (SIP)	Unapproved option
HMRC approved?	Yes	Yes	Yes	Yes	No
Does it have to be offered to all employees?	No	No	No	Yes	No
Any restrictions for employees	May not be eligible if working for less than 25 hours per week, or if less, 75% of their working time, or if they own more than 30% of the shares	The employee must give up certain employment rights in return for the shares	Yes. May not be eligible if a part-time director of if they own more than 30% of the shares	No, but a minimum period of employment can be specified by the employer before the employee qualifies	No
Tax	No tax or NI on grant or exercise unless at less than market value. Capital gains tax on disposal. Notification to HMRC within 92 days of grant of options and to obtain agreement of market value.	Income tax and NI on award for the value above £2k No capital gains tax on disposal providing the shares were worth less than £50k when acquired and the shareholder owns less than 25% of the shares	No tax or NI on grant or exercise providing certain conditions are met. Capital gains tax on disposal of the shares.	Shares disposed of: <ul style="list-style-type: none"> after 5 years – no income tax, NI or capital gains; after 3 years but less than 5 – income tax and NI on the lesser of initial value and market value at withdrawal less than 3 years – income tax and NI on the market value at withdrawal 	Income tax on difference between market value and price paid on exercise. Capital gains tax on disposal where above exercise price
Corporate tax deduction? (Broad treatment subject to certain other conditions being satisfied)	Difference between market value and price paid by the employee on exercise	Market value of the shares on acquisition	Difference between market value and price paid by the employee on exercise	For the costs incurred of providing the shares and running the SIP plus the market value of the shares provided	Difference between market value and price paid by the employee on exercise

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