

Enterprise Management Incentives (EMI)



EMIs are share options which are approved by HMRC and have a beneficial tax treatment.

Ordinarily any shares or share options given to an employee will be subject to employment taxes, including National Insurance – either when the shares are given, or the options granted and exercised.



EMI options are not subject to employment taxes when they are granted, or when they are exercised, unless they are granted at a discount. This represents a potential tax saving of over 50%.

If the option is held for two years, then the employee is eligible for entrepreneurs relief on the disposal of the shares and therefore the gain is charged at 10%.

General Restrictions:

- Maximum of £250,000 of options can be issued to each employee and £3 million in total;
- The options must be for ordinary, irredeemable shares which are fully paid up;
- The options must be exercisable within 10 years;
- HMRC must be notified within 92 days of the option being granted. There are also annual reporting requirements.

Rules for the company:

- Cannot be controlled by any other company;
- Gross assets must be less than £30 million for the company and, where applicable, the group;
- Must have fewer than 250 full time employees;
- Must be a trading company, carrying out a qualifying trade, or the parent company of a trading group;
- Non-qualifying trades include dealing in land, receiving royalties, hotel management and similar high asset backed businesses as well as certain professional services;
- Does not have to be resident in the UK, but must have a UK trading presence.

Rules for the employee:

- Must be an employee of the company or its subsidiary;
- Must work at least 25 hours per week for the employing company or, if less than 25 hours, then 75% of their total working time;
- Cannot own more than 30% of the employing company.

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