

## **COMPANY SHARE OPTION PLANS**

### **Benefits**

- Options are granted at present market value
- Income tax is not chargeable when an option is granted
- Income tax is not normally chargeable on the increase in value of the shares between grant and exercise subject to the conditions below
- The cost for capital gains tax purposes is normally the price paid for the shares
- Discretionary scheme - the company can select the employees and directors it wishes to reward
- Performance conditions can be applied, but must be “fair and reasonable”

### **Conditions**

- The company can operate a scheme only if it has been approved by the HMRC
- Open to all employees and full time Directors
- No participant can be granted approved options with a value of more than £30,000 calculated at the date of grant
- Participation in the scheme is not open to people who own more than 25% of the company
- Income tax is not normally chargeable on the increase in value of the shares between grant and exercise if the following conditions are satisfied:
  - The option is exercised in accordance with the scheme which is still approved at the time
  - The option is exercised at least 3 and no more than 10 years after the date of grant
  - If the option is exercised within 3 years of the date of grant, this is done under a provision of the scheme which allows exercise on cessation due to injury, disability, redundancy or retirement after reaching an age specified in the scheme and the exercise is within 6 months of this cessation
- Once an option has been exercised there can be no further exercises of any approved share options for 3 years following the date of exercise. Same day exercises are ignored
- Value of shares issued under CSOP will potentially impact on qualifying limits for shares issued under EMI

### **Procedure**

- Scheme rules must be drawn up in accordance with regulations and must be approved by HMRC prior to issue of any options
- Valuation of shares must be agreed with HMRC prior to issue of options
- Share options must be granted within 30 days of agreement by HMRC of share valuation

For further information please David Gibbs on 020 7240 9971 or email [David.Gibbs@alliotts.com](mailto:David.Gibbs@alliotts.com)

This information is intended for guidance only and is our understanding as at 12 July 2012.  
We recommend that you seek professional advice before taking or refraining from taking any action.

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