

## **ENTERPRISE MANAGEMENT INCENTIVES (EMI)**

### **Benefits**

- The grant of the option is tax-free and there will normally be no tax or National Insurance contributions (NICs) for the employee to pay when the option is exercised
- There will normally be no NICs charge for the employer
- Entrepreneurs Relief may be available which would reduce the rate of tax on the gain from 18/28% to 10%

### **Conditions**

- Tax advantaged share options with a market value of up to £250k may be granted to a qualifying employee of a qualifying company
- Total share value of £3m under EMI options to all employees.
- The shares must be in an independent trading company that has gross assets of no more than £30m
- Company must have fewer than 250 employees
- The options must be granted for commercial reasons to recruit or retain employees in a company, and not as part of an arrangement one of the main purposes of which is to avoid tax
- The market value of any shares for this purpose is the price they might reasonably be expected to fetch on the open market, free from any restrictions or risk of forfeiture to which they may be subject
- Individuals are eligible for EMI options if they are employees of the company or any qualifying subsidiaries
- Employees are eligible for EMI options if they spend at least 25 hours working p/w, or 75% of total working time
- The employee must not have beneficial ownership of, or the ability to control directly or indirectly, more than 30% of the ordinary share capital of the company, or where the company is a close company, possession of or entitlement to acquire rights that would give 30% of the assets, if the company were to be wound up, and make them available for distribution among the participators
- The option must be a right to acquire shares that are part of the ordinary share capital of the company, and be fully paid up and not redeemable
- It must be possible for the option to be exercised within ten years of the date of grant, but it does not have to be exercised within that period
- Company must not be conducting an excluded activity

### **Procedure**

- The option must be a written agreement between the person granting the option and the employee
- The employer must notify HMRC of an award of EMI options within 92 days of the grant of the option
- The company can ask HMRC to agree a valuation with them before the option is granted or whenever a valuation is required.

For further information please call 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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