

EMI options for growing companies

Why grant options to employees?

- Do you want to motivate and retain your best employees?
- Do you want to do so tax-efficiently?
- Do you want employees to act like shareholders – while you keep control?
- Do you want to minimise cash outlay?

If the answer to these questions is “Yes!”, you should consider using share options. Granting an option means employees have the right, but not the obligation, to buy shares in the future at a price fixed today. There is no need for them to exercise their options unless they can sell them right away – eg if the company itself is being sold. That means you don’t need to worry about giving away control of your company until you’re ready to sell yourself.

Using options can be a tax efficient alternative to cash bonuses – plus there’s no actual cash outlay!

What are EMI options?

EMI is a very tax-efficient share option arrangement for employer and employee alike:

- No tax on grant
- No income tax or National Insurance (NICs) on exercise (as long as the company meets certain conditions)
- Capital gains tax (CGT) payable on the increase in value of shares when they are sold. CGT is currently payable at 18%, much lower than the rate of income tax and NICs, even before the new 50% income tax rate is introduced for the very highest earners in April 2010.

What are the barriers to using EMI options?

Granting EMI options can be expensive. A tailored EMI option agreement can easily cost upwards of £3,500 plus VAT.

Foot Anstey’s EMI for start-ups

Foot Anstey has developed an EMI product aimed at start up companies who have been trading for less than two years with an annual turnover of less than £250,000 and who may struggle to pay this level of legal fees.

We will provide you with a basic EMI agreement together with ancillary documentation for one key employee for a total of **£999 plus VAT**.

For more information contact **Sarah Anderson** on **01752 675105** or by email on **sarah.anderson@footanstey.com**.