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### **Do all employees have to be offered CSOP options?**

Unlike the SIP and SAYE options, CSOP options do not have to be offered to all employees, allowing the company to select employees to participate.

### **Benefits for the company**

As with SAYE options, apart from the potential business benefits of a carefully designed plan, any gains enjoyed by employees can be treated as an expense of the employer company for corporation tax purposes.

## **Enterprise Management Incentive (EMI)**

The Enterprise Management Incentive (EMI) is a share option plan targeted at smaller companies. It is widely considered to be the most tax efficient share plan available in the UK. Like SAYE and Company Share Option Plans, an EMI is a share option plan.

### **Companies who qualify**

- EMI is for smaller companies only – with gross assets of no more than £30 million and fewer than 250 employees.
- Companies running certain businesses are excluded.
- The company must be independent – it must not be a subsidiary of, or controlled by another company (a similar rule also applies to SAYE and CSOP).
- The company must operate wholly or mainly in the UK.

### **Do employees qualify?**

Any employee who is to participate must work for the company for at least 25 hours a week, or if less, for at least 75% of their working time. Anyone holding 30% or more of your company's ordinary shares is not eligible.

### **Are there any limits?**

- Options may not be granted over shares with a total market value of more than £3 million (measured at the time each option is granted).
- There is a limit of £120,000 for each employee.

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## **Tax treatment**

Assuming the option exercise price doesn't exceed the market value of the shares at the time of option grant:

- There is no income tax or National Insurance payable on the difference between the values of the shares upon exercise – so if the exercise price is set at market value on the date of grant, no income tax or National Insurance liability arises.
- If the option exercise price is less than market value on the date of grant, income tax (and possibly National Insurance) will be payable on exercise, on the difference between the exercise price and market value on date of grant.
- When shares acquired through exercise of EMI options are eventually sold, capital gains tax (CGT) will be due on option gains (the difference between exercise price and sale price).

## **What could affect the tax treatment?**

If certain things happen between option grant and exercise so that the options cease to qualify under EMI, income tax can become payable on gains up to the date of exercise.

The main disqualifying events are:

- The company becoming controlled by another company.
- The company's trade no longer qualifies.
- The option holder ceases to work for the company or for sufficient hours a week.
- EMI options are granted over more than £120,000 value of shares.

## **What happens to leavers?**

Option holders who leave can be allowed to exercise their options without tax penalty.

## **Do all employees have to be offered the EMI?**

Like Company Share Option Plan options, EMI options don't have to be offered to all employees – allowing the Company to select which employees participate.

## **Benefits for the company**

As with SAYE and CSOP options, apart from the potential business benefits of a carefully designed plan, any gains enjoyed by employees can be treated as an expense of the employer company for corporation tax purposes.