



highwoods
& associates

EMI SCHEME



EMI Schemes - what are they and how can they benefit your business?

Running any successful business takes hard work, dedication and a constant desire to move forward. It also involves looking at the various schemes available which can help you grow. One you may have heard of before is an EMI Scheme. While you might have come across them in the past, you may not know what they involve, how they work or what benefits they can deliver to your company.

To make it all a little easier to understand, we take a look at this below.



What are EMI Schemes?

An EMI Scheme (sometimes known as EMI Employee Shares Scheme, Enterprise Management Incentive Scheme or EMI Options) is a tax-friendly scheme that businesses can operate to use share options as a reward for staff. This ability to provide tangible benefits to staff and increase their engagement is what makes an EMI Scheme so effective.

But what specific benefits do they bring to your employees? There are actually quite a few as shown below:

- Staff retention
- Makes your business more attractive for new recruits
- Gives employees a sense of ownership

- Staff can access the 10% Capital Gains Tax rate rather than the up to 53% rate with non-EMI share options.

A key thing to remember is that any profit made by staff is tax-deductible for corporation tax purposes. This can sometimes be overlooked by both sellers and buyers in a transaction.

If this is missed though, the buyer of the shares benefits from any tax deduction at the expense of the business owner.

What limits are there on an EMI Scheme?

It is also key to know that HMRC place set limits on these schemes which you should know about. These include:

- Only a maximum of £250,000 in unrestricted market value can be granted to a single employee in total
- Exercise price which sees HMRC agree with two valuations. The first is the unrestricted market value and describes the equity value in the business divided by the number of shares in issue. The other valuation is the actual market value. This is normally lower and includes minority discounts along with any discount to reflect option restrictions. It is key to note that the exercise price cannot be below the actual market value.
- EMI options are only valid for full-time staff (outlined as anyone who works over 25 hours per week).

What is the timescale and process?

In general, the timescale for setting up an EMI Scheme is from 8 to 12 weeks. This sees you having to:

- Understand the commercial requirements the scheme covers
- Set up a customised scheme for the client in between 2 and 6 weeks.
- Agree the value of shares with HMRC in 3 to 6 weeks. It is generally a good idea to get the scheme rules in order before sorting out the valuation. This saves you missing the 60-day deadline imposed by HMRC to issue options, once the value is agreed.
- Implement the scheme paperwork with employees
- Notify HMRC of the options you have issued to staff - you have up to 90 days to do this via HMRC's online portal.

What if someone does not qualify for the scheme?

There are a couple of reasons why this might happen. The first is that the employee does not work over 25 hours per week and is therefore not classed as full-time. The other is that you want to grant them share options worth more than £250,000. If you are having trouble with either of these areas, it is key to get advice from a professional accountant to see what solutions are available.

Contact Highwood & Associates today for EMI Scheme help

Here at Highwood & Associates, we are experts in setting up and giving advice on EMI Schemes to business. Our paperwork covers both EMI and non-EMI options. This means you can grant share options to staff, even if they do not qualify. We can also tailor your EMI Scheme to allow more than £250,000 of shares to be granted to one staff member. In addition, we can keep on top of the HMRC reporting requirements for you and ensure the relevant returns are submitted in-time.

Contact us on info@highwoodandassociates.co.uk for more information.

About Highwoods & Associates

At Highwoods & Associates, we maintain a high level of personal relationship with our clients thereby ensuring a wider range of interaction which raises trust and long-term commitments from our clients.

Our clients do not feel on their own because we do not only help with financial accounting but also on developing businesses and making taxation decisions for your organisation. This proves to be a major help since it is provided by professionals who have the know-how on facing and solving entrepreneurship and taxation hiccups in a reliable way.

In all our activities, we encourage clients to express their views and strive to create an inviting environment and atmosphere for them to do so comfortably.

✉ support@highwoodsandassociates.co.uk

🌐 www.highwoodsandassociates.co.uk



FIND US ON SOCIAL MEDIA

Copyright © 2022 Highwoods & Associates Limited

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without the prior permission of the author.

