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SUMER
NORTHERN IRELAND

Guide to Enterprise Management Incentive ('EMI') Schemes



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Recruiting, retaining and motivating employees are key issues for employers.

Achieving this does not necessarily require large pay rises or bonuses, which can be very costly.

EMI share option schemes are a mechanism under which key employees can be offered a potential equity stake, in a tax advantaged manner.

What is a share option?

A share option grants an employee the right to acquire a specified number of shares in a qualifying company, for a specified price, under the terms set out in an option agreement.

The option agreement will outline when the shares can be acquired by exercising the option and there may be certain conditions attached (e.g. a time-based vesting period or performance criteria).

What is a qualifying company?

To be eligible for an EMI Scheme, a company or group of companies must:

- Have fewer than 250 employees;
- Have gross assets of £30 million or less;
- Be trading or the parent of a trading group (but cannot itself be a subsidiary company);
- Have a permanent establishment in the UK;
- Carry out a qualifying trade; and
- Not conduct excluded activities (e.g. accounting, financial, legal and business services, property management and development, farming, hotels and care homes).

What makes a qualifying employee?

To be eligible for EMI options an employee must:

- Work at least 25 hours per week, or spend 75% of their total working time for the company; and
- Not have a material interest in the company (30% or more of the share capital).

The maximum value of shares which an individual can hold under unexercised qualifying EMI options is £250,000, calculated at the date of grant of the options. The maximum value of shares that can be held under unexercised EMI options at any time is £3 million.

EMI Scheme options can provide benefits for both employers and employees

Benefits of an EMI Scheme for employers

- It helps employers to attract and retain employees.
- It can improve employee engagement.
- Employers can obtain corporation tax relief on the difference between the market value of shares at the date of exercise of the options and the exercise price paid.

- Ordinarily there is no or minimal employer's National Insurance Contributions ('NICs') payable by the company.

Benefits of an EMI Scheme for employees

- Employees are only exposed to income tax when their options are exercised – there are no tax implications at the point which the options are granted. Where the share options are not granted at a discount, there may be no income tax on exercise.
- As it is possible to agree with HMRC the value of the shares before the options are granted, there is certainty on any potential tax liability.
- On a subsequent disposal of the shares, Capital Gains Tax ('CGT') can potentially be applied at a lower rate (currently 14%, rising to 18% for disposals on or after 6 April 2026) instead of 24% on the growth in the value of the shares, provided the conditions for Business Asset Disposal Relief are satisfied (where EMI options are concerned, the minimum shareholding requirement of 5% is not applicable and the 2 year holding period runs from the option grant date).

Get In Touch

If you would like to explore how an EMI Scheme can benefit your business and your employees, please contact:

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