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SUMER
NORTHERN IRELAND

EMI Schemes: What Growing Businesses Need to Know



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With continued pressure on salaries and increasing competition for skilled people, many businesses are reassessing how they attract, motivate and retain key employees. As a result, Enterprise Management Incentive (EMI) schemes are once again coming into sharper focus - particularly as recent and upcoming changes make them more flexible and accessible.

What is an EMI Scheme?

An EMI Scheme is a HMRC-approved, tax- advantaged share option arrangement that allows qualifying employees to acquire shares in their company at a pre-agreed price. This price is usually set when the option is granted, rather than when it is exercised.

Provided the scheme conditions are met, employees can benefit from favourable tax treatment. In many cases, any growth in value is taxed under capital gains tax rules rather than higher income tax rates, making EMI a highly attractive long-term incentive.

Why are EMI Schemes so popular?

EMI Schemes are widely used by growing and entrepreneurial businesses for several reasons.

One of the key advantages is that they offer a way to reward and incentivise employees without immediately increasing salaries - something that can be challenging for scale-ups and mid-sized firms competing against larger employers. By offering a stake in the future success of the business, EMI Schemes can enhance overall remuneration packages in a cash-efficient way.

They can also play an important role in retention. Options are often linked to vesting conditions, meaning employees must remain with the business for a defined period before benefiting. This encourages loyalty, reduces turnover and helps ensure that rewards are aligned with long-term contribution.

Importantly, because the value of an EMI option is tied directly to company growth, employees are incentivised to think and act like owners, supporting engagement, commitment and long-term success.

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What's Changed?

Historically, EMI Schemes came with a range of qualifying requirements for both companies and employees, as well as strict administrative rules. However, reforms introduced in recent years have made the regime more flexible and easier to operate.

Key developments include:

- A reduction in administrative burdens, lowering the risk of technical disqualifications
- Greater flexibility when drafting option agreements, allowing schemes to better reflect commercial arrangements
- Increased qualifying limits, including employee numbers, award values and exercise deadlines
- Wider eligibility, meaning larger and more established businesses may now be able to benefit
- Ongoing government support for EMI as a tool to encourage growth and employee ownership

Together, these changes are expected to drive increased uptake, particularly among businesses that previously considered EMI too restrictive or complex.

Why This Matters Now

In today's environment - where salary expectations are shifting, hybrid working is embedded and employees increasingly want to share in the success of the businesses they can help build - traditional pay structures may no longer be enough on their own.

EMI Schemes offer a flexible and tax -efficient way to reward people, align incentives and support long-term growth. For businesses planning ahead, now may be the right time to review existing share arranagements or explore whether EMI could form part of a broader reward strategy.

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