

THE PHANTOM SHARE SCHEME

In situations where other tax schemes are not suitable, Alliotts can create a scheme that is bespoke to your needs and which meets your objectives. An example of this is the phantom share scheme.

This is more of an incentive idea than an actual share scheme however it offers a degree of flexibility to companies with gross assets of over £30m and unable to take advantage of the 'Enterprise Management Incentive Scheme' It is however available to companies with assets under the aforementioned ceiling.

No shares are allocated or transferred to the participants of the scheme there is merely a notional allocation. The final payment is based on the increase in value of that allocation subject to capping which is common under such arrangements.

This scheme involves the employees being entitled to receive the payment on the second anniversary of the occurrence of a sale of the entire issued share capital, the sale of the business or the listing of the company. The rights under the scheme lapse on the occurrence of certain events such as the employee giving or receiving notice terminating their employment or death. The auditors of the company will determine the amount payable under the scheme.

Advantages

- There is no dilution of the share capital or voting rights thereto
- The employees do not acquire the right to any dividends
- There is no requirement to acquire their shares in the event of their departure
- There is no need to amend the Articles of Association

Disadvantages

- The sums due to employees will be treated as part of their remuneration consequently the company will need to fund the payments which will be subject to Income Tax, Employers and Employees National Insurance;
- The employees may perceive some benefit from owning shares even if they have restricted rights which of course will not happen using this scheme.

For further information please call David Gibbs on 020 7240 9971 or email David.Gibbs@alliotts.com

This information is intended for guidance only and is our understanding as at 12 July 2012.
We recommend that you seek professional advice before taking or refraining from taking any action.

London: Imperial House, 15 Kingsway, London WC2B 6UN t. 020 7240 9971

Guildford: Friary Court, 13-21 High Street, Guildford GU1 3DL t. 01483 533 119