

## **SHARE INCENTIVE PLANS**

### **Benefits**

- £3,000 per annum of free shares can be awarded, free of income tax and NIC
- If shares are held in the plan for 5 years there is no income tax, capital gains tax or NIC to pay on removal
- Base cost for capital gains tax is the market value at the date of removal
- Up to £1,500 of dividends can be re-invested per annum in shares qualifying for the tax benefits
- Up to £1,500 of partnership shares can be acquired by the employee out of gross income (i.e. pre-tax & NIC)
- Employer can provide up to £3,000 of matching shares on 2 for 1 basis for any partnership shares acquired by the employee
- Can use non-voting shares
- Can be performance related
- Costs of setting up the scheme and administering the trust are tax deductible for the company

### **Conditions**

- Scheme must be approved in advance by HMRC
- Scheme operates through a trust and therefore in addition to the scheme costs there will be the costs associated with the operation of a trust
- If shares are removed from the plan within 3 years the individual will be liable for income tax and NIC on the increase in the market value
- If the shares are removed from the plan between 3 and 5 years after being provided the individual will be liable for income tax and NIC on the lower of the market value at first award and the market value at removal
- If employees leave after more than 3 years, or special good/bad leaver provisions are not made the employee must be entitled to take the shares with them

### **Procedure**

- Scheme rules must be drawn up in accordance with regulations and must be approved by HMRC prior to issue of any shares

For further information please call David Gibbs on 020 7240 9971 or email [David.Gibbs@alliotts.com](mailto: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.

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