

Factsheet – Enterprise Management Incentives

Enterprise Management Incentive schemes (also known as ‘EMI’) came into existence with the Finance Act of 2000. It is one of four tax-advantaged share plans in the UK, the others being the Share Incentive Plan or ‘SIP’, Save As You Earn or ‘SAYE’ and the Company Share Option Plan or ‘CSOP’ (see our separate factsheets for details).

EMI in a nutshell

EMI options can be granted to key employees by independent trading companies with gross assets not exceeding £30 million.

Options over shares with an unrestricted market value (UMV) at the date of grant up to £250,000 (including any amount granted under a Schedule 4 CSOP) can be granted. There will normally be no income tax or NICs when the options are exercised.

There is no approval process or clearance mechanism for EMI, but a requirement for companies to notify HMRC within 92 days of when an EMI option is granted. In addition there is also an annual reporting requirement.

EMI schemes need to meet the requirements of Schedule 5 Income Tax (Earnings and Pensions) Act 2003 in order to benefit from tax advantages.

Compliance

Companies offering an EMI scheme (or their advisers) will need to register their scheme and certify that it meets the requirements of all relevant legislation via HMRC’s ERS Online service. They must also notify HMRC of EMI option grants within 92 days of the date of grant and submit annual share scheme returns. More information may be found here: <https://www.gov.uk/guidance/submit-an-enterprise-management-incentives-emi-notification>

Privately held companies will need to apply to HMRC for a share valuation when they grant EMI options. Further information may be found here: <https://www.gov.uk/government/publications/asset-valuation-request-for-a-share-valuation-val231>

Further information on compliance requirements may be found in HMRC’s share schemes manual here: <https://www.gov.uk/tax-employee-share-schemes/enterprise-management-incentives-emis>

Key stakeholders involved in running an EMI scheme

At the plan issuer company: individuals with roles encompassing HR, Finance, Company Secretariat duties.

External stakeholders: legal and tax advisers to the company, plan administrator (if outsourcing record-keeping).

Sources of help and support

If you and your team are new to running EMI or share schemes of any kind or if you wish to extend or refresh existing knowledge, ProShare can help!

- We run regular training sessions for in-house teams and individuals.
- We can help you benchmark existing share schemes.
- We can help you find a plan administrator or advisor.

Do get in touch with us at team@proshare.org