

## Employee Share Option Schemes

### Save As You Earn (SAYE)

This is a savings-related share scheme where employees can buy shares with savings for a fixed price. They can save up to £500 a month under the scheme, and at the end of the contract (3 or 5 years), use the savings to buy shares. The tax advantages are:

- the interest and any bonus at the end of the scheme is tax-free
- no Income Tax or National Insurance is payable on the difference between price paid for the shares and their market value

You might have to pay Capital Gains Tax if you sell the shares - but not if you put them into an Individual Savings Account (ISA) or pension as soon as you buy them.

### Share Incentive Plan (SIP)

If the employee gets shares through a Share Incentive Plan (SIP) and keeps them in the plan for 5 years, then there will be no Income Tax or National Insurance on their value. If the shares are taken out of the plan, kept and then sold on, there may be some capital gains tax to pay if their value has increased. There are four types of share under this plan;

- **Free Shares** – The employer can give the employee up to £3,600 worth of shares per year
- **Partnership Shares** – The employee can purchase shares up to the value of £1,800, or 10% of their income, whichever is lower.
- **Matching Shares** – The employer can give the employee 2 matching shares for every 1 partnership share purchased
- **Dividend Shares** – The employee can purchase these shares using dividend income from the above shares, if the plan allows. If they are kept for 3 years, no income tax will be payable.

Shares from both of the above schemes can be transferred into an ISA (max £20,000) within 90 days of being taken out in order to avoid paying Capital Gains Tax.

### Company Share Option Scheme (CSOP)

This gives employees the option to buy up to £30,000 worth of shares at a fixed price. They will not pay Income Tax or National Insurance contributions on the difference between price paid and market value, but may have to pay Capital Gains Tax if they sell the shares.

### Enterprise Management Incentive (EMI)

Small companies with assets of £30 million or less can offer an EMI Scheme. Employees can buy shares of up to £250,000 without paying Income Tax or National Insurance on the difference between price paid and market value, but may have to pay Capital Gains Tax if they sell. Companies that work in 'excluded activities' aren't allowed to offer EMIs. Excluded activities include banking, farming, property development, provision of legal services and ship building.