Employee incentivisation is a key component in achieving growth. While there are various ways that employers can incentivise and remunerate their employees, offering shares can be a very powerful way of engaging them and aligning their interests with those of the business; essential factors in ensuring that your business can achieve its growth aspirations.

Offering the right reward package to employees is essential in attracting, motivating and retaining talent. This is particularly the case in a demanding economic climate, where the usual means (salary increases, for example) may not always be appropriate or the best option for the business.

While bonus payments, company pensions and cars still have their place, the chance to participate in the ownership of the company is an increasingly popular and effective way of incentivising employees.

Why offer shares?
Ownership of company shares is proven to motivate employees to be more productive and innovative, as this behaviour can have a direct positive effect on the value of the business.

Furthermore, offering shares as an alternative form of remuneration can be highly tax efficient. Employees will generally benefit from the lower capital gains tax rates on any growth in the value of the shares (or have no tax liability in some cases), while the corresponding savings in National Insurance contributions (for both the individual and the company) can be significant.

What is available?
Employers may choose to provide shares to employees in a number of different ways. These include several HM Revenue & Customs (HMRC) approved, and tax advantaged arrangements, such as the Enterprise Management Incentive (EMI) scheme.

The EMI scheme offers attractive opportunities for equity participation by employees in recognition of the fact that smaller companies may not be able to match salary levels paid elsewhere. It is also flexible enough to allow for performance targets to be set as part of the arrangement.

However, while approved plans may benefit from a favourable tax treatment for the participant, they will not be suitable in all cases, as certain restrictions and strict qualifying conditions apply, reducing the flexibility of their offering.

Key points on equity reward:
• Offering shares can be a very effective way of securing employee engagement
• There are a number of different arrangements available to suit every business
• Can also prove to be very tax efficient, especially where an HMRC ‘approved’ arrangement is adopted

While unapproved plans may not offer the same tax efficiencies, they are much more flexible and so may be the more appropriate solution in certain scenarios.

How can Grant Thornton help?
Whichever arrangement(s) you choose to adopt, it is essential that you take the time to consider precisely what it is you wish to achieve. Our experts are keen to work with you to design and deliver a practical reward policy that is cost effective, while remaining commercially focussed and suitable for your needs.

It is also important that employees understand the value of any incentive structure and we can support effective communications to employees.

We have experience working with large, fully listed corporates, owner managed businesses and private equity backed businesses, and our strength and depth enables us to ensure that our clients always receive cutting edge advice, without losing sight of the landscape in which you operate.

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