



EMI and Growth shares

EMI and growth share schemes are two of the most popular ways to grant equity in the UK. But what are the key differences between these plans?

EMI

Growth Shares

Requirements



You must have a “permanent establishment” in the UK

You need a UK legal entity



Agree a company valuation with HMRC before granting options

No need for an approved HMRC valuation



You must have fewer than 250 full-time employees (FTEs) and <£30m company assets

No cap on number of employees or on max. company assets

Restrictions



EMI is only available to full-time employees; you can only grant up to £250k worth of options per employee

Not restricted to employees only: you can grant growth shares to advisors and consultants



The total maximum value of the shares a company can issue under an EMI scheme is £3 million

Unrealistic hurdle prices may prevent employees from receiving their fair share of the proceeds when the company does well



No tax or financial outlay required when options are granted

Upfront payment potentially required when people buy growth shares; employees are exposed to share price fluctuations straight away

Benefits



10% capital gains tax due when shares are sold

20% capital gains tax due when shares are sold

Options held for >2 years qualify for Business Asset Disposal Relief (BADR)

Growth shares usually do not qualify for BADR