A guide to

# Share Incentives

xeinadin group

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# What are Share Incentives?

Introduced in 2000 Share Incentive Plans ("SIPs") are a means of encouraging employees at all levels to acquire shares in the company that they work for. SIPs must be open to all full time employees who are subject to UK tax on employment income.

## There are 4 ways to provide shares under SIPs:

- Free shares – employers give up to 3,600 of free shares in any tax year.
- Partnership shares – employees buy shares from their salary before tax deductions at a limit of 1,800 or 10% of your income for the tax year, whichever is lowest.
- Matching shares – employers give up to 2 free matching shares for each partnership share you buy.
- Dividend shares.

## Further Share Incentive Options

- Save as you earn ("SAYE") shares are given as part of an employee's salary or benefits package.
- Employee Share Schemes (or ESS), allows companies to offer at least 2,000 worth of issued shares at no cost to the employee subject to the waiving of certain statutory employment rights.
  Any capital gain arising on the sale of the shares is tax free up to 100,000.
- Company share options plan; discretionary shares offered to company executives. A company can grant tax advantaged options to its employee subject to a maximum value of 30,000.

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