

Employee Shareholders

Why would you do it

Will they be issued with shares by the company, or will they buy the shares from existing shareholders?

Can you get the ratios right with the existing number of issued shares?

There are a number of tax issues that can arise when employees become shareholders in limited companies for which they work, or in the same group.

On the simple side, returns must be filed setting out details of the share acquisitions.

On the more complicated side, there can be adverse tax effects if they receive shares at less than their market value.

And is the issue of shares to employees a good idea? If there is no ready market for the shares, and if you do not plan an exit soon, how will they realise any value? Will they really feel the benefit when they realise that they are not on a stock exchange and cannot just sell them for cash?