

Welcome to

Employee Ownership Association Annual Conference 2017

Where employee ownership meets

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Capital
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Advice Investment Growth

Welcome to: Is your business ready for employee ownership?

Presented by

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Supporting organisations transition
into employee ownership



Specialising in employee ownership and
employee share ownership



Succession Planning
Accountancy

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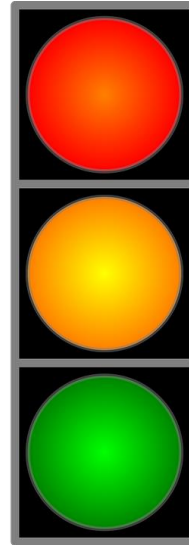
The next hour

Our aim is to offer you further insight into what is required to become employee owned.

So that you can leave confident about what you know and prepared for what you need to do next...

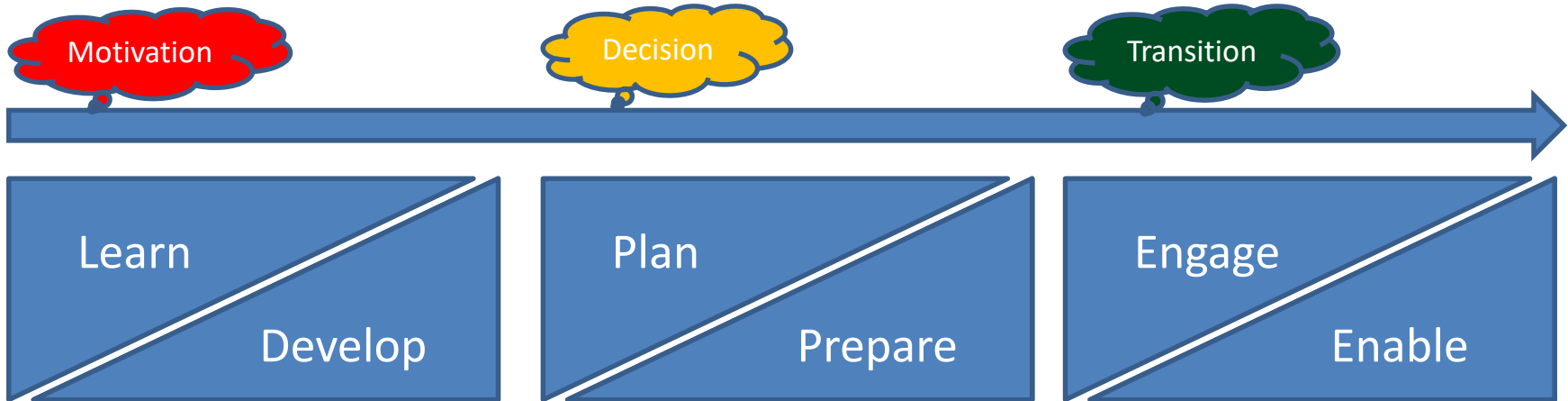
BE INVOLVED, BE INFORMED, BE INSPIRED

The context



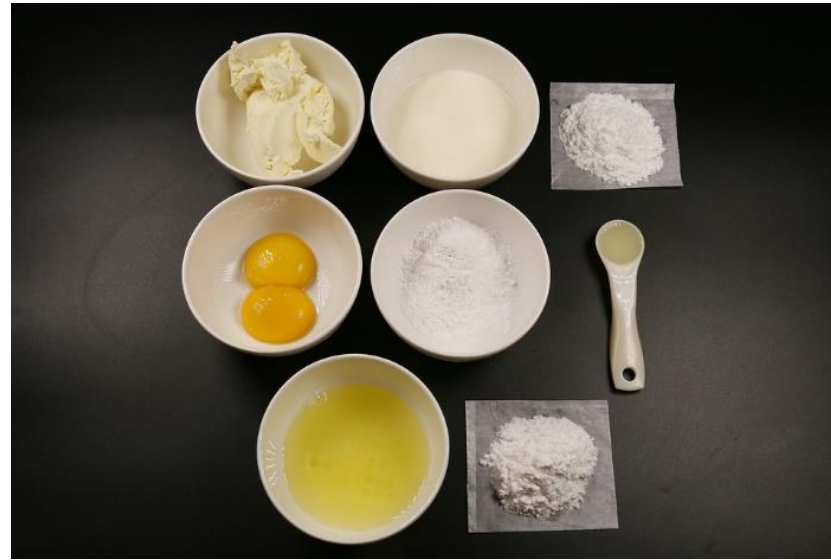
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The context



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Assemble the right ingredients



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Case Study Mr Smith

- This is based on facts, this is successful business that is looking at Succession
- We start with Mr Smith the Business Owner
- What does he want?
- What are his options ?

Case Study Mr Smith

- Sell? Liquidate? EO? Carry On?
- What are his financials?
- What about tax?
- What is his legacy?

Case Study Mr Smith – The Next Stage

Assuming we are looking at employee ownership

- We then look at it from the ‘new owners’ position
- How is it to be owned?
- How is it to be structured?

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Case Study Mr Smith – The Next Stage

- How do you buy the business? How is it financed? Out of profits? Bank Finance? Capital for Colleagues? Crowd Funding?
- What is the business plan? Cash Flows Budgets etc? What are the financials? Is it viable?

Case Study Mr Smith – The Next Stage

- What about tax? How can this be legally minimised?
- Then we get others involved
- Over to you Robert

Questions and Discussions

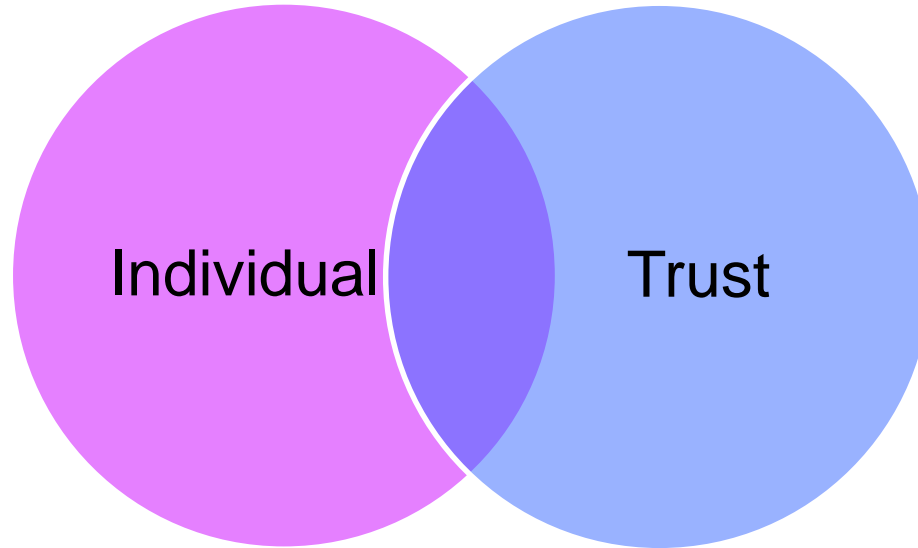
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What does “ownership” mean?

- Share of profits
- Capital growth?
- Control/influence over who runs the Company and its direction
- Responsibility
- Empowerment

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Forms of employee ownership



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Individual employee ownership

- Individual employees hold shares
- They acquire them after joining and (usually) dispose of them after leaving
- Some tax reliefs are available (e.g. SIP)

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Employee ownership through a trust

- Individual employees do not hold shares
- Instead, the company is owned (or partly owned) by a trust on behalf of its employees
- E.g John Lewis

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Hybrid: combine trust and individual ownership

The company is owned -

- partly by employees individually and
- partly by a trust on behalf of employees

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Employee ownership tax incentives (1)

Trust or hybrid:

- **No capital gains tax** on sale to an “employee ownership trust”
- Key conditions:
 - *Trust must acquire > 50%*
 - *Trust can't skew benefit to selected employees*

Employee ownership tax incentives (2)

Trust or hybrid:

- Once a company is >50% owned by an employee ownership trust:
 - *Employees can receive bonuses **free of income tax** (but still subject to NIC)*
 - *Max £3600 per employee per year*

Employee ownership tax incentives (3)

Individual or hybrid:

- Income tax relief for employees on cost of buying shares
- Free shares, tax free

(Share Incentive Plan or SIP)

Individual ownership more suitable

Capital growth important

Low staff turnover

Smaller employee numbers

Employees relate more to personal share ownership

Tax breaks for individual share ownership make it more attractive and affordable

Income tax free dividends

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Trust ownership more suitable

Capital growth not an objective

Higher staff turnover

Larger employee numbers

Long term investment/ownership is important

Desire to prevent (or make difficult) a takeover

Employees may have difficulty funding share acquisition

Limited funds to buy back employees' shares

Income tax free bonuses

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Hybrid ownership?

Trust ownership is preferred but company wants some individual share ownership:

- *for a modest degree of capital growth and/or*
- *for a direct feeling of ownership*
- *to limit the number of shares in circulation*

Income tax free bonuses

Income tax free dividends

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Individual ownership more suitable	Trust ownership more suitable	Hybrid ownership?
<p>Capital growth important</p> <p>Low staff turnover</p> <p>Smaller employee numbers</p> <p>Employees relate more to personal share ownership</p> <p>Tax breaks for individual share ownership make it more attractive and affordable</p> <p>Income tax free dividends</p>	<p>Capital growth not an objective</p> <p>Higher staff turnover</p> <p>Larger employee numbers</p> <p>Long term investment/ownership is important</p> <p>Desire to prevent (or make difficult) a takeover</p> <p>Employees may have difficulty funding share acquisition</p> <p>Limited funds to buy back employees' shares</p> <p>Income tax free bonuses</p>	<p>Trust ownership is preferred but company wants some individual share ownership:</p> <ul style="list-style-type: none"> • <i>for a modest degree of capital growth and/or</i> • <i>for a direct feeling of ownership</i> • <i>To limit the number of shares in circulation</i> <p>Income tax free bonuses</p> <p>Income tax free dividends</p>

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Questions and Discussions

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The last hour

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Thank you. Enjoy the rest of the conference.

Please make your way to the Kings Suite for lunch.

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