Briefing Note: Growth Share Schemes

Introduction

Growth shares are shares of a special class, designed to allow the shareholder to benefit only from growth in the company from the time the shareholder acquires the shares. For example, if the company is currently worth £5 million, the holder of growth shares would participate in growth of the company's value above £5 million. Setting up a Growth Share Scheme would be best where there is a realistic prospect that the company can achieve sufficient growth for employees to benefit within a reasonable period.

This guide should not be relied upon as legal advice and you should contact us for advice on your specific circumstances.

Briefing Note
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What are the advantages of a Growth Share Scheme?

There are many practical advantages for the company, the existing shareholders and the employees who partake in such a scheme, some of which are highlighted below:

- It enables employees and directors to directly own shares in the company with a low acquisition cost.
- Share ownership incentivises employees to drive increased profits and promote the growth of the company, boosting morale and helping with staff retention.
- The current shareholders of the company avoid having the value if their existing shareholding diluted.
- Unlike Enterprise Management Incentive (`EMI') options, growth shares do not expire after 10 years.
- Provided various conditions are satisfied, gains on growth shares are usually subject to capital gains tax treatment, as opposed to being subject to income tax and National Insurance contributions. This can be tax advantageous for both the employee and the employer.

Receive our guide

To provide further details on Growth Share Schemes, we have compiled a complimentary guide. This sets out useful details on how Growth Share Schemes may be put in place, including setting out the typical rights attaching to such shares, and the key considerations when deciding if such schemes are appropriate for the company.

To receive our guide, please email any of mark.williams@gabyhardwicke.co.uk, beth.jones@gabyhardwicke.co.uk or christiana.mckeown@gabyhardwicke.co.uk.

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If you would like to know more about this topic or our legal services, please contact Mark Williams or Beth Jones on 01323 435900 or mark.williams@gabyhardwicke.co.uk beth.jones@gabyhardwicke.co.uk

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