

Employee-Owner status: shares for staff instead of employment rights

```
[et_pb_section bb_built="1" background_color="#ffffff"
fullwidth="on" custom_padding_last_edited="on|desktop"
_builder_version="3.0.99"
custom_padding_tablet="50px|0|50px|0"
transparent_background="off" padding_mobile="off"
custom_padding="|||" next_background_color="#FFFFFF"
global_module="136"] [et_pb_fullwidth_header
global_parent="136" title="Employment Law News"
_builder_version="3.0.99"
background_image="http://davidk423.sg-host.com/wp-content/uploads/2017/09/bdbf_final-stages-1-4-1.jpg"
background_layout="dark" title_font="|||||||"
subhead_font="|||||||" background_color="rgba(255, 255, 255, 0)"
/] [/et_pb_section] [et_pb_section bb_built="1"
admin_label="section"
prev_background_color="#ffffff"] [et_pb_row admin_label="row"
background_position="top_left" background_repeat="repeat"
background_size="initial"] [et_pb_column type="3_4"] [et_pb_text
background_layout="light" text_orientation="left"
use_border_color="off" border_color="#ffffff"
border_style="solid" background_position="top_left"
background_repeat="repeat" background_size="initial"]
```

Employee-Owner status: shares for staff in stead of

employment rights

[post_details]

[Social-Share]

[post_tags]

Probably the most radical reform proposed by the Government is the new 'employee owner' status, whereby employees will forfeit major employment rights (like unfair dismissal) in exchange for employees being given shares in their employer worth £2,000 or more. These shares will be sold back to the employer for a reasonable price and up to £50,000 worth of shares will be exempt from Capital Gains Tax (CGT) at the point of sale. This is due to come into force in April 2013.

One of the biggest obstacles to employers using this status is that granting shares to staff triggers an immediate income tax and National Insurance charge. Very few employees would sign up to such an arrangement if they had to pay the tax themselves so in order to get any take up, an employer would have to bear the tax itself, so even if only £2,000 of shares were to be granted, assuming the employee is a 40% taxpayer, another £1,200 of tax would need to be paid. If the employer paid this, this would itself be a taxable benefit triggering a further charge to tax of £480 so the total cost to the employer, with employer's NICs would be over £4,000 – around about the median award for unfair dismissal. When you combine that upfront cost to the employer with the uncertainties that the shares may have been overvalued and so the whole thing may not work, the complexities and legal cost of set up of the new regime and the fact that most employees leave their employers without thinking of claiming unfair dismissal, you can see why, as currently drafted, this is looking like it will only be of interest to a niche of employers and employees, such as the senior hires in technology start ups.

The Government is reviewing whether to reduce the income tax and National Insurance contribution liabilities that arise when shares are issued to employee shareholders; and whether to issue further guidance regarding share valuation and forfeiture. The answers to those questions will determine whether the scheme is viable. Watch this space.

```
[/et_pb_text][/et_pb_column][et_pb_column
type="1_4"][et_pb_sidebar orientation="right" area="sidebar-1"
background_layout="light" remove_border="off"
show_border="on"]
[/et_pb_sidebar][/et_pb_column][et_pb_row][et_pb_section]
```