

Employee shareholder status comes to an end

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The Government has abolished the tax benefits associated with employee shareholder status.

The regime was introduced in 2012 as another category of employment status designed to give employees a stake in the business they work for. It allowed employees to forfeit some of their employment rights (such as the right to a redundancy payment and to claim unfair dismissal) in exchange for a

minimum of £2,000 of shares in the employer. The shares received relief from income and capital gains taxes, so the regime became used for tax planning purposes more than anything else.

Any employee shareholder schemes entered into prior to 1 December 2016 will still experience the same level of tax benefits as before.

Furthermore, the Government revealed its intention to close employee shareholder status to any new applicants altogether as soon as it is able to do so. Even if this were not the case, the lack of any tax relief for new applicants would make it an unattractive option considering the degree of rights an employee would have to forfeit, particularly as there would be an upfront tax charge on the granting of shares.

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