



Joint Share Ownership Plans (JSOPs)

Employee Benefit Trusts have been established for a number of years to encourage employee share participation and have principally operated as an incentive to staff loyalty and productivity. In the text below we outline the joint ownership of shares by an employee and an offshore Employee Benefit Trust (EBT), more commonly known as a Joint Share Ownership Plan or JSOP.

Features of a Joint Share Ownership Plan

The ownership of shares is held jointly between an employee and an EBT, with the EBT holding an interest in the historic value and the employee an interest in the future growth. The trustees of the EBT would be resident in Guernsey.

The arrangement is structured so that the EBT holds legal title to the shares.

The employee will often pay for his interest in the shares at the outset (but the payment need not be significant or at par value). The consideration may also be deferred or provided as a benefit in kind (and taxed accordingly).

The employee is entitled to the growth in value of the shares (this can be 100% of any growth in value or the excess over a pre-determined target).

The rules of the arrangement may be written to allow an employee to sell or receive shares equivalent to the increase in value after an agreed period.

The rules of the arrangement may also be written so that the shares are forfeited if an employee leaves or fails to meet certain agreed targets.

The EBT may act as both a warehouse and market for the shares.

The JSOP is available to companies who are unable to take advantage of Employee Management Incentive arrangements (i.e. those companies with 250 or more employees) or have outgrown an existing arrangement.

Advantages

- The JSOP is structured so that an employee is subject to capital gains tax on the growth in value of the shares rather than income tax
- An incentive providing motivation for employees through share participation
- An effective mechanism to reward key staff as an alternative to the payment of cash based salaries or bonus payments
- NIC advantages
- Available to both listed and unlisted companies
- The arrangement allows significant flexibility with rules which can be written to include specific targets (annual or one-off) and address other areas such as leaving provisions

For further information contact

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Please note Ardel Trust Company (Guernsey) Limited are not tax advisors and it is essential for all interested parties to consult their own professional advisors on all tax and legal matters in connection with the establishment of such an arrangement. We would be delighted to make introductions to professionals familiar with the establishment of JSOP arrangements to assist and provide the necessary professional tax and legal support.

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