



Company Share Option Plans

Paul Merrell

GENERAL CONDITIONS FOR APPROVAL

Options

- Individual may not hold unexercised options with market value exceeding £30,000
- Exercise price not manifestly less than market value at the date of grant

Shares

- Must form part of the ordinary share capital of
 - The grantor; or
 - A Company controlling the grantor
- Must be fully paid up and not redeemable
- Must not be subject to any restrictions other than
 - Those affecting all ordinary shares
 - Provision for forfeiture
 - Pre-emption conditions
- Must also be either
 - Quoted on a recognised stock exchange
 - Shares in a company not controlled by another company

Participants

- Full time director (over 25 hours per week) or qualifying employee (i.e. not a director)
- No material interest in the company (less than 10% of ordinary share capital)

TAX IMPLICATIONS

Income Tax and National Insurance

- No income tax charge on the grant provided that not less than market value
- No income tax charge on the exercise of the option provided that
 - Option exercised between 3 and 10 years after grant
 - Option exercised more than 3 years after previous exercise
- Acquisition of an option does not give rise to a Class 1 national insurance liability

Capital Gains Tax

- Base cost of shares in consideration paid (where exercise is exempt from income tax)

Corporation Tax

- Deduction in computing taxable profits for the costs of setting up and running the plan
- Tax relief denied if options are granted before approval given
- Relief given when expenditure is incurred if approval obtained within 9 months of the year end
- Reduction in difference between market value and price paid for shares in exercise by employee.

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