

11 February 2003

press release

Equity Incentives Limited first to demand changes in proposed new law from the Inland Revenue

Equity Incentives Limited (EIL) have initiated groundbreaking talks with the Inland Revenue (IR) regarding its new anti-avoidance tax legislation proposal.

The new law, which could have an adverse effect on Employee Benefit Trusts (EBTs), particularly upon those where companies wish to retain shares on behalf of employees on a long-term or indefinite basis, was brought into question when Graeme Nuttall, employee schemes partner and Managing Director of Equity Incentives Limited, met with the IR last Tuesday (4 February).

The IR confirmed in the briefing with EIL that anti-avoidance tax legislation, announced in November 2002, will apply to all EBTs without exception and that companies will not enjoy any tax deduction until shares in the trusts have been distributed to employees.

This could prove a severe blow to many companies that set aside shares in a trust and hold them on the employees' behalf indefinitely, following John Lewis Partnership's successful model. Employee share ownership, which is seen by many companies as an effective way of involving, rewarding and motivating its employees, could be threatened as payments to such EBTs will no longer be tax deductible.

Graeme Nuttall says:

Incorporates the equity incentives businesses of **FIELD FISHER WATERHOUSE** and **CAPITAL STRATEGIES**.

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Registered in England No. 4238893. Registered office as above.
A list of the names of the directors and their professional qualifications is open to inspection at the registered office.

“The proposed legislation will deliver a severe blow to the many genuine proponents of employee share ownership in the UK and runs contrary to the Chancellor’s aim of promoting long term share ownership in small businesses. We will seek via lobbying to exclude from the legislation those EBTs which support genuine employee share ownership.”

For further information contact Graeme Nuttall or Liam Northfield (Press and Media Relations) on 020 7861 4000.

Notes to editors

1. Equity Incentives Ltd advises private and quoted companies on the design and implementation of employee share plans.
2. Graeme Nuttall, Managing Director, is recognised as a leading expert on employee share plans. He has been involved in developing employee share ownership legislation in a number of countries including the UK over the last 20 years.
3. For more information, contact Graeme Nuttall on 020 7861 4000 or graeme.nuttall@equityincentives.co.uk.
4. A briefing paper on the new law may be found at <http://www.equityincentives.co.uk/content/resources/news.htm>

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