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EQUITY INCENTIVES LIMITED

press release

Equity Incentives Limited secures employee share ownership commitment in the Budget

In November 2004, Equity Incentives Limited (EIL) and Job Ownership Limited (JOL) requested confirmation from Inland Revenue Trusts that there were no plans to change the existing employee trust tax exemptions.

The response in the Budget is helpful. Inland Revenue Trusts confirmed “there are no plans to change the exemptions applicable in certain circumstances in respect of employee trusts as part of modernising the tax system for trusts. This is also the case for the exemptions and special treatment for trusts associated with Inland Revenue approved share plans, although any such trusts paying tax at the [rate applicable to trusts] will have a reduced tax bill as a result of the new standard rate band.”

Other points put forward by EIL are still unanswered by Government. There is a continuing consultation process. (See notes for editors.)

Graeme Nuttall, Non-executive director of Job Ownership Ltd and Managing Director of Equity Incentives Limited, says:

“This confirmation is helpful. However, in a pre-election Budget one might have expected more of a boost for employee share ownership, disappointingly, there is none.

A new exemption from tax will help low income employee benefit trusts and previously announced anti-avoidance measures in relation to employment-related securities will go ahead. However, we will have to study newly announced anti-avoidance measures to see if there are any changes that adversely affect employee share plans, whether accidentally or intentionally.”

For more information, please contact Graeme Nuttall on 020 7861 4000.

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Notes for editors

1. Other EIL requests made to the Government are to:

- acknowledge the significance of bona fide employee trusts as an essential element in most employee share ownership arrangements.

- include in the consultation process, a detailed review of the operation of the charging provisions under the Income Tax Earnings and Pensions Act 2003 on distributions received by beneficiaries of employee trusts. Tax legislation currently contains no provision for giving credit to beneficiaries who are taxed on distributions as earnings, for tax paid by the trustees of the employee trust. There is similarly no credit available against an employee's liability to income tax on the distribution of a capital asset for any capital gains tax paid by the trustees. There are extra statutory concessions (A68 and D35) but these are not comprehensive.

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

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