



DAC BEACHCROFT

FACT OR FICTION

**How are the interactions
with HMRC changing over
EMI valuations and
what can be done about it**

NOVEMBER 2019

John Dunlop



Randy Pausch

- The key question to keep asking is, are you spending your time on the right things? Because time is all you have.

Randy Pausch (1960 to 2008) was an American Associate Professor of computer science, human-computer interaction, and design at Carnegie Mellon University.

"The Last Lecture: Really Achieving Your Childhood Dreams"

CONTENTS

Randy Pausch

Shining a light on the numbers

What was / is HMRC's view?

Adapt and Overcome

Questions



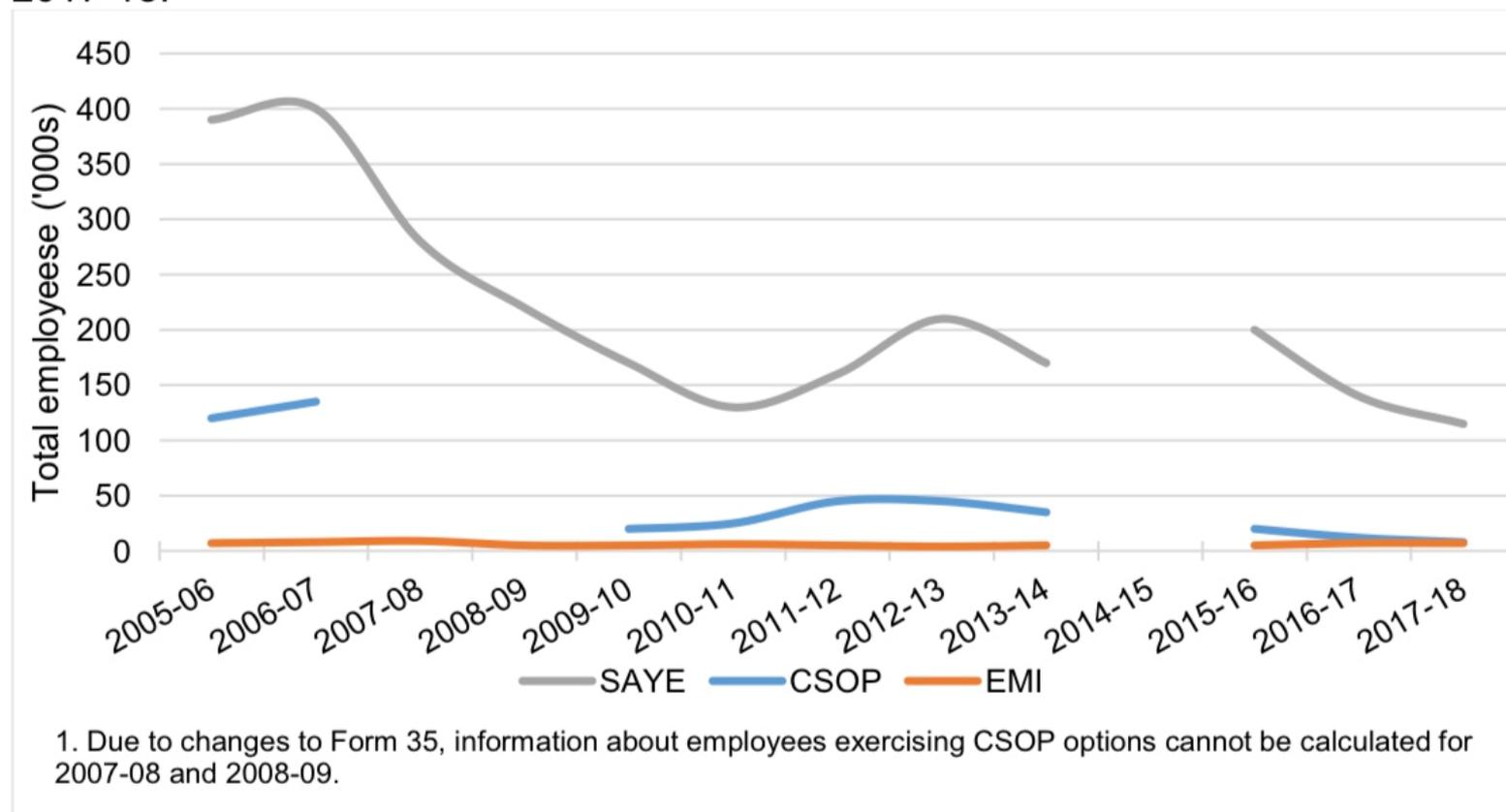
DAC BEACHCROFT

SHINING A LIGHT ON THE NUMBERS



What do people exercise

Figure 6: Number of employees exercising options in SAYE, CSOP and EMI, 2005-06 to 2017-18.



Start with some stats (2017/18)

- 84% of companies offering a scheme, only offer EMI.
- Number of companies who granted EMI options **4,020**
- Employees granted EMI options 33,000
- Number of employees who exercise EMI options 7,000
- Number of companies who granted CSOP options **330**
- Employees granted CSOP options 30,000
- Number of employees who exercise CSOP options 10,000

Start with some stats (2017/18)

- EMI Income Tax Relief **£190m**
- SIP Income Tax Relief £180m
- SAYE Income Tax Relief £100m
- CSOP Income Tax Relief £30m



DAC BEACHCROFT

WHAT WAS / IS HMRC'S VIEW?



Light Touch

“Valuations submitted undergo an initial risk assessment and only a proportion receive detailed examination, those considered lower risk will receive a limited without prejudice acceptance.”

SVM110050

So where does this end up?

Very light touch

Easy client wins

But is this representative of reality?

Fact or Fiction

Are we believing our own press?

What has changed

HMRC now considering EMI valuations more closely

Pre-Revenue

Pre-Profit

Recent transactions



DAC BEACHCROFT

ADAPT AND OVERCOME



Back to Randy Pausch

- Fundamentals, fundamentals, fundamentals.
- You've got to get the fundamentals down because otherwise the fancy stuff isn't going to work.

What information?

The market value of an asset is the price which

- a hypothetical purchaser would be prepared to pay to
- a hypothetical vendor

at the valuation date. For this purpose you should assume that the value is the price which would be paid by a willing buyer to a willing seller.

What do I do?

- Explain and ignore
- Discount

Shareholding Discount

75%+	0% to 5%
50% to 75%	10% to 15%
50%	20%
25% to 50%	25% to 40%
<25%	<i>c 80%*</i>

Voltaire:

La Béguéule

"le mieux est l'ennemi du bien"

If all else fails

- Pay some tax
- Growth Shares
- EMI Growth Shares
- Wait a year (after which valuation becomes stale)

Who am I?



John Dunlop

Tax Partner

T: 020 7894 6330

jdunlop@dacbeachcroft.com

*With thanks to my friends at the Share Plan
Lawyers Group*



[dacbeachcroft.com](https://www.dacbeachcroft.com)

 Follow us: [@dacbeachcroft](https://twitter.com/dacbeachcroft)

 Connect with us: [DAC Beachcroft LLP](https://www.linkedin.com/company/dacbeachcroft)

DAC Beachcroft publications are created on a general basis for information only and do not constitute legal or other professional advice. No liability is accepted to users or third parties for the use of the contents or any errors or inaccuracies therein. Professional advice should always be obtained before applying the information to particular circumstances. For further details please go to www.dacbeachcroft.com/en/gb/about/legal-notice. Please also read our DAC Beachcroft Group privacy policy at www.dacbeachcroft.com/en/gb/about/privacy-policy. By reading this publication you accept that you have read, understood and agree to the terms of this disclaimer. The copyright in this communication is retained by DAC Beachcroft. © DAC Beachcroft.