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— SOLICITORS —

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**CONSIDERING BUSINESS SUCCESSION  
WITH EMPLOYEE OWNERSHIP**

*A short guide to successful employee ownership*

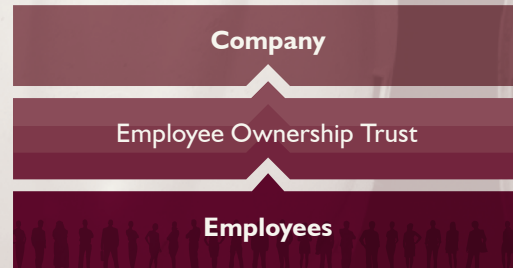


# No single model for employee ownership

## Structure

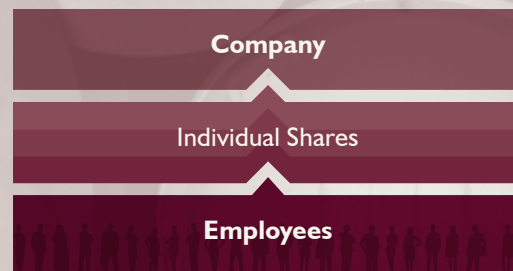
### Direct Ownership

Employee ownership can be direct where employees buy shares directly in a company or are gifted them or buy them through a Share Incentive Plan, Enterprise Management Incentive Scheme or other share scheme.



### Indirect Ownership

Employee ownership can be indirect where an Employee Benefit Trust (EBT) holds shares in a company on behalf of all employees. A special HMRC approved EBT has been permitted from 2014 known as an Employee Ownership Trust (EOT) which is advantageous to the sellers and to the employees of a company. If the EOT acquires 51% or more of the shares in the company, sellers can benefit from paying no capital gains tax. Employees can benefit from income tax free bonus up to £3,600 per employee.



### Mixed Employee Ownership

Employee ownership can be a mixture of indirect and direct ownership.

## Planning for succession

**Is the management team in place who can take over from the sellers? If not, find new managers?**

If managers are in place, ensure sellers and employees learn about employee ownership before making the transition.

Choose advisers with experience of employee ownership.

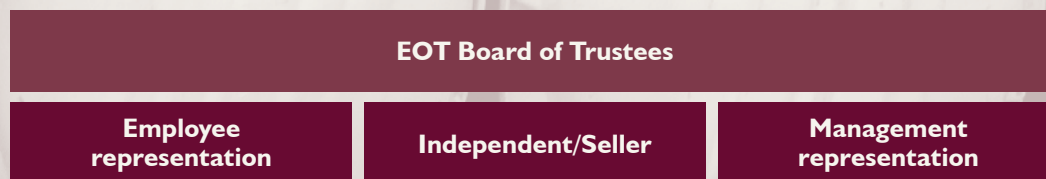
Set up an employee purchase team.

Consider how the sale to the EOT will be financed.

## Engaging employees

### Employee ownership requires employee engagement - it can involve:

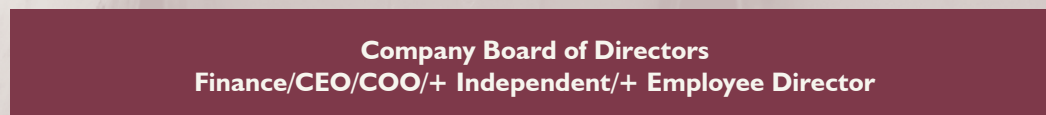
**Usually** - employees becoming trustees of the EOT alongside management and an independent trustee or the seller and greater openness about business finances.



**Often** - in companies with 50+ employees, an Employee Council, elected from all employees to receive information from management and to pass on information from employees in addition to the EOT.



**Less often** - An employee director on the Company Board.



## Financing the succession

- **Agree the broad structure of the sale with the employee purchase team –**
  - Cash on date of sale from the company?
  - Bank borrowing?
  - Seller defers payments of sale price?
  - Employee investment?
  - External investment from specialist EO funders?
- **Ensure that financing the sale is affordable for the company**
- **Obtain independent valuation for the EOT which sellers can review**

Wrigleys work with several funders and valuers of employee owned businesses.

## Contact us

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Please contact us if you would like further information about employee ownership models, including employee benefit trust and employee council or if you would like a review of any pre-existing arrangements.



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## About Wrigleys

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Wrigleys Solicitors LLP is a leading law firm specialising in employee ownership, pensions trusts, family trusts, charities, social enterprise and employment law.

Solicitors at Wrigleys have been advising on employee ownership since 1987.

[www.wrigleys.co.uk](http://www.wrigleys.co.uk)