



**GRANITE**

LEGAL SERVICES

# EMPLOYEE OWNERSHIP TRUSTS (EOTS)



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

GRANITE LEGAL SERVICES

# WHY CONSIDER EMPLOYEE OWNERSHIP?

---

Employee ownership is one of the fastest growing SME business ownership models. For many businesses, it is not just a viable solution to ownership succession but is potentially superior to the alternatives of third-party sale, management buy-out (MBO) or liquidation.

Benefits of Employee Ownership for the:

## Retiring/Business Owner

- Realise the value built up in your business
- Leadership succession can be implemented over time
- Peace of mind that the business is in good hands
- Legacy

## Business

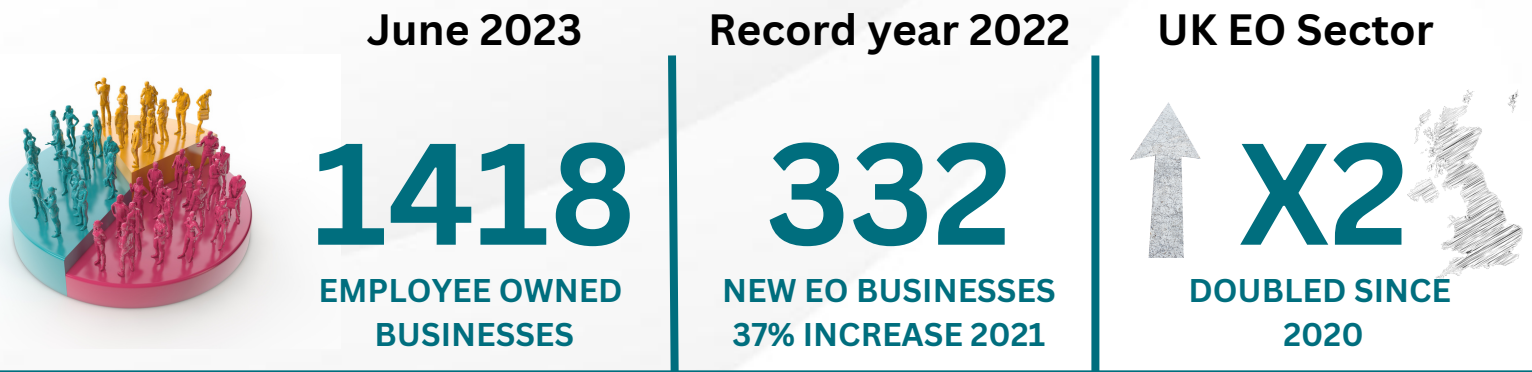
- A solid foundation for further growth
- Helps to create a more resilient and adaptable business, committed to the long term
- Preservation of the business's values and its culture
- As well as rewarding everyone's contribution, also enables targeted rewards for key people
- Increased productivity. In 2021 the Employee Ownership Top 50 companies enjoyed median productivity growth of 9.4% 'like for like' or 5.2% as a whole, double the UK average of 2.6%<sup>1</sup>

## Employees

- Employees have a strong reason to be more engaged, committed and motivated, with a clear shared purpose
- No need to make personal investment or changes to their employment
- A full share in the rewards of success and can receive a tax free allowance of up to £3600 per annum

According to The Ownership Dividend report<sup>1</sup> published in 2018, employee-owned companies tend to be more productive with stronger growth and performance.

Many employee-owned companies have reported that employee ownership provided them with the resilience to see them through the challenges brought by the Covid-19 pandemic.



Source 1: <https://employeeownership.co.uk/resources/reports>

The EO sector more than doubled between 2020–22 as more business owners realised the many potential benefits the transition could offer them, their businesses, their employees and the wider economy.



\*Source: <https://employeeownership.co.uk/resources/what-the-evidence-tells-us/>

# WHAT IS AN EMPLOYEE OWNERSHIP TRUST?

Although employee ownership of businesses has existed for a long time (the John Lewis Partnership took its first step to employee ownership in 1929) only in recent years has it moved into the mainstream.

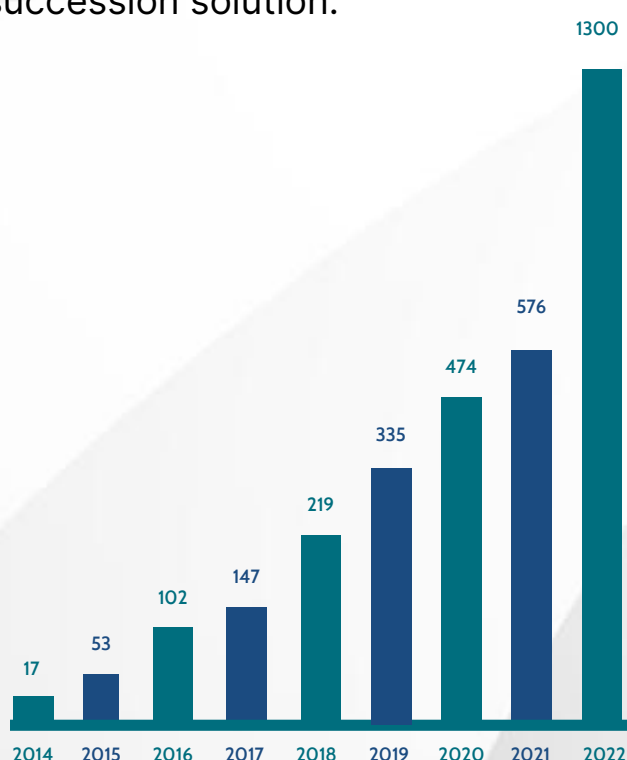
The Employee Ownership Trust (EOT) that we know today was created in 2014 by a UK government that was convinced of the merits of employee ownership and keen to encourage more companies to become employee owned.

An EOT is a trust created to hold shares in a company on behalf of its employees, so that they become the owners without having to take direct responsibility for its liabilities.

The EOT offers two tax incentives with certain conditions:

- Those selling their shares to an EOT may do so free of capital gains tax so long as the EOT acquires a controlling interest (more than 50%).
- Once the company is owned by an EOT a tax-free allowance can be paid to staff as long as all are included and on the same terms

An EOT may not be right for every business, but for many it can be a good succession solution.



## EOTs REPRESENT

**1 IN 20** OF ALL PRIVATE COMPANY SALES

MAJORITY OF EOTS ARE **50-250** EMPLOYEES

but it can work for any size of business.

INCREASE IN PRODUCTIVITY

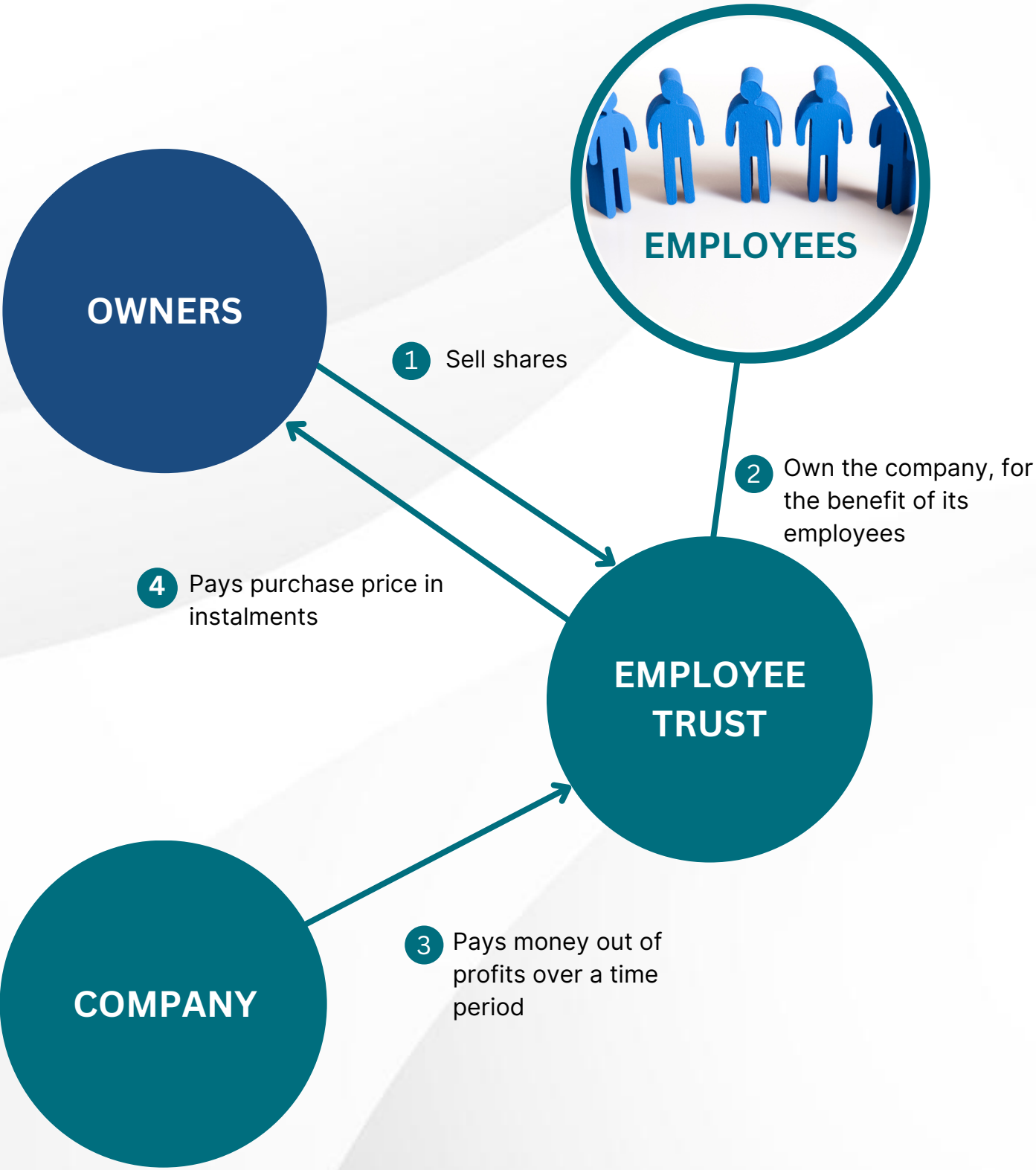
**5.2%**

TWICE THE UK AVERAGE OF 2.6%

based on the top 50 EO businesses.

# WHAT DOES AN EOT OWNERSHIP STRUCTURE LOOK LIKE?

---



# HOW CAN WE HELP YOU?

---

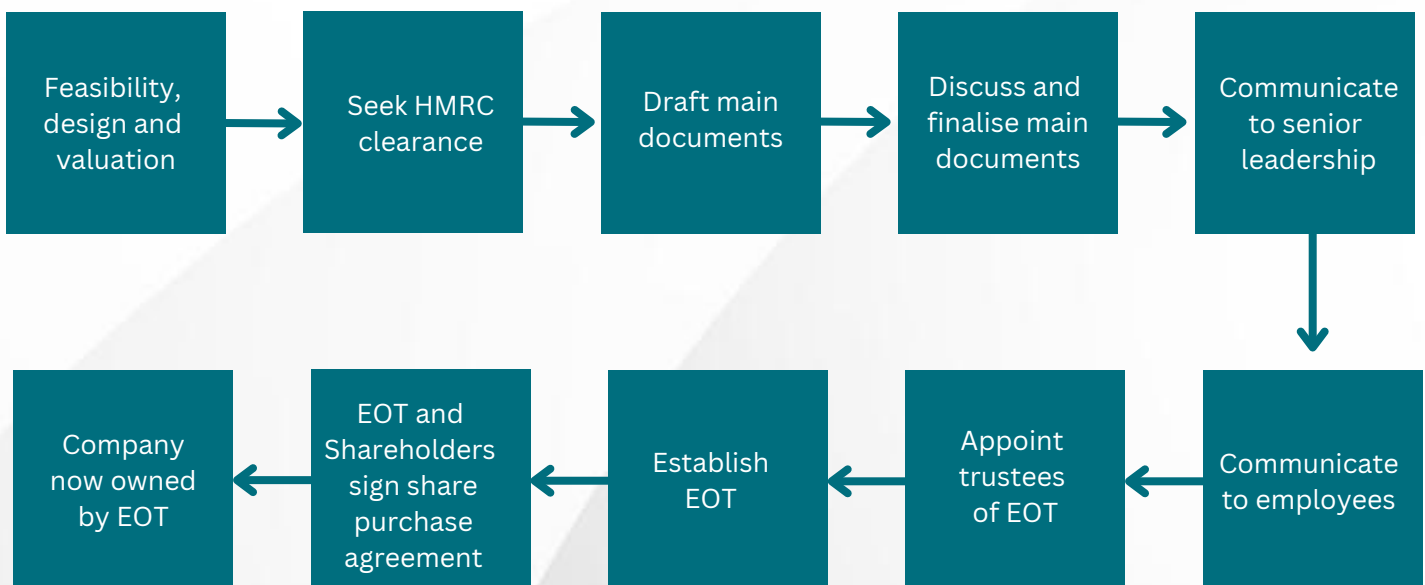
Our Corporate team can explain the benefits of Employee Ownership to both vendors and purchasers and lead you through the sales process. We assist businesses to set up the trust, establish the trust company, create the share purchase agreement, including structuring any deferred consideration document.

## WORKING TOGETHER

We will:

1. Ask you to tell us about your company, listen to what you want to achieve and help you design the employee ownership structure that is right for your company.
2. Guide you through the implementation process, providing all necessary legal advice, all legal documents and ensuring any recommended advance taxation clearances, or tax advice is obtained.
3. Help you manage the project according to your preferred timescale and help provide oversight project management, help you make decisions and prepare the legal documents.

## KEY STEPS



*We recommend you allow up to six to twelve months to complete the transaction.*

# FOR MORE INFORMATION



Granite Exchange, 5-6 Kildare Street, Newry, BT34 1DQ

**Call:** 028 3026 2200

**Email:** [eots@granitelegalservices.co.uk](mailto:eots@granitelegalservices.co.uk)

**Visit:** [www.granitelegalservices.co.uk](http://www.granitelegalservices.co.uk)

PROUD TO BE A MEMBER OF



BETTER BUSINESS TOGETHER

Granite Legal Services is a trading style of Granite Legal Services Limited.  
Registered Address Granite Exchange, 5-6 Kildare Street, Newry, Co.Down, BT34 1DQ  
Registered in Northern Ireland. Registration Number NI642073.  
Regulated by the Law Society of Northern Ireland

This is a general guide only and should not be treated as advice. Any arrangements involving trusts or other third parties should be reviewed carefully in light of anti-avoidance legislation.  
Copyright, Granite Legal Services 2023