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Share incentives: Driving growth in your business

Share incentives are a critical tool for UK private companies not only to attract and retain talent, but also to drive business growth. The right share plans encourage management and employees to achieve corporate goals while rewarding delivery of value through secondary sales to exit and beyond, writes Claire Matthews of global law firm Taylor Wessing.

What benefits do share plans offer?

Share incentives at private companies typically form a significant part of reward packages. They provide several advantages.

Talent – awards can be used to attract talent and aid retention over vesting periods. Share ownership is often viewed as a mark of status within an organisation, fostering longer term loyalty.

Cash flow – offering equity incentives can ease cash flow compared with higher salary or bonus. If awards are structured as options, there is no real dilution until the shares are acquired.

Tax benefits – Enterprise Management Incentives (EMI) remain the most popular UK tax advantaged schemes and are likely to become even more so from April, when increases to limits will enable larger trading companies to use them. Companies that are still too big for EMI, or do not otherwise qualify, can consider Company Share Option Plans (CSOP). Qualifying EMI and CSOP options can be exercised free from income tax and both employer and employee national insurance contributions. The full gain on disposal of the shares is subject to capital gains tax at currently lower rates. For EMI options, Business Asset Disposal Relief can reduce rates further.

How can share plans be optimised to drive growth?

As well as helping attract and retain the best people, share options and other awards motivate them to increase the value of their shares and drive business growth.

Support company strategy – plans can be structured to reward achievement of long-term corporate goals – for example, by using exercise prices or hurdles to incentivise future growth, plans which enable employees to realise value when investors do, or carefully calibrated targets to drive the right long-term performance.

Effective communication – this is key to make sure incentives are understood and valued and therefore motivate employees to drive growth and value creation.

Implementation – it is important that plans are not only fit for purpose but also set up correctly and do not leave the company or employees open to major legal and tax risks.

Key updates for 2026 and beyond

- EMI limits will increase significantly from April 2026, bringing the gross assets limit to £120 million, the employee headcount limit to 500 and the company limit on option share value to £6 million.
- The maximum period for EMI option expiry will be extended from 10 to 15 years from April 2026, and EMI grant notifications will be discontinued from April 2027.
- The launch of trading on the Private Intermittent Securities and Capital Exchange System (PISCES) aims to increase liquidity opportunities for private company employees.

Practical considerations for management

- Review schemes to align them with the company's long-term strategy and drive growth.
- Take advantage of available tax benefits, particularly if your company could qualify for EMI from April.
- Communicate plans effectively to maximise impact.
- Ensure schemes are up to date, set up correctly and compliant well before any significant investment or exit.

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