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Irish ProShare Association

Employee Ownership Trusts Submission



ipsa IRISH PROSHARE
ASSOCIATION

EXECUTIVE SUMMARY

1. Employee Ownership Trusts: Proposal for Ireland

The Irish ProShare Association (“IPSA”) is recommending the introduction of a legislative and tax framework for Employee Ownership Trusts (“EOTs”) in Ireland as a new business succession option for indigenous companies. EOTs have become a proven mechanism internationally, particularly in the UK, where almost 2,900 businesses have transitioned to employee ownership since the introduction of a dedicated EOT regime in 2014.

2. Why this matters

Ireland faces a growing business succession challenge. Many Small and Medium-sized Enterprise (“SME”) owners approaching retirement have limited options beyond sale to trade buyers, private equity, or business closure. This has contributed to an ongoing transfer of indigenous businesses into foreign ownership. EOTs provide a third succession route that enables owners to realise value while keeping businesses Irish-owned, preserving jobs, local decision-making and economic activity.

SMEs represent almost all Irish enterprises and employ the majority of the workforce. Supporting succession in this sector is therefore strategically important for economic resilience, regional development and indigenous enterprise growth.

3. What is an EOT?

An EOT is a trust which holds a controlling shareholding in a company on behalf of all current and future employees. Employees do not own individual shares; instead, ownership is held collectively through a trustee structure that represents employee interests and enables broad-based participation in the success of the business.

4. Evidence of Economic Benefit

Research from the UK and other jurisdictions demonstrates that employee-owned businesses are:

- More productive and resilient;
- More likely to invest in innovation and long-term growth;
- Better at employee recruitment and retention;
- Less likely to undertake layoffs during economic downturns;
- More likely to retain jobs and economic activity within local communities.

Employee-owned businesses have been shown to outperform conventional businesses, with productivity levels estimated to be 8–12% higher than non-employee-owned firms.

5. Proposed Irish Framework

Rather than creating an entirely new tax code, IPSA proposes a targeted framework built around a statutory definition of a qualifying EOT. Key measures would include:

- Exemption from Irish Discretionary Trust Tax (“DTT”) charges that would otherwise make EOTs commercially unviable.
- Enhanced Revised Entrepreneur Relief, increasing the 10% CGT relief limit from €1.5 million to €10 million for qualifying sales to EOTs.
- Alignment of CGT payment dates with deferred sale proceeds, recognising that EOT transactions are typically paid over several years.
- A tax-favoured all-employee bonus mechanism, similar to the UK model, allowing employees to share directly in business success.
- Appropriate anti-avoidance safeguards to ensure genuine employee ownership and prevent abuse of the reliefs.

6. Estimated Cost and Impact

IPSA has modelled two implementation scenarios. A conservative scenario assumes 25 EOT conversions within five years; an ambitious scenario based on Scottish experience assumes approximately 62 conversions within the same period.

Although the proposed tax measures have associated costs, IPSA argues these should be considered against wider economic benefits, including:

- Retention of indigenous ownership;
- Increased employee earnings and PAYE receipts;
- Improved productivity;
- Greater regional economic stability;
- Reduced leakage of business ownership and intellectual property overseas.

7. Recommendation

The report recommends that Ireland establish a dedicated EOT framework as part of a broader strategy to support SME succession, strengthen indigenous enterprise and promote inclusive economic growth. It further recommends investment in awareness, advisory support and implementation infrastructure, drawing on successful models in Scotland, Wales and Northern Ireland

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This paper is intended to provide general legal and tax commentary on EOTs and does not constitute tax or legal advice.

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Glossary of Terms

CAT	Capital Acquisitions Tax
CATCA 2003	Capital Acquisitions Taxes Consolidation Act 2003
CGT	Capital Gains Tax
DT	Discretionary Trust
DTT	Discretionary Trust Tax
DWT	Dividend Withholding Tax
EBT	Employee Benefit Trust
EO	Employee Owned
EOA	Employee Ownership Association
EOB	Employee Owned Business
EOI	Employee Ownership Ireland
EOT	Employee Ownership Trust
EOT Company	Trading company owned by EOT (or could be holding company of a trading group)
ER	Revised Entrepreneur Relief - section 597AA TCA 1997
IHT	Inheritance Tax
IP	Intellectual Property
IPSA	Irish ProShare Association
PE	Private Equity
PRSI	Pay-Related-Social-Insurance
SBR	Share Based Remuneration
SME	Small and Medium-sized Enterprises
SPA	Sale and Purchase Agreement
TCA 1997	Taxes Consolidation Act 1997
USC	Universal Social Charge
WREOC	White Rose Employee Ownership Centre

PART 1

Introduction

The Irish ProShare Association (“IPSA”) supports all forms of share ownership by or on behalf of employees, including share plans for companies of all sizes, worker co-operatives and Employee Ownership Trusts (“EOTs”). The purpose of this paper is to focus primarily on EOTs and the potential introduction of a legislative framework in Ireland to enable the use of EOTs, especially as a business succession solution, in Ireland.

Appendix 2 sets out references to Parts of this paper which address how the EOT fits into the framework set out in the “Tax Expenditures Evaluation – Updated Guidelines”.

1.1 Overview of EOTs

An EOT is a form of Employee Benefit Trust (“EBT”) used to facilitate majority employee-ownership via a stake in a trading company (or a holding company of a trading group) being held on behalf of all current and future employees of that company (or group).

The structure of an EOT is relatively simple and involves a Discretionary Trust (“DT”) which is set up for the benefit of all employees with a corporate trustee (“the EOT”). See Appendix 1 which includes a diagram of an EOT structure and using an EOT as business succession solution (an EOT buy-out). The EOT will own shares (usually a majority or 100% interest) in the trading company or a holding company of a trading group. Shares are not allocated or awarded to individual employees. Instead, they are held collectively by the EOT on behalf of all EOT beneficiaries. The EOT trustee ensures that the employees have an individual and collective voice in how the business is run and the employees also benefit from the financial success of that business through cash profit-sharing.

The corporate trustee will have a board which typically comprises management (or founder) representatives, the same number of employee representatives and a professional / independent chair. The Board of Directors of the trading company will be composed in the usual manner with appropriately skilled senior persons to run the company (and perhaps an additional employee representative).

From a public policy perspective, EOTs have the same benefits as other Share Based Remuneration schemes (“SBR schemes”): enhanced productivity, enhanced recruitment, greater alignment of employees’ and business interests and better retention of staff. In an EOT scenario, an owner can sell their company to a buyer, i.e., the EOT, whose motive is to keep the business strong while the employees’ interests are represented through the shareholding held by the EOT. An EOT facilitates a sale of the business where the owner wants to retire/take a step back (or do this on a phased basis) and does not want to sell to a private equity or trade buyer.

There is a separate, broader strategic argument for facilitating majority employee ownership as an ownership succession option: EOTs can contribute greatly to the enterprise policy goals of strengthening the indigenous sector, reducing reliance on foreign-owned multi-nationals and building a strong cohort of Irish-owned firms. The alternative is often the sale of the company to a foreign-owned multinational or a private equity fund.

The UK (as well as other countries, e.g., Canada, USA, Denmark, Slovenia etc) has taken substantial steps to increase the attractiveness of EOTs to promote long term employee

ownership of companies. These so-called “indirect” or “trust” ownership arrangements are treated as a policy area distinct from direct employee share ownership. Over 2,800 companies, predominantly small & medium-sized enterprises (“SMEs”), have converted to EOT ownership since the UK codified the employee trust model in the form of the EOT in 2014 (when the UK was a member of the EU). At least one company converts to EOT ownership every day in the UK as a business succession solution. In terms of EU comparisons, Denmark and Slovenia have also introduced tax advantaged EOT equivalents.

The US National Center for Employee Ownership has published a guide to different EO models including the new EOT or EOT-equivalent models in Canada, Denmark and Slovenia.¹ These are new models in the early stages of implementation. The US does not have any tax obstacles to using EOTs and has not needed legislation to enable the use of EOTs in the US.²

There were no fundamental UK tax obstacles to an employee trust acquiring and retaining shares in an employer company when the UK legislation was introduced. For example, there was a long-standing exemption from UK inheritance tax (“IHT”) (the equivalent of Capital Acquisitions Tax (“CAT”) and Discretionary Trust Tax (“DTT”)) for employee trusts. A trustee company can be established with minimum regulatory requirements to act as trustee of an EOT and no periodic IHT charges arise. This means there are some decades-old examples of successful UK companies in trust ownership. However, what the UK decided in 2014 was to promote the trust ownership model through specific tax measures, with remarkable success. Notably, the (partial) UK’s Capital Gains Tax (“CGT”) relief for the sale of a controlling interest to the trustee of an EOT has provided a powerful way to raise awareness of employee ownership in the business community, overcome complexities, educate professional advisers and generally increase the resources available to support majority employee ownership. Companies using the trust model will typically pay all-employee cash profit-sharing through payroll, rather than by way of trust distributions, for which there is an income tax exemption of £3,600 per tax year per employee for EOT controlled companies.

1.2 Impact of EO

The benefits of EO are now established as extending to employees, businesses, communities and the national economy.

The 2012 UK Nuttall Review of Employee Ownership highlighted the benefits of EO for **employees** and **businesses**.³ The raised profile of the employee trust model following the Nuttall Review led to the first employee trust exclusive research in 2015 which explored its powerful positive impact on workplace behaviours.⁴ Evidence in 2018 highlighted additional benefits to **communities** (keeping jobs local and support for good causes).⁵ More detailed

¹ <https://urldefense.com/v3/https://www.nceo.org/hubfs/Expanding-Employee-Ownership-Models-Five-Countries-NCEO-2025.pdf> :!!Nyu6ZXf5!pEAKGfNxUwoTintn nYbUpfchqyMENOehqX V4GusWxe8q15plNlfqUA1WJqkjulDpEK3IFxH7Y6 oV3 pUbgpBPiReZne0DJtgi\$

² <https://urldefense.com/v3/https://www.nceo.org/hubfs/Expanding-Employee-Ownership-Models-Five-Countries-NCEO-2025.pdf> :!!Nyu6ZXf5!pEAKGfNxUwoTintn nYbUpfchqyMENOehqX V4GusWxe8q15plNlfqUA1WJqkjulDpEK3IFxH7Y6 oV3 pUbgpBPiReZne0DJtgi\$

³ Steare, R., Stampoulidis, P., Lewis P. N., & Woodman, P. (2015, September). The MoralDNA of employee-owned companies. Chartered Management Institute. https://www.managers.org.uk/wp-content/uploads/2015/09/The_MoralDNA_of_Employee-Owned_Companies.pdf.

⁴ Lewis, P. N., & Yeoman, R. (2016, November). Busting the millennial myth—The power of purpose. Fieldfisher. https://res.cloudinary.com/fieldfisher/image/upload/v1574346398/PDF-Files/PDFs%20from%20old%20website/eo-millennia_web_ingewp.pdf.

⁵ Employee Ownership Association. (2018, June 8). The ownership dividend: The economic case for employee ownership. Employee Ownership Association & LID Publishing Ltd. https://issuu.com/revistabibliodiversidad/docs/EOA_full_book

research in 2023 showed how at scale national economies benefit from EO (stronger growth, reducing inequality, creating jobs, ensuring a more resilient economy, promoting diversity and inclusion, and promoting a greener economy).⁶ A group of national EO organizations in 2022-2023 endorsed the **environmental and equality** impact of EO when agreeing employee-owned businesses are an exemplar for reducing inequality, tackling climate change, and addressing sustainability.⁷ Additional research and analysis is accumulating that explores in more detail the benefits of EO. For example, in relation to achieving equality (reducing inequality) EO can be seen to have a powerful multiplier effect.⁸

It is worth emphasising the economic benefits for a business. Research shows EO in all its forms improves business performance (higher enhanced productivity, higher profits), reduces absenteeism and lowers quit rates, increases economic resilience (less variability of sales over the economic cycle, lower layoffs), creates greater employee engagement, and is more likely to increase investment in research and development (R&D). *Most notably, employee-owned businesses are 8% – 12% more productive than non- employee-owned businesses (calculated on a gross value added per employee basis).* Consistent with the above overall results, EOT-controlled companies show strong financial outcomes. A majority increased their gross operating profit (65%) and turnover (73%). Furthermore, they are more likely to have increased, rather than decreased, their investment in R&D or their capital expenditure, expanded their employee headcount, and appear more financially resilient in turbulent times than other ownership models. They are the least likely EO model to have increased their level of debt.⁹

From an employees' perspective the aim of EO is to provide a good work experience, including financial participation, employee engagement and other characteristics of good work (such as autonomy, dignity). The tangible benefit for employees in an EOT-owned company is, in addition to market rates of pay and benefits, and possibly individual performance bonuses, an all-employee profit share. This is the approach taken by the UK's John Lewis Partnership. Its annual cash bonuses in the 50 years to 2020 averaged 14.8% of salary. This is a reward to every employee for being an employee-owner. In the case of the trust model, once a trustee has paid for its shareholding, a company's profits that are otherwise available for distribution on that shareholding may be used to benefit employees. All forms of employee-owned businesses aim to provide an EO ethos. Research shows there are a few areas in which EOTs do more than other EO models (although the differences are not statistically significant). EOTs are the most likely to offer paid annual leave above the statutory minimum and to provide access to private health care. They are also the most likely to hold accreditations for employee welfare, employee diversity and inclusion, and health and safety.¹⁰

These multiple benefits of EO and EOTs were recognised in a 2024 Northern Ireland Department for the Economy report which concluded the characteristics and performance of

⁶ Employee Ownership Association. (2023). EO knowledge programme 2023: People powered growth. Employee Ownership Association & Ownership at Work. <https://ownershipatwork.org/wp-content/uploads/2023/10/People-Powered-Growth.pdf>

⁷ Fieldfisher. (2023, March 28) Slovenia joins international employee ownership ESG initiative spearheaded by Fieldfisher partner Graeme Nuttall [Press release]. <https://www.fieldfisher.com/en/insights/slovenia-joins-international-employee-ownership-esg-initiative-spearheaded-by-fieldfisher-partner-graeme-nuttall>

⁸ Nuttall, G. (2024). Shared success: Employee ownership as a supercharged "all-party" solution to bolster wealth. In T. Nurcombe & R. Shorthouse (Eds.), *A wealth of opportunities: A centre-right prospectus for spreading wealth* (pp. 97–102). Bright Blue. https://www.brightblue.org.uk/wp-content/uploads/2024/03/BB-Essay-Collection-March2024_PR08-Interactive.pdf

⁹ WPI Economics. (2023, October 17). Exploring the potential of the employee ownership business model - A deep dive into the economic, people, societal and environmental benefits. <https://ownershipatwork.org/wp-content/uploads/2023/10/Exploring-the-potential-of-the-Employee-Ownership-business-model.pdf>

¹⁰ See above referenced WPI Economics report.

employee-owned businesses aligned with the Minister for the Economy's Economic Vision and its four key objectives of Good Jobs, promoting regional balance, raising productivity, and reducing carbon emissions.¹¹

1.3 Why EOTs are a good fit for Ireland

EOTs are increasingly viewed as a strong fit for Ireland because they address several structural challenges in the Irish economy — particularly around SME succession, foreign ownership and with it the inherent loss of indigenous Intellectual Property (“IP”), as well as long-term productivity goals. Regularly, there is commentary in the news and in research which shows an increasing reliance of the Irish economy on foreign-owned multinationals, making Ireland vulnerable to geopolitical shifts.¹² This needs to change in order to futureproof Ireland's economy and to provide particularly SMEs with alternative business succession tools. SMEs (i.e., companies that employ less than 250 persons) accounted for 99.8% of all enterprises and 69.2% of persons employed in Ireland in 2021.¹³ We believe that reducing the number of businesses being sold to overseas buyers will increase tax yields in the form of PAYE on additional employee bonuses and the consequent positive impact of these bonuses being spent in the Irish economy. In addition, EOTs provide a practical way to transition ownership while strengthening indigenous businesses and improving employee engagement:

- *Addresses SME succession gaps:* EOTs give Irish business owners a realistic exit route where there is no family or trade / private equity buyer, allowing companies to transition to becoming employee-owned rather than being sold or wound down.¹⁴
- *Keeps businesses locally owned:* Helps reduce the sale of Irish firms to foreign buyers, retaining profits, control, and economic activity within Ireland.
- *Protects jobs and communities:* Employee-owned firms are more likely to stay rooted locally and are less prone to redundancies, supporting regional economic stability and reduce social-welfare costs.¹⁵
- *Drives productivity and resilience:* Evidence shows employee-owned companies tend to be more productive, more resilient, and have higher employee engagement.¹⁶

¹¹ <https://urldefense.com/v3/https://www.economy-ni.gov.uk/sites/default/files/publications/economy/Research-Bulletin-24-1-Employee-Ownership.pdf> ;!!Nyu6ZXf5!rzHyKAcR_PP3RMP8J-jt_rmm51DGjN19elcKMOW_u_trsliF5GcC7yvXXfksHosMwirZDWfgl0XSKmbEwVJVe-2iHQrGSHimmg\$

¹² Cronin, B. (2025). *More revenue and more concentration How the OECD's minimum effective tax rate will affect Ireland's corporation tax receipts Working Paper N° 25*. [online] Irish Fiscal Advisory Council. Available at: <https://www.fiscalcouncil.ie/wp-content/uploads/2025/04/More-Revenue-and-More-Concentration-Ireland-Corporation-Tax-Paper-Brian-Cronin-2025.pdf>.

¹³ CSO (2024). *Small and Medium Enterprises Business in Ireland 2021 – Detailed Results - Central Statistics Office*. [online] [www.cso.ie](https://www.cso.ie/en/releasesandpublications/ep/p-biidr/businessinireland2021detailedresults/smallandmediumenterprises/). Available at: <https://www.cso.ie/en/releasesandpublications/ep/p-biidr/businessinireland2021detailedresults/smallandmediumenterprises/>.

¹⁴ (2025). *Ireland Losing €1 Billion of Business Ownership Every Month - Employee Ownership Ireland*. [online] Employee Ownership Ireland. Available at: <https://employeeownership.ie/ireland-losing-billion-business-ownership-every-month/> [Accessed 30 Jun. 2026].

¹⁵ Department for the Economy (2025). *Archibald announces funding to encourage greater uptake of employee ownership*. [online] Department for the Economy. Available at: <https://www.economy-ni.gov.uk/news/archibald-announces-funding-encourage-greater-uptake-employee-ownership> [Accessed 13 Mar. 2026].

¹⁶ O'Boyle, E.H., Patel, P.C. and Gonzalez-Mulé, E. (2016). Employee ownership and firm performance: a meta-analysis. *Human Resource Management Journal*, 26(4), pp.425–448. doi:<https://doi.org/10.1111/1748-8583.12115>. See also Kurtulus, F. and Kruse, D. (2017). *How Did Employee Ownership Firms Weather the Last Two Recessions?: Employee Ownership, Employment Stability, and Firm Survival in the United States: 1999-2011*. *Upjohn Press*. [online] doi:<https://doi.org/10.17848/9780880995276>.

- *Broadens wealth and participation:* EOTs allow employees to benefit from ownership (bonuses, influence) without needing personal capital, helping distribute wealth more widely.¹⁷
- *Strong policy lever for Ireland:* With the right tax framework (as seen in the UK), EOTs can be a relatively low-cost way to strengthen indigenous firms, improve retention, and support long-term economic stability.¹⁸

Overall, EOTs offer Ireland a way to combine business continuity, employee participation, and economic resilience—making them not just a governance model, but a strategic policy tool for sustaining and growing the domestic economy.

¹⁷ Employee Ownership Association (2023). *People Powered Growth 2023*. [online] Available at: <https://ownershipatwork.org/wp-content/uploads/2023/10/People-Powered-Growth.pdf> [Accessed 30 Jun. 2026].

¹⁸ Indecon International Research Economists (2024). *Indecon Review of the Taxation of Share-Based Remuneration Report*. [online] Dublin, Ireland : Indecon International Research Economists. Available at: https://www.indecon.ie/assets/files/pdf/indecon_review_of_the_taxation_of_share-based_remuneration.pdf [Accessed 13 Mar. 2026].

PART 2a

The state of business succession in Ireland

In Ireland there are two main succession options for business owners. The trade/PE sale or family succession. Crisis in both these areas has led to an exodus of business ownership from the Irish economy.

The first two problems below explain the crisis in the trade/PE sale area. The following three problems explain the crisis in the family succession area, which is historically the “keep it locally owned” succession option.

Problem 1: When the Biggest Spender in the State isn't the State itself.

Year	Capital budget announced (€bn)	Inbound M&A value (€bn)	Inbound M&A deals
2018	5.3	6.3	108
2019	7.3	7.6	114
2020	8.1	8.8	121
2021	9.7	19.2	172
2022	11.1	12.5	216
2023	12.4	11.3	225
2024	12.8	23.6	275
2025	14.9	14.0	309
Total	81.6	103.3	1,540

Sources: Dept of Public Expenditure, William Fry M&A Reviews (2018-2025)

Italicised figures in 2019 are calculated rather than stated by reports.

The table above highlights the staggering scale of overseas buyers (Inbound M&A) acquiring Irish businesses. The overseas acquirers are outspending the government's capital budget by 27% based on the above period. We can also see the number of deals increasing year-on-year. In 2024 and 2025, one Irish business was sold into overseas ownership every working day.

The Problem 2: Only 15% of trade/PE sale value keeps Irish businesses Irish owned.

% Overseas Buyer vs % Irish Buyer

Year	% M&A Value Overseas Buyer	% M&A Value Irish Buyer
2018	90%	10%
2019	95%	5%
2020	97%	3%
2021	78%	22%
2022	84%	16%
2023	96%	4%
2024	86%	14%
2025	72%	28%
Total	85%	15%

Sources: William Fry M&A Reviews (2018-2025)

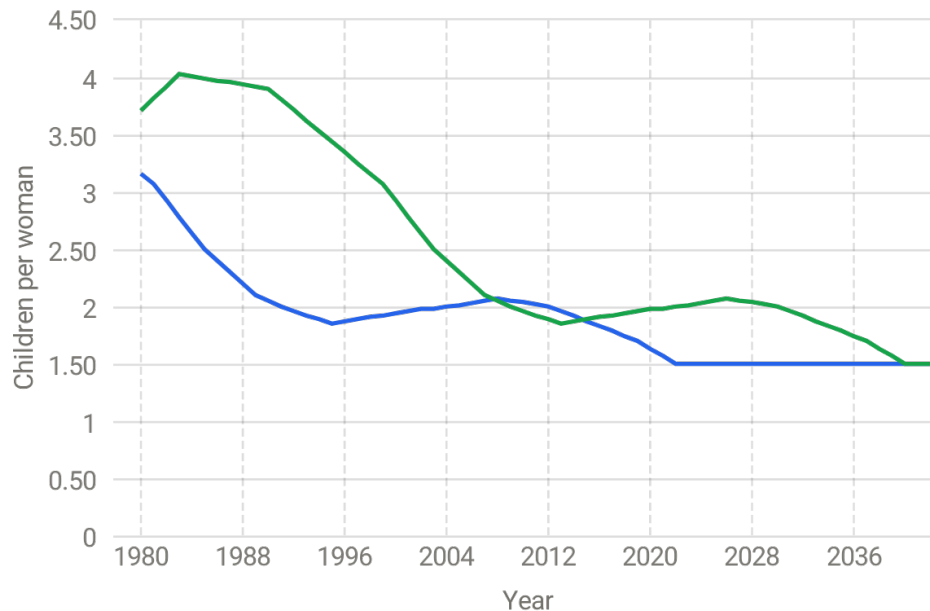
Italicised figures in 2019 are calculated rather than stated in reports

This table states that when an Irish business is sold, only 15% of the money buying it comes from Irish buyers and 85% of the money is from overseas buyers.

Now we will look at the problems faced by family businesses which are historically the “keep it locally owned” option.

Problem 3. There are fewer potential successors for Irish family businesses

Ireland: Total Fertility Rate vs Adult Children (TFR +18yr lag), 1980-2043



● Total fertility rate (children per woman)

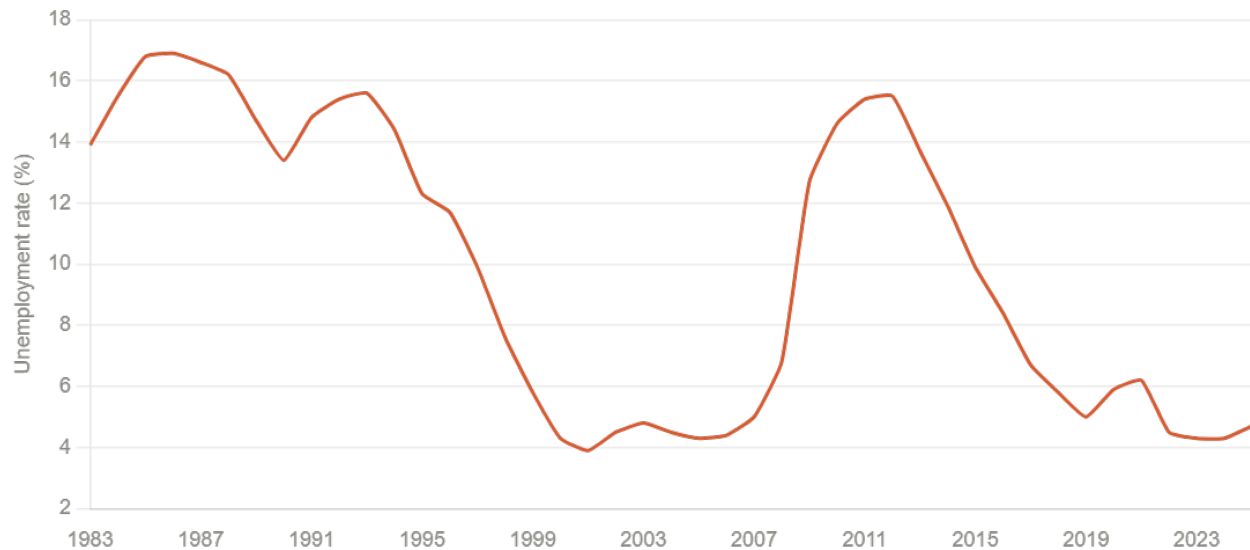
● Adult children per family (TFR, +18yr lag)

Sources: Fertility data: CSO Vital Statistics, various years.

Adult-children figure is the author's own calculation, lagging the CSO series by 18 years and does not account for child mortality or emigration.

The table above shows that Irish families are having less children meaning less possible successors now and into the future. These figures understate the problem as they do not take into account that many adult children are no longer living in Ireland and are therefore less likely to take over the family business.

Problem 4: Potential family successors have more career options outside the family business



Sources: OECD, Main Economic Indicators — series LRUN74TTIEQ156N (Harmonised Unemployment Rate, Total, Ages 15–74, Ireland), accessed via FRED (Federal Reserve Bank of St. Louis). Quarterly data, 1983–2025, averaged to annual figures by the author.

This graph shows that in the 1980s when there were four siblings on average, the unemployment rate was as high as 17%. Possible successors did not have many employment opportunities outside the family business. Ireland is currently enjoying full employment. The two siblings of today and 1.5 siblings of tomorrow have many more employment opportunities outside the family business.

The combination of less children who have better options outside the family business has created a crisis in family business succession.

Problem 5. 67% of Irish family businesses have no formal succession solution

According to a [DCU NCFB study](#):¹ “succession planning is critical to future proofing a business” yet “only one-third of the next-generation family business respondents who participated had a succession plan in place”.

These succession crises are trending in the wrong direction. Unless the government provides Irish businesses with a third succession option, which is a “keep it locally owned” option, we will continue to lose the best of our businesses to overseas acquirers.

¹ DCU Business School (2013). *The National Centre for Family Business The National Centre for Family Business*. [online] Available at: https://www.dcu.ie/sites/default/files/national_centre_for_family_business_editor/2024-04/dcu-ncfb-succesion-report-2024.pdf.

The Economic and Social Research Institute (“ESRI”) has highlighted the risks associated with Ireland's heavy dependence on multinational corporations. While foreign direct investment remains enormously valuable to the Irish economy, the ESRI points out that strengthening domestically owned firms would improve economic resilience, broaden the tax base and raise living standards.²

² Browne, O. (2026). What happens when thousands of Irish business owners retire? *RTE.ie*. [online] doi:urn:epic:1581052.

PART 2b

2b.1 Analysis of take-up of employee ownership trusts (EOTs) in the UK

The EOT has propelled employee ownership (“**EO**”) into the mainstream in the UK. The following analyses the take-up of UK EOTs.

The main regular analysis of UK employee-owned businesses (“**EOBs**”) has been undertaken by Professors Andrew Pendleton and Andrew Robinson, White Rose Employee Ownership Centre (“**WREOC**”). Their data are used extensively in the following summary.

2b.2 Total number of UK EOTs

In the decade following the enactment of the EOT tax regime in July 2014, some 1,800 companies transitioned to EO using the EOT model. The total numbers in 2024 were achieved through accelerating annual growth in the number of EOTs. This growth continues with the total number of conversions to EOT ownership in the UK approaching **2,900** (June 2026).

Table 1: UK cumulative monthly EOT growth (source: Guy Major, Cardiff University)

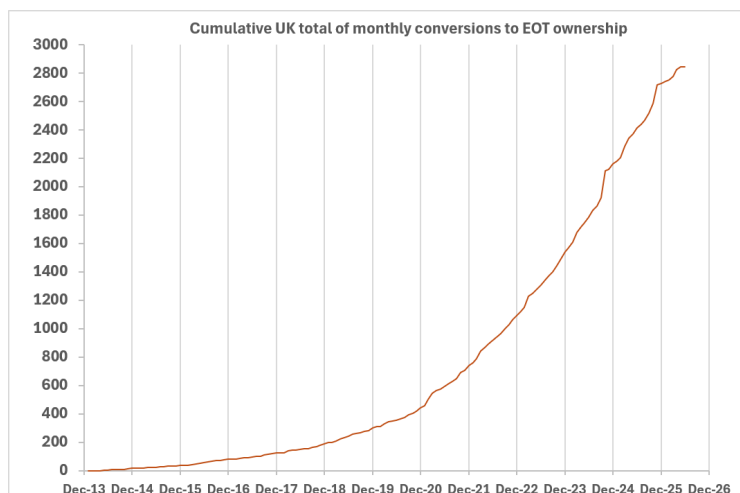
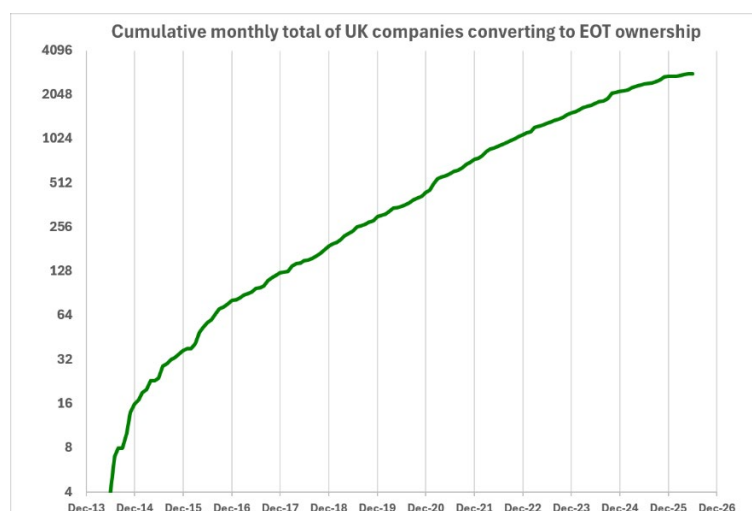


Table 2: UK cumulative monthly EOT growth (using a log scale (x2) to emphasize rate of growth) (source: Guy Major, Cardiff University)



2b.3 Success of EOT model compared to other EO models

The EOT is the dominant model of UK EO. 2,900 EOTs are highly significant in an EO context. It is over seven times the number of UK worker cooperatives, which total 372 (down from 400 in 2020).

The UK is well on the way to matching the estimated 3,500 companies that are majority-owned by US employee stock ownership plans, the dominant US EO model that celebrated its 50th year in 2024.

2b.4 A small-medium enterprise (SME) phenomenon

On average, a UK worker cooperative has six to seven worker-owners. 83% of EOT-owned companies have between 10–250 employees, with an average of 120 and a median of 32 employees. The distribution is skewed with 82% of EOTs having 100 employees or less. The average number of employees across the 177 Scottish registered EOBs as per a 2024 survey was 41 with a median of 24. These figures show little change from 2022 (42 and 22 respectively). The UK EOT is an SME phenomenon, although larger companies also adopt the EOT model.

The 2024 EOT Top 50 required 277 employees to be included. These 50 companies employed 125,114 employees and had combined sales of £16.01 billion. When the largest employer, the John Lewis Partnership, is excluded, the Top 50 employed 52,214, or on average, 1,065 employees.

The Employee Ownership Association (“**eo**a”) and WREOC UK EOB Register (06/26 edition) reports UK EOBs (of all types excluding worker co-operatives) with a total of 428,284 employees. (Given the dominance of the EOT in the UK EOB data, this indicates how many are employed in EOT-owned companies although several large employers are not EOT-owned companies.)

2b.5 A wide range of businesses are EOT-owned

EOTs own services and manufacturing businesses. The top five categories of business are as follows.

Categories	WREOC Census 2023 (EOTs only)	2023 EOA and WREOC UK EOB Register, 06/26 edition (all forms of EOB)
Professional services	39.10%	37.3% ¹
Manufacturing	13.20%	14.50%
Construction	12.50%	13.70%
Wholesale and retail trade	11.60%	10.60%
Information and communication	8.30%	8.10%

There are some 450 EOBs outside these categories (June 2026).

2b.6 Sector momentum

Within categories, such as professional services, EOTs are popular in particular sectors. Sector-based momentum appears an important factor in growing the number of EOTs:

- The move of a major construction company, Erith, to EOT ownership in 2017 was the start of others in the sector adopting this model.
- EOT ownership for a large practice in 2017 (Allford Hall Monaghan Morris) attracted attention to this model for architects. By early 2022, 110 of the Royal Institute of British Architects' chartered practices were EOT owned.
- There are regulations as to how law firms may be owned. The creation in 2018 of the first 100% EOT-owned English law firm showed regulatory obstacles could be overcome for English (and Welsh) law firms. By 2024, there were 30 employee-owned law firms.

2b.7 Geography

Detailed analysis has not been published of take-up by region. But it is clear that, for example, in London and Scotland conversions to EOT ownership started as soon as the EOT tax regime was introduced. In contrast this did not happen in Wales and Northern Ireland. In more detail:

- the ready availability of EOT professional advice in London together with sector momentum (e.g., among architects) can explain why London had a growing number of EOTs from 2014 (see table 4 below);
- in Scotland, an existing government support agency for EO (Cooperative Development Scotland) promoted EOTs from the outset. It maintained this

¹ Professional, scientific and technical and administrative and support service activities combined.

support and achieved a 47% increase in the number of EOBs operating in Scotland from 2022–2024;

- in contrast Wales had slower take-up until the Welsh Government changed how it promoted EO. It separated out EO from other policy work on social enterprises and co-operatives. The number of Wales-based businesses under employee control then doubled two years ahead of target (74 by July 2024, up from 37 in 2021); and
- in Northern Ireland there were no EOTs until recently. A Northern Ireland charity, the DLD Fund, started to promote EOTs. The Northern Ireland Government backed this initiative. Research in 2024 by the Department for the Economy found employee ownership “*seems to align well with the Minister for the Economy’s Economic Vision, in particular, the four key objectives of Good Jobs, promoting regional balance, raising productivity, and reducing carbon emissions*”. The Northern Ireland government supported the creation of a business-led body, Employee Ownership Ireland, to promote EOTs. These measures started accelerating the annual growth (see table 5) that had been seen sooner in other areas (see Table showing growth in London). In May 2026 Northern Ireland announced its 20th EOB.

Table 4: Take-up of EOTs in London (source: Guy Major, Cardiff University)

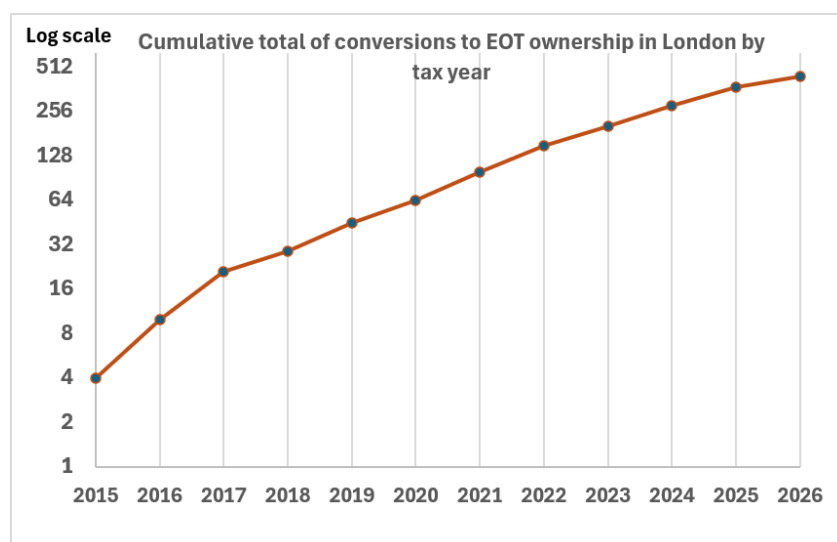
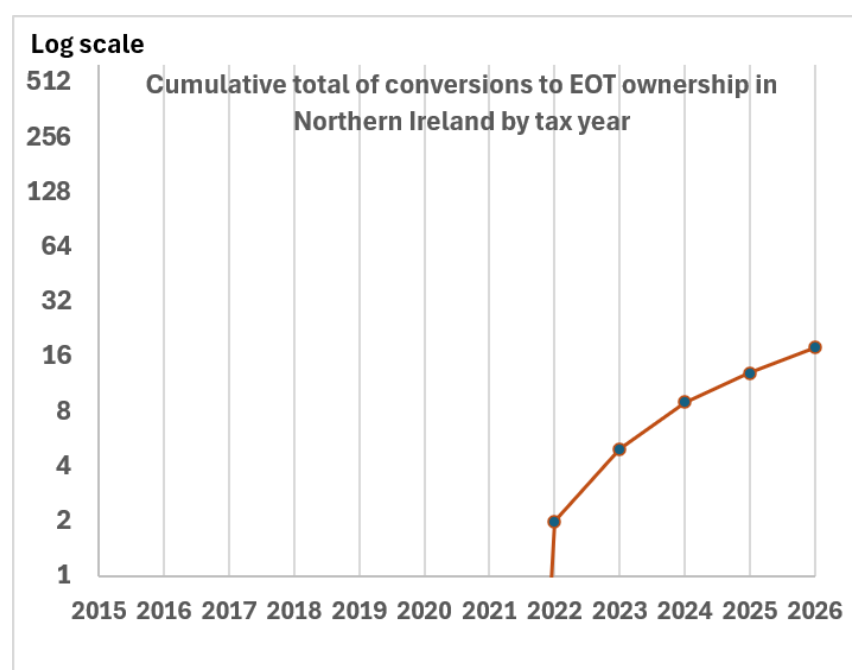


Table 5: Take-up of EOTs in Northern Ireland (using a log scale) (source: Guy Major, Cardiff University).



2b.8 Low use of external finance

The main UK EOT financing model is seller financing, with sellers agreeing to payment of consideration in instalments (deferred consideration). Exiting owners used external (mainly bank) finance in only 13% of cases.

2b.9 Deferred consideration

The median deferred consideration period is six years. The average deferred consideration period is 6.4 years (calculated as 6.8 years in another survey).

All payments from a trading company to an EOT are made from distributable profits (to avoid unlawful company law distributions) and so deferred consideration payments are made subject to the trading company's profitability. Sometimes consideration payments are completed quicker than planned, sometimes they take longer. Sellers may plan a very long deferred consideration period. One transition of a hotel to EO has a 25-year repayment plan to avoid financial burdens that would constrain reinvestment in the business.

Interest may be payable on deferred consideration or on payments made later than scheduled. With sales to EOTs when interest rates were low it was typical not to charge interest on deferred consideration.

2b.10 100% EOT ownership

The UK's EOT capital gains tax and income tax reliefs are only available when an EOT has a majority shareholding in a trading company (or group). In practice, the ownership transferred into the EOT is considerably higher, with the median ownership being 100%.

The UK has a range of tax-advantaged share and share option plans that are commonly used in private companies (as well as stock exchange listed companies), as executive or all-employee plans. A majority EOT may be combined with a share plan to provide a hybrid EO model. This is seen in a minority of cases. Employees directly own shares in around 10% of cases.

2b.11 Governance

The UK government relies on trust law and the EOT trustee's controlling shareholding to ensure the purpose of the EOT is achieved. The EOT tax regime does not regulate how an EOT provides EO and did not, for the first decade of the EOT's existence, regulate how an EOT was governed. Nevertheless, there is a largely standard model for a UK EOT:

- a UK tax resident company (a company limited by guarantee) is incorporated solely to act as the (unpaid) trustee of the EOT;
- there are typically five members of a trustee board;
- there is representation on trustee boards by trading company directors (73% of trustees), employees (78%) and independent trustees (70%);
- the so-called "paritarian" boards on which there are an equal number of senior management and employee trustee directors with an independent is a typical trustee board composition;
- selling shareholders are also represented on trustee boards especially whilst owed deferred consideration;
- employees have other forms of representation and influence on management. In 53% of companies there is an employee director on the main company board. It is typical to have one or both of an employee council and employee representatives that interact with management; and
- notwithstanding the COVID-19 pandemic, surveys in 2020 and 2022 showed over 60% of EOT-owned companies gave a profit share to employees in the last year. The average per-employee bonus in the 2022 survey was £2,780.

There has not been a survey of typical bonuses once deferred consideration is paid in full. Annual cash bonuses at the John Lewis Partnership in the 50 years through 2020 averaged 14.8% of salary.

2b.12 October 2024 Budget

To pre-empt possible abuse of the EOT capital gains tax relief, the UK government was lobbied to bring two elements of best practice into the UK statutory definition:

- an additional requirement for anyone claiming the capital gains tax relief that the trustee of the EOT must be UK tax resident; and

- a “trustee independence requirement” to ensure former owners cannot claim capital gains tax relief while keeping indirect control of the company after the sale by being in the majority on the trustee board.

These changes were made. Prior to these changes there were an estimated 50 non-resident trustees of EOTs and employees and independent were, in any event, in the majority in 73% of cases, with employees in the majority in 25% of cases.

2b.13 Financial success

Survey evidence, using subjective evaluations of company performance, suggests that most EOTs are more productive and profitable than their industry peers, with very few having worse performance than their peers (Pendleton & Robinson, 2025).

An analysis of financial results showed strong financial outcomes for EOT-owned companies. In the previous five years, a majority of EOTs increased their gross operating profit (65%) and turnover (73%). Since conversion to EOT ownership companies are more likely to increase than decrease their investment in R&D, their capital expenditure and expand their employee headcount. EOTs perform very similarly to other EO models and outperform non-EOBs consistently in providing employee benefits and cost of living support (WPI Economics, 2023).

Insights from an evaluation of EOTs on behalf of HM Revenue & Customs indicate that for those that have transitioned to operating under an EOT model, this has largely been a positive experience and one which has resulted in a number of highly valued outcomes. This included both organisational culture and employee engagement benefits, and financial benefits,

2b.14 Exits from EOT control

There is little firm evidence regarding the extent to which EOTs have exited via onward sales or have failed as businesses. On a preliminary basis, calculations by Guy Major (Cardiff University) are that about 50 EOT-owned businesses have failed and approaching 70 have been sold.

2b.15 Limitations of research

The research papers cited below acknowledge the limits of the research. There is no official register of EOTs. The UK EOT sector continues to grow, and research may reflect the time the research was undertaken rather than the current situation. Results may change as, for example, more companies complete deferred consideration payments, such as the size and frequency of bonus payments and the proportion of former owners on trustee boards. Also, the reduction of the capital gains tax relief in November 2025 from 100% to 50% may lead to an increase in external finance.

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PART 2c

2c.1 The massive potential for EOTs in Ireland

There are no private companies with majority employee ownership (“**EO**”) in Ireland. In contrast, in the UK at least one business a day converts to EOT ownership. The commercial dynamics behind the growth of UK EOTs all exist in Ireland. The potential to grow EOTs in Ireland is massive. The following looks at this potential in more detail and suggests Ireland should aim to have 100 EOTs within six years and 50 a year after that.

This is a preliminary analysis for further discussion and examination, especially as greater certainty is achieved regarding the UK’s annual conversion rate now that capital gains tax is payable on EOT sales.

2c.2 Commercial dynamics

Dynamics affecting the take-up of EOTs as a succession solution for private companies include:

- the number of small-medium enterprises (“**SMEs**”) (see Part 2b and EOTs as an SME phenomenon);
- the time and support given to making employee ownership a mainstream idea (see Appendix 8 regarding establishing an EO Centre and Appendix 9 regarding the UK’s path to making EOTs mainstream);
- the number of likely exit events; and
- the attractiveness of EOTs as an alternative to other possible exits.

2c.3 An SME phenomenon

Ireland has a significant proportion of SMEs, see also Part 1. There are roughly 260,000 UK SMEs (including micro and large private company employers) representing 18% of all employers.¹ In Ireland there are 26,803 SMEs which account for 7.3% of all employers.²

This suggests an eventual annual take-up rate of *10% of the UK rate* (26,803/260,000) can be achieved.

As discussed in Part 2b and further below take-up was at an accelerating annual rate across the UK over the 10 years since the EOT was codified in tax law in 2014.

¹ *Business population estimates for the UK and regions 2025: statistical release*
<https://www.gov.uk/government/statistics/business-population-estimates-2025/business-population-estimates-for-the-uk-and-regions-2025-statistical-release>

² *Business Demography 2021 - Central Statistics Office*

By September 2024 the annual 12 months rolling total of tax month (6th to 5th of a month) conversions to EOT ownership had reached **500**. (This total and others below are from a database compiled by Guy Major, Cardiff University.)

The Irish equivalent at 10% would be **50** conversions a year.

Another approach is to look at the number of company sales a year and the proportion that might become EOT sales. In Ireland there were 524 merger and acquisition (“**M&A**”) transactions in 2025 (511 in 2024).³ The European Federation of Employee Share Ownership (“**EFES**”) reported EOT sales peaked in 2024 at around 9% of all UK business transitions.⁴ This supports a target of 50 conversions a year in Ireland (9% x 524 = 47).

2c.4 Total over a 6-year period

On the assumption the Irish Government promotes EOTs, including providing tax incentives as well as removing tax obstacles, and supports their implementation from the outset it is reasonable to assume accelerating annual growth in early years and that 50 conversions a year could be achieved within six years.

By coincidence the actual take-up of EOTs in Scotland closely matches this calculation. As noted in Part 2b, Scotland had in place a government agency that supported EOTs from their introduction.

The following shows the projected take-up to achieve 100+ EOTs:

Year	Projected annual number of Irish EOT conversions	Scottish equivalent (2014-2015 to 2019-2020 tax years)
One	2	2
Two	4	2
Three	8	10
Four	16	20
Five	32	33
Six	50	45
Total	112	112

The recent popularity of EOTs in Northern Ireland should help ensure a good start to achieving this target in Ireland.

2c.5 Impact of UK EOT tax changes

UK EOT tax changes in October 2024 and November 2025 and surges in transactions in anticipation of these changes make it difficult to calculate the “normal” annual UK take-up rate since September 2024. See the explanation in the Schedule for a more detailed discussion.

³ William Fry M&A Review 2025, February 2026

⁴ EFES Newsletter, June 2026

The number of EOT sales has fallen. This is partly temporary as advisers take time to understand how to structure transactions, now that tax is payable. It is also because of the increased risk sellers have from a combination of technical issues in UK tax legislation. The Irish EOT regime can learn from the UK experience and avoid these technical problems by not imposing a long clawback period with conditions outside the sellers' control and by allowing tax to be paid at the correct rate on each deferred consideration payment as it is received.

The target of 50 Irish EOT transitions a year may be an underestimate. The gross domestic product ("**GDP**") of Ireland is 18% that of the UK.⁵

If annual Irish EOT conversions amount to about 18% of UK conversions then, using 500 as the UK total, that is **90** conversions a year. And even if the UK rate (with its continuing tax technical issues) has fallen to 300 (see Schedule) the Irish equivalent is 54.

On this basis it is assumed that **50** conversions a year remains a reasonable annual target, with a target of **100** conversions after six years.

2c.6 Higher demand for EOTs in Ireland?

There appears a greater need for EOTs as an additional succession solution in Ireland than the UK for various reasons. These factors might suggest a higher target is appropriate:

a) The main categories of EOT-owned business may be proportionately larger in Ireland than the UK

Irish SMEs contribute significantly to manufacturing employment and services employment in Ireland, roughly in line with OECD averages. Compared to the UK there may be a higher demand for EOTs.

b) A lack of planning:

Irish business owners are underprepared for exiting their business and may be more open to considering EOTs. In the UK **37%** of SME owners who said they are likely to sell or divest all or part of their shareholding in the next 10 years did not have a plan in place to enable this. In contrast as noted in Part 2a (The State of Business Succession in Ireland), **67%** of Irish family businesses have no formal succession solution.

c) The need for an alternative to closing a business:

In the UK research in at least 43% of cases owners were clear the outcome was likely to be the sale or closure of the business. The prospect of a business closing is higher in Ireland. Ireland has the highest rate in Europe of people who have recently exited and closed a business. In 62% of exits, the business was discontinued. Only in 38%

⁵ GDP (current US\$) | Data (World Bank Group)

of exits by owner - managers in Ireland was the business continued (sold or passed to family member).⁶

d) The aim of keeping businesses local

The attractiveness of EO as an alternative to other possible exits is another factor. There are reasons for an EOT sale that apply regardless of geography but one reason for choosing EOT ownership may be especially strong in Ireland. This reason is to keep a business local, especially in rural areas where an EOT-owned company may be the main employer and an important part of a community.

2c.7 A target for Ireland

In conclusion, Ireland should aim for 100 EOT-owned business within six years of introducing regulatory measures to support EOTs and 50 a year after that.

⁶ *Entrepreneurship in Ireland 2021*. (Global Entrepreneurship Monitor). [2021-global-entrepreneurship-monitor-gem-report-en-56468.pdf](#)

Part 2c Schedule

Impact of UK tax changes in October 2024 and November 2025

The pre-October 2024 accelerating annual growth in the number of UK EOTs has stopped. This is because of changes to the UK EOT tax regime. This adverse impact is partly temporary as advisers adjust to new rules. But there also appears to be a permanent reduction because of the higher risk profile sellers face. Other wider economic factors may also have temporarily reduced the number of sellers wishing to sell. Conversions to EOT ownership continue but at a lower rate and it is as yet unclear, what the new normal is. Instead of 500 transactions a year it could be 300.

In more detail:

- a) There was an unusually high number of conversions to EOT ownership prior to the UK October 2024 Budget with the 12-months rolling total reaching around **650**. The 12-months rolling total fell in subsequent successive months. UK businesses were still converting to EOT ownership but not at an accelerating rate. The rolling total had fallen back to **500** prior to the November 2025 Budget.
- b) A surge of transaction pre-Budget 2025 raised the total to approaching **600** but again there were few transactions in the months immediately following the 2025 Budget. The rolling total again fell in successive months. Monthly transactions resumed at reasonable pre-Budget 2025 levels in April and May 2026. The rolling (tax months) total as at May 2026 was **485**.
- c) The reduction in capital gains tax relief from 100% to 50% created uncertainties over how to structure transactions. It is taking a while for practitioners to understand the implications of this and how to revise transaction structures. Guidance from HM Revenue & Customs has helped. This explains why transactions resumed in April and May 2026.
- d) It is likely that the change from 100% relief to 50% relief will reduce the number of EOT transactions. This is consistent with interviews between December 2023 and February 2024 on behalf of HM Revenue & Customs with 30 trustees of companies that were operating under an EOT model. Some of those interviewed were former owners of the companies. There was a range of views on the significance of the (then) EOT capital gains tax exemption from it having little impact to it being fundamental to choosing to sell to an EOT.⁷
- e) There does not appear to be a general objection to paying tax, the concerns are over when it is paid. All sellers face an increased risk profile that has made EOT sales less attractive. Much of this increased risk could be avoided if tax was paid only on consideration received, if the four complete tax year clawback period was

⁷

[Evaluation of Employee Ownership Trusts. May 2025. HMRC Evaluation Report 795](#)

reduced and did not include events outside the control of sellers.⁸ Unless changes are made to the UK EOT tax regime to make the payment of tax match deferred consideration payments it is possible transaction levels may be permanently significantly reduced.

Summary of UK tax situation for sellers to an EOT post 2024 and 2025 Budgets - an increased risk profile

The main difficulty is explaining to sellers that (a) up to 50% of early consideration payments go to pay tax⁹ in full, calculated on the total expected consideration, (b) they must wait four to five years, to avoid clawback events outside their control, for the favourable EOT rate to become definite and then (c) wait, typically another two or three years to get all their consideration, so as to benefit from that favourable rate.

- f) There is no reason to believe there is a fall in potential business sales. Research finds over two thirds (69%) of UK SME owners are likely to sell or divest within the next 10 years, affecting roughly 120,000 SMEs.¹⁰ So, the demand for EOTs as a business succession solution remains.
- g) There has been a reduction in the volume of M&A activity in the UK. The provisional combined number of M&A transactions involving a change in majority share ownership was 352 in Quarter 1 (Jan to Mar) 2026, compared with 495 in Quarter 4 (Oct to Dec) 2025.¹¹ This 30% reduction when applied to 500 annual EOT sales equates to **350** transactions.
- h) Considering the onerous four-year, or if a transaction completes early in a tax year five-year, clawback charge (introduced in October 2024) and the complexities of paying tax on deferred consideration (from November 2025) it seems clear, for now, that accelerating annual growth will not continue in the UK.
- i) One way of assessing future demand is the number of advance statutory tax clearance applications made in a quarter. Although not mandatory, it is highly recommended to obtain a tax clearance for every EOT transaction that the sale proceeds will not be taxed as dividends under an anti-avoidance provision.¹²

⁸ 'New employee-owned trusts fall to four-year low' 1 July 2026, Personnel Today

⁹ Tax may be paid in instalments but HM Revenue & Customs apply a standard collection rate of 50% of each instalment until tax is paid in full on the entire consideration due, which is a significantly higher rate than the effective rate of tax on sales to an EOT of 12%.

¹⁰ 'Generation EO: The Great Employee Ownership Succession Opportunity', November 2023, Ownership at Work

¹¹ Mergers and acquisitions involving UK companies - Office for National Statistics

¹² HM Treasury 2025 Budget costings refer to 97% of EOT transactions having an advance tax clearance. See [Budget 2025 Policy Costings](#)

Freedom of Information requests provide this information. 90 EOTs received tax clearance in the first quarter of 2026.¹³

EOT transactions are generally completed relatively soon after receiving a clearance. This total is consistent with the uptick seen in April and May 2026. The concern is that 90 is the lowest figure since Q2 2022, when 79 were authorised. In May 2022 the 12 monthly rolling total was **300**. It is unclear whether the April and May 2026 increase in transactions will be sustained. If transaction levels are not sustained, then extrapolating reported EOT sales post-Budget 2025 for a full year projects a total of around **300**.

¹³ See above Personnel Today article

PART 3

The business owner's perspective – why would shareholders choose to transfer their business to an Employee Ownership Trust?

Content provided by Alan Coleman, Wolfgang Digital Ltd

3.1 Ireland's Succession Crisis.

They say there are two certainties in life: death and taxes. For business owners, there is a third: succession. Every business owner will, at some point, exit stage left, and ownership will transfer to a successor.

As covered in the previous section, there is an urgent need for a third succession option which keeps Irish businesses Irish owned.

The UK introduced Employee Ownership Trust ("EOT") legislation and tax incentives in 2014 and has seen remarkable growth since. There are now approaching 2,900 EOTs in the UK.

3.2 Why would a business owner choose an employee ownership trust?

Many business owners don't have maximising the payout as their sole priority when exiting. They care deeply about their business and the people connected to it. They don't like the idea of selling to the companies they have been competing with throughout their careers and worry about how an overseas acquirer will run the business going forward.

As is the case in Northern Ireland, England, Scotland, and Wales, many Irish business owners would choose the Employee Ownership Trust (EOT) option for succession if it were made available to them.

The reason business owners are opting for employee ownership elsewhere is that it keeps the business independently owned, protects its vision and values, safeguards jobs, and rewards the people responsible for the company's success. It protects the founder's legacy and is proven to strengthen the business. For an owner who wants to see their company thrive long after they are gone, EOTs are a proven solution.

The major downside of selling to an EOT is the slower payout. Trade sales typically take 1–3 years, while EOTs take 6–7 years. The capital gains tax incentives offered in the UK (and now Canada, Denmark and Slovenia) give business owners a commercial rationale for accepting much slower payment terms.

3.3 The Wolfgang Experience.

We're a people-led business. We believe that if we make long-term investments in our people and their work, the financials will follow. For example, we spend more time upskilling than other

agencies; as a consequence, we bill fewer hours per person. We could make more money this year, but we choose to build our skills to do better work next year. This future focus and constant upskilling is central to our success. We've won Best Agency Globally 5 times and we've grown to become the largest Irish owned digital marketing agency with 70 people.

Once we crossed the 10-employee threshold, we started receiving acquisition approaches from all over the world. No matter where the approach originated, the conversation was always the same: "What's your profit? Can you grow it aggressively over the next three years?"

I could see that the long-term investments we make in our people and our work couldn't survive a sale. We would simply become a cell in somebody else's spreadsheet, existing exclusively to provide profit to HQ. Maximum billed hours per person would become the priority, upskilling would go by the wayside. The "Wolfgang difference" would die with the sale. We'd have won our last "Best Agency Globally" award, headcount growth would halt and job insecurity would creep in.

I want the business to prosper long after I'm gone, so the trade sale was an unappealing option. My children are far too young to be a succession possibility. When I heard of EOTs in the UK, I fell in love with the idea. We love investing in our people, and ownership is the ultimate investment.

I sought professional advice on becoming Ireland's first EOT and was told not to do it, as the business and I would have to pay taxes we wouldn't otherwise face. I believe EOTs offer a far better deal than the trade sale for everyone connected to the business, so I was happy to ignore that advice and pay the extra tax.

Two years in, I'm delighted with the results. We've solved significant business problems by collaborating with our employees. We've just had our best Q1 in 19 years of trading, and employee initiatives were central to that. Since the transition, employees have seen an average salary uplift of 9% from their profit share.

3.4 Employee Ownership Works.

I firmly believe we are a far stronger business for becoming employee-owned. When the time comes for me to exit, I'm confident the business is set up for success for many decades, and possibly even centuries, to come.

I've found I'm unusual in that I'd opt to pay more tax to strengthen the business. Multiple business owners have approached me wanting to follow Wolfgang's EOT path. Every one of them stepped back once they understood the tax cost. That's not absence of demand — it's demand that the current tax code is actively suppressing. Business owners are commercially rational people. If the current tax disincentives remain, Wolfgang will remain Ireland's only EOT.

However, if the government provides tax incentives, many business owners will find it is rational to accept a slower payout because the net amount is higher.

Tax incentives were at the core of our FDI strategy for foreign businesses. Let's put them at the core of our EOT strategy for Irish businesses.

PART 4

The information contained below is for illustrative purposes only to demonstrate the workings of an EOT in practice both in terms of the lifecycle and funds flow. As mentioned in Part 2b, there is limited data on EOT exits in the UK on the basis that an EOT is not typically set up with the expectation of an exit as it is intended to be a long-term holding vehicle. However, for completeness, the exit funds flow and example have been included below, albeit it is not the expected or hoped for outcome for an EOT.

4.1 Lifecycle and funds flow of an EOT

Timeline (estimated)	Steps	Funds flow
Year 1	1. Establishment of the EOT - A discretionary trust is formed by the target company which will therefore be “the settlor” of the trust (the “EOT”). - The trustee of the EOT will usually be a newly formed trustee company. - The board of the trustee company may comprise the founder/member of management, an employee representative and an independent/professional trustee. - Current employees are typically the beneficiaries of the trust.	Small nominal sum is settled on trust on set-up
Year 1	2. Initial funding the EOT The EOT is put in funds to facilitate the purchase of shares in the target company (i.e., funds sufficient for the payment of the upfront consideration and stamp duty).	A capital contribution is made by the target company to the EOT to fund the initial instalment of purchase price. The funds will be sourced from the target company’s reserves which may have been built-up over a few years.
Year 1	3. Purchase of shares by EOT The EOT buys a controlling stake in the company for an initial payment plus	EOT uses funds from the above-mentioned capital contribution to purchase 100% / a majority stake from existing shareholders

	deferred consideration payable over a period of, for example, 5-7 years. • The board of directors of the target company will continue to run the company with perhaps a representative employee on the board (where appropriate). • The board of the trustee company will be representing the employee beneficiaries of the EOT as owners of the target company.	for an initial payment (+ deferred consideration). The selling shareholders are now creditors of the EOT.
Years 2 –7	4. Additional capital contributions are made by the target company to the EOT	The target company makes annual or periodic capital contributions to the EOT using profits made in years 2 – 7 (or over a longer period if required). These capital contributions are used to pay deferred payments owing to the selling shareholders (creditors) and interest (if payable) under the terms of share sale and purchase agreement.
EOT achieves financial freedom once the original shareholders are fully repaid.		
Years 8+*	5. Bonus Payments to Employees Bonus payments are in fact often made from year 1 because the EOT-owned company manages available cash reserves to fund the bonuses as well as repay any deferred consideration.	Surplus profits can now be distributed by the company quarterly/annually via payroll to employees. Some profits could be reserved for charitable/community purposes. To the extent that the target company needs capital funds for growth, it can use accrued profits

		or consider third party bank funding etc.
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**Note that it is generally not envisaged that an EOT will sell the target company on the basis that the structure is intended to be a long-term structure for holding the target company. However, in the event that a sale does occur, the disposal proceeds would flow into the EOT, and when the EOT is wound up, the remaining funds (after the payment of tax) would be distributed to the beneficiaries.*

4.2 Worked examples

Background facts

- Target company valuation – Eur20 million plus cash reserves
- Shareholders - 3 founders and 10 management individuals
- 100% sale of shareholding to EOT
- Agreed sale terms: 20% upfront consideration and balance to be repaid over 8 years
- Cash on balance sheet before sale = Eur5m
- Number of employees = 45
- Annual net profit Eur2.5m

	Example 1	Example 2
	Annual profits increase by 10% per annum	Annual profits decline
	Successful EOT (Financial Freedom)	Unsuccessful EOT (Third Party Sale)
Year 1	Capital contribution of €4m made to the EOT	Capital contribution of €4m made to the EOT
Years 2-7	Company makes annual capital contributions of Eur2 million to the EOT, which are in turn used to pay the deferred consideration to the selling shareholders (creditors). If funds are available, the company will make cash bonus payments to employees to share profits.	Company makes annual capital contributions to the EOT to the best of its abilities and available funds which the EOT uses in turn to pay deferred payments to the selling shareholders (creditors). However, Company has poor trajectory, so cannot meet the Eur2 million payment for Years 2 – 7.
Year 8	Profits have increased annually by 10% and therefore by year 8 profits have reached Eur4.8m, enabling the EOT to either repay the selling shareholders early or award profit share bonuses to staff.	In year 8, EOT and creditors reach agreement to sell Company to a third-party for Eur15m. On a sale, creditors are paid the balance of consideration up to Eur15m. The EOT does not make a profit on sale and therefore can be wound up post sale; and no profits are available to distribute to the beneficiaries.

Year 9	In year 9, the EOT makes the final Eur2m payment to the selling shareholders and achieves financial freedom.	Financial freedom is never achieved. Company is no longer employee owned after being purchased by a trade buyer.
Year 9 onwards	From year 9 onwards, no capital contributions are made to the EOT. Profits are distributed to employees as bonuses via payroll or retained to fund capital projects and/or community/charitable projects.	Company is now owned and run by the third-party buyer and is no longer employee owned.

PART 5 – Full analysis of tax technical points to consider

The summary below provides general information regarding Irish tax law for informational purposes only and does not constitute tax advice.

5.1 Establishment of the EOT

5.1.1 Discretionary Trust Tax (“DTT”)

The first step in the EOT process is to establish a discretionary trust. A discretionary trust is defined in Section 2 of the Capital Acquisitions Tax Consolidation Act 2003 (“CATCA 2003”) as:

“any trust whereby, or by virtue or in consequence of which –

(a) property is held on trust to accumulate the income or part of the income of the property, or

(b) property (other than property to which for the time being a person is beneficially entitled for an interest in possession) is held on trust to apply, or with a power to apply, the income or capital or part of the income or capital of the property for the benefit of any person or persons or of any one or more of a number or of a class of persons whether at the discretion of the trustees or any other person and notwithstanding that there may be a power to accumulate all or any part of the income;”

The transfer of property to a discretionary trust constitutes a disposal of the disponent’s property. However, for Capital Acquisition Tax (“CAT”) purposes this is a non-event as no person becomes immediately “entitled in possession” to any benefit as no beneficiary has an automatic entitlement to receive anything from the trust.

The settling of property on a discretionary trust triggers a once-off 6% Discretionary Trust Tax (“DTT”), as well as a potential 1% annual DTT charge. Under Section 18(2) CATCA 2003 the once-off DTT charge of 6% is triggered when a deemed inheritance is taken by the trust. Section 15 CATCA 2003 deems a trust to have taken an inheritance on the latest of the following dates:

(a) the date on which the property becomes subject to a discretionary trust;

(b) the date of the disponent’s death; or

(c) the date on which there ceases to be a principal object of the trust who is under 21 years of age.

Where the disponent is a “private company” within the meaning set out in Section 27 CATCA 2003 (i.e., a company that is under the control of not more than 5 persons), it is necessary to look through the corporate entity to the shareholders of the company in determining who has made the disposition in accordance with Section 43 CATCA 2003. The disposition is deemed to have been made in the proportion that each person’s ownership in the company bears to the disposition made.

In the event there are several shareholders/disponents, the once-off 6% DTT charge may be triggered on the first death of a disponent, based on the market value (“MV”) of the proportion of assets that were disposed of by that particular shareholder/disponent.

An annual 1% DTT charge arises every year following the year in which the 6% DTT charge arose and is levied on the MV of all assets remaining in the trust.

5.1.2 Reporting requirements

The disponent of assets to a discretionary trust must, within four months of setting up the trust, complete and file a Form DT1. Forms IT 4 (Discretionary Trust Initial Return) and IT 32 (Discretionary Trust Annual Return) are the self-assessment return forms for the once off 6% and the annual 1% DTT charges which must be filed and paid within 4 months of the relevant valuation date by the accountable person (i.e., the trustees or an agent on their behalf).

5.1.3 Application to EOT

Based on our understanding of the legislation, an EOT, which holds the shares in a company indefinitely, will become liable to an initial DTT charge of 6% of the capital value of the trust on the day the trust becomes subject to the tax (i.e., likely the first death of a disponent) and a further DTT charge of 1% of the capital value for each year following the year the 6% DTT charge arose. This annual DTT charge will continue for as long as the trust exists. No exemption currently exists in Irish tax legislation for EBTs / EOTs nor is there a de minimis for shareholders who only hold a small shareholding.

A similar DTT tax charge does not exist in the UK. Such a charge in an Irish context would be extremely costly for any EOT company and would give them a significant disadvantage as compared to other privately owned businesses due to the once-off and annual costs which will arise and continuously erode the value of the business.

5.2 Funding the Trust

Once the EOT has been established, the company will settle funds on the EOT to enable the purchase of the shares in the company by the EOT. Typically, the disposal to the EOT is structured in a way that between 51% and 100% of the target company is sold to the EOT but only a proportion of the consideration will be payable upfront, with the remainder of the consideration being deferred and paid over a number of years (typically around 7 years or sometimes longer).

The timing of the payment of the deferred consideration can be somewhat flexible to accommodate faster payment if the business performs well or slower payment if the business either is not performing well or needs to retain funds for capital projects etc.

5.2.1 Settlement of cash/assets on the EOT

To fund the purchase the shares in the target company, cash will have to be settled on the EOT. As such, the company will have to make a contribution of cash to the EOT for this purpose.

The contribution of cash to the Trust without the issue of shares or other consideration in return should be treated as capital in nature and should not give rise to a right or entitlement to income for the Trust.

A settlement/capital contribution could also be regarded as a gift (i.e., cash is settled without receiving anything of value in return). Therefore, it is necessary to consider the CAT implications arising on such gift. As mentioned above, Section 43 CATCA 2003 provides that where a private company (defined in Section 27 CATCA 2023) makes or receives a gift, the liability to CAT on that gift is determined by looking through the company to the ultimate individual beneficial

holders of the shares or entitlements in that company and treating those individuals as having made or received the relevant gift.

As such, it is necessary to consider whether the company's shareholders could be regarded as providing a gift to the EOT. However, as stated above, the transfer of property or assets to a discretionary trust should not in itself be a gift for CAT purposes, as no person becomes immediately "entitled in possession" to any benefit. Accordingly, no CAT should arise until assets are distributed out of the EOT or an interest in the income of the EOT is granted to a beneficiary.

5.2.2 Settlements made by close companies

The majority of companies in the UK that have converted to EOT ownership are Small or Medium-sized Enterprises ("SMEs"). In Ireland, SMEs are often close companies for Irish tax purposes. A close company under Section 430 TCA 1997 is a company which is controlled by five or fewer participators. As such, a settlement on the EOT by a close company could bring them within the charge of Section 436A TCA 1997.

Section 436A TCA 1997 provides that, where a close company transfers money or money's worth under a settlement set up by the company for the benefit, or potentially for the benefit, of a shareholder or family member, the transfer is deemed to be a distribution by the company to the trustees of the settlement. Where Section 436A TCA 1997 applies, the relevant company is required to apply Dividend Withholding Tax ("DWT") of 25% to the amount settled on the Trust. As the amount settled will likely be treated as the net amount after the deduction of DWT, the actual amount payable will be 33.3% of the amount settled.

If this section applies to recategorise the settlement as a distribution, the EOT (assuming it is Irish resident) would be subject to income tax on the receipt of the contribution, albeit that the 25% withholding tax should be sufficient to cover the 20% tax which would arise in the Trust and a refund of the 5% differential may be due.

Section 436A(4) TCA 1997 states that "*This section shall not apply as respects a relevant settlement where the settlement was not made as part of a scheme or arrangement the purpose or one of the purposes of which was the avoidance of tax*". On the basis that an EOT is typically being set up for a genuine commercial purpose and there is no tax advantage of selling shares to an EOT versus a sale to a third party, it seems likely that the bona fide commercial reasons test would be met. However, this would need to be assessed based on the specific facts and circumstances of each individual case.

5.2.3 Application to EOT

As it is likely that the majority of companies that would convert into an EOT will be SMEs and treated as closely held companies, there is uncertainty as to whether Section 436A TCA 1997 would apply to the transfer of funds to the EOT to fund the upfront consideration. This would have to be considered on a case-by-case basis. Having clarity around the application of this section would be important for any company transitioning to an EOT.

5.3 Purchase of shares by the EOT

The purchase of the shares in the target company by the EOT will typically be governed by a Sale and Purchase Agreement ("SPA") between the shareholders and the EOT which sets out details of the number of shares to be sold as well as the upfront and deferred consideration and the period over which the consideration will be paid.

5.3.1 Taxation of the sale

Principally, the sale of shares in a company is subject to Capital Gains Tax (“CGT”) as it constitutes the disposal of an asset under Section 534 TCA 1997.

Where the sale takes place between connected persons as defined in Section 10 TCA 1997, the market value of the shares will be deemed to be the consideration for the purposes of calculating the gain arising on the disposal of the shares to the EOT (Section 547 TCA 1997). Section 10(4) TCA 1997 states that a trustee is, *inter alia*, treated as being connected with an individual, who, in relation to the settlement is a settlor, as well as being connected with a close company where the participators of the close company include the trustees of the settlement or a beneficiary under the settlement. Accordingly, where the selling shareholders in the company are connected with the EOT, the market value would replace the consideration charged on the disposal.

To the extent that the individual shareholders have made a gain on disposal of their shares the gain will be subject to CGT at the currently prevailing rate of 33% (or 10% on first €1.5m of gain if the qualifying conditions for Revised Entrepreneur’s Relief (“ER”) are met and the relief has not already been used). The CGT annual exemption (currently €1,270) and losses may also be available to reduce the taxable gain, depending on the circumstances of each individual disposer.

The disposal of the shares by a corporate shareholder will also be subject to CGT at an effective rate of 33% unless relief under Section 626B TCA 1997 (Participation Exemption) is available.

5.3.1.1 Deferral of CGT payment

A key feature of transfers of shares to an EOT is that typically the sale proceeds may be paid to the seller over a 6 to 7-year period or longer.

Current Irish tax legislation as set out in section.563 TCA 1997 requires the proceeds (i.e., both the upfront and the deferred consideration) of a sale to be taken into account when calculating the taxable gain arising on the disposal with the CGT payment date for the full gain being determined based on the time of disposal (typically the date of the contract). This means that, for a sale taking place in the period January to November, the full payment of CGT would be due on 15 December of that year and for a sale taking place in December, the full payment of CGT would be payable on 31 January of the following year.

Given the quantum of consideration that is being deferred in most cases, e.g. in the example in Part 4, 20% is paid upfront and the remaining 80% is deferred, this results in a dry tax charge on a significant portion of the gain, and it would likely not be possible for the majority of sellers to cover the CGT cost in the required timeframe.

Section 981 TCA 1997 states that, where consideration is due after the time of disposal, the tax can be paid in instalments over a period of time. For this, the following conditions have to be met:

- **Consideration payable by instalments over more than 18 months.** The relief applies where the consideration (or part of it) taken into account in computing the chargeable gain is payable by instalments over a period beginning not earlier than the time of disposal, being a period exceeding 18 months.

- **Undue hardship test.** The person making the disposal satisfies the Revenue Commissioners that they would “*otherwise suffer undue hardship*” if they were required to pay the tax in the normal way.
- **Payment by instalments over up to 5 years.** Where this test is met, the CGT (or corporation tax, as the case may be) on the chargeable gain may, at the taxpayer's option, be paid by such instalments as the Revenue Commissioners may allow, over a period not exceeding 5 years and ending not later than the time at which the last of the consideration instalments is payable.

Whilst this provision is certainly helpful, a more structured provision would be required for the deferral of the CGT payment, to facilitate cases where consideration is payable over a period of more than 5 years and/or to prevent the requirement for a taxpayer to seek agreement in every EOT case.

Application to EOT

Whilst Section 981 TCA 1997 provides taxpayers with the possibility of applying to Revenue for a deferral of the CGT arising on the disposal of the shares to an EOT, which is calculated by reference to the full consideration payable for the shares, this measure is subject to Revenue approving the deferred tax payment and may not cover the full period over which the deferred consideration is paid. To allow sellers to meet their CGT payment requirements without having to seek finance from other sources, aligning the CGT due dates with the payments of the deferred consideration by the EOT would assist in synchronising cash-flow with tax payments.

5.3.1.2 Application of Section 135(3A) TCA 1997

Whilst the disposal of shares should generally be subject to CGT as set out above, the consideration received by the disposing shareholders could, in certain circumstances, be reclassified as a distribution under Section 135(3A) TCA 1997.

Section 135(3A) TCA 1997 is an anti-avoidance provision which reclassifies disposal proceeds received by shareholders in a close company as a distribution subject to income tax rather than treating the disposal as a capital event. Section 135(3A) TCA 1997 is triggered when a member of a close company (“the first company”) enters into arrangements directly or indirectly with another close company (“the second company”), whereby a member of the first company disposes of an interest in the first company and the consideration is, directly or indirectly, funded out of the assets of the first company. In this case, any amount received by the disposing member from the second company shall be treated as a distribution subject to income tax.

As stated above an EOT transaction regularly involves SMEs which would often be treated as closely held companies. As such, it is likely that the shares being transferred will be in a close company (the first company). Furthermore, the funds to purchase the shares in the first company will typically come from the accrued cash reserves or future profits of that company. Accordingly, if the buyer, i.e., the EOT, would be regarded as a close company for the purposes of Section 135(3A) TCA 1997, and if the shareholders in the first company entered into an arrangement with the EOT, then Section 135(3A) TCA 1997 could potentially apply to a disposal of the shares to an EOT.

Therefore, two questions arise in relation to the potential application of Section 135(3A) TCA 1997:

- Will an EOT be treated as a close company where the trustee of the Trust is itself a closely held company?
- Will the transfer of the shares by the shareholders in the first company be regarded as an “arrangement” for the purposes of section 135(3A) TCA 1997?

(1) Is the corporate trustee treated as a “close company” for the purposes of section 135(3A)?

Section 574 TCA 1997 states that the trustees of a settlement shall be treated as being a “*single and continuing body of persons*”. A “body of persons” is defined in Section 2 TCA 1997 as meaning “*any body politic, corporate or collegiate, and any company, fraternity, fellowship and society of persons, whether corporate or not corporate*”. As stated above, Section 135(3A) TCA 1997 applies where both, the selling company and the buying company are close companies, and where the payment for the shares is met out of the assets of the selling company. The question therefore arises whether a corporate trustee in an EOT will be regarded as a “company” (i.e., a body corporate) when acting in its capacity as trustees for the Trust.

As outlined above, the definition of “body of persons” includes a body corporate. A company would be regarded as a body corporate and consequently, the trustee company could be treated as a body corporate. However, the corporate trustee is not acting in its own interest but as trustee of the EOT and accordingly, the question of whether the corporate trustee will be regarded as body corporate will have to be answered in light of its functions as trustee and whether trustees, being a single and continuing body of persons, could be regarded as body corporate at any time if the trustees are either a corporate or individual. As section 574 TCA 1997 specifically states that trustees shall be treated as a continuing body of persons, this would imply that the original entity classification of a trustee (i.e., whether the trustee is a company or a natural person) is not relevant in the context of the trustee acting on behalf of the trust.

In its Tax and Duty Manual (“TDM”) Part 01-00-02, Revenue state that a body corporate “*does not include an unincorporated society or other body, i.e., a group of persons, whether specially recognised by law or not, which has no identity separate from its members*”. Trustees in a trust are not incorporated as trustees. Also, the body of persons of trustees does not have a legal identity which is separate from the individual trustees that comprise the body of persons. Section 574 TCA 1997 merely deems the trustees to be a body of persons for the purposes of the Taxes Acts to, *inter alia*, determine the tax residence of the trust and ensure that the trust will continue in existence when one of the trustees ceases to be a trustee. As such, the “body of persons” of trustees should not, in our view, be treated as a body corporate and, accordingly, where trustees act for and on behalf of the trust, they should not be treated as akin to a company.

Furthermore, the buyer of the shares, the EOT, is a trust which is subject to income tax/CGT as a separate person and for the purposes of the tax legislation is not taxable as a corporate entity, despite having a corporate trustee. Rather, the trust is an entity in its own right, separate from the trustees and, therefore, whilst the corporate trustees may be acquiring the shares from the sellers, they are not acquiring the shares in their own right but as trustees of a discretionary trust. Whilst the corporate trustee is the legal owner of the assets in the trust, the trustee is not the beneficial owner of the shares, as there is a class of beneficiaries, i.e., the employees, that are collectively the beneficial owners of the assets. As such, the shares in the company will not appear on the Trustee's balance sheet but, rather, these will be included on the balance sheet of the EOT. Accordingly, as the buyer of the shares is the EOT and not a close company, we do not believe that section 135(3A) TCA 1997 should apply.

This is further supported by the wording in section 135(3A) TCA 1997 which refers to a “*member of a company ... enters into arrangements ...with another company ...*” i.e., the first company being the disposing company and the second company being the corporate trustee. However, as stated above, the corporate trustee is entering into the transaction in its capacity as trustee and on behalf of the EOT and not in its own name. Notably, Section 135(3A) TCA 1997 does not refer to “a nominee/fiduciary capacity” and therefore it is assumed that this refers to a company acting in its beneficial ownership capacity. For example, and by contrast the provisions in Section 438(6) TCA 1997 refer to “... *a company receiving the loan or advance in a fiduciary or representative capacity ...*” which makes it clear that in this instance there is a definite intention to extend the section to that particular situation. As Section 135(3A) TCA 1997 does not include this specific wording, this indicates that the section should not apply to the case at hand, where a trust (regardless of whether or not the trust has a corporate trustee) acquires the shares from a close company.

This view is further supported by the analogous application of Section 567 TCA 1997 which sets out the treatment of assets held in a fiduciary capacity by a trustee for another person. Whilst this provision applies to a bare trust, the principle should also apply to discretionary trusts, as the trustees are also acting for the benefit of the beneficiaries, albeit that they have full discretion in deciding on how to allocate the trust’s property/income. Section 567 TCA 1997 states that “... *the Capital Gains Tax Acts shall apply as if the property were vested in, and the acts of the first-mentioned person (the trustee) in relation to the assets were the acts of, the person or persons for whom the first mentioned person is the nominee or trustee.*” This would infer that in reading section 135(3A) TCA 1997 the acts of the trustee should be treated as the acts of the EOT. As the EOT is not a close company it seems logical to conclude that there is no “second company” for the purposes of section 135(3A) TCA 1997.

This interpretation of section 135(3A) TCA 1997 would also support the intention at the time when the section was incorporated. Section 135(3A) TCA 1997 was incorporated as a targeted anti-avoidance provision to ensure that shareholders in a close company would not dispose of their shares to another close company in which they held an interest, whereby the retained profits of the first company were used to fund the disposal. As the shareholders in the first company are disposing of their shares to an EOT and do not retain an interest in these shares via an indirect holding through the trustee, interpreting section 135(3A) TCA 1997 to apply in those circumstances appears to be contradicting the intentions of the legislator at the time. Based on section 5(2) Interpretation Act 2005, the construction of a section should reflect the intention of the legislator at the time the section was enacted rather than the literal application of the word, where this would fail to reflect the intention of the instrument in the context of the enactment, and accordingly it would appear necessary to interpret section 135(3A) TCA 1997 in this manner.

On the basis that the shares in the company are being transferred to the corporate trustee as trustee on behalf of the EOT and as the EOT is not a corporate entity, we are of the view that the provisions of Section 135(3A) TCA 1997 should not apply to the disposals of the shares in WDL to the Trust.

(2) Is the transaction an arrangement within section 135(3A) TCA 1997?

Even if the acquisition of the shares by the EOT with a close corporate trustee was to be regarded as the acquisition of shares by a close company, section 135(3A) TCA 1997 should only apply where the members of the first company entered into an “arrangement” with the second company to facilitate the transaction.

According to Revenue's guidance on section 135(3A) TCA 1997, the term "arrangement" should be interpreted in its usual sense. Revenue typically apply a "main purpose test" to assess whether the parties involved have entered into such an arrangement. Therefore, if the share transfer is carried out for bona fide commercial purposes, section 135(3A) TCA 1997 should not be applicable. As an EOT will be set up for genuine commercial reasons, the company and the EOT should not be regarded as having entered into an "arrangement".

Accordingly, there are a number of arguments which support that the acquisition of shares in the first company by the corporate trustees in their capacity as trustee of an EOT should not fall within the remit of section 135(3A) TCA and should not apply to the disposal of the shares in the company by its shareholders.

Application to EOT

Whilst there are several arguments as to why Section 135(3A) TCA 1997 should not apply in the context of a disposal of shares in a company to an EOT, there is significant uncertainty around this point. Having clarity around the application of this section would significantly simplify the transfer to an EOT.

5.4 Ongoing funding of the EOT to pay deferred consideration

As the sale consideration comprises both upfront consideration and deferred consideration, it will be necessary for further funds to be settled on the Trust by the company to fund the payment of the deferred consideration in the future. It is likely that a settlement in the form of a capital payment will be made in the same way as the initial settlements made to the EOT. However, at the time of the additional funding, the EOT will be a majority shareholder in the company and therefore the payment could be regarded as a distribution under Section 130 TCA 1997.

5.4.1 Application of Section 130 TCA 1997

Section 130 TCA 1997 defines matters which are to be treated as distributions. Broadly this includes any dividend or amount paid out of a company's net assets in respect of shares in the company including a capital dividend and redemption but typically excluding share capital (subject to some exceptions). On the basis that the settlement is being made on the Trust for the same purpose as the original settlement (and was included in the SPA at the time of disposal as the deferred consideration payable) and is not "in respect of shares held", we would not anticipate that the payment would be regarded as a dividend under section 130 TCA 1997.

5.4.2 Application of Section 436A TCA 1997

As stated above, it is likely that companies transitioning to EOT ownership will be treated as closely held companies and as such, section 436A TCA 1997 as outlined above could potentially apply.

Based on the comments included under section 5.2.2 above, we would not expect the settlement of funds on an EOT to fall within the provisions of section 436A TCA 1997.

However, as the EOT is now holding a controlling stake in the company, the position may become less clear on the basis that the EOT will now have significant influence and the control over dividend payments.

Application to EOT

As outlined under section 5.2.2 above, having clarity around the application of Sections 130 and 436A TCA 1997 in respect of further funding of the EOT would significantly simplify the transitioning to EOT ownership, in particular in light of the EOT's majority holding in the company in relation to further fundings of the EOT. In order to mitigate a significant tax cost for the EOT company/EOT, it would be important that an exemption is available for capital contributions made to an EOT to fund the initial purchase price/deferred consideration under the SPA. However, once the EOT has fully paid the sellers for the purchase of the EOT company, it would be anticipated that future settlements by the EOT company onto the EOT would be treated as distributions of profits.

5.5 Ongoing Considerations

Once the EOT has acquired the shares in the target company, there are a number of considerations which need to be taken into account.

5.5.1 Surcharge on Discretionary Trusts

Section 805 TCA 1997 provides that, where income arises to a discretionary trust which is not distributed within 18 months of the end of the year of assessment in which it arises to a person who receives it as income, the trustees will be subject to a surcharge of 20%.

As such, and to the extent that the EOT is in receipt of income, a surcharge will arise where the income has not been distributed within 18 months of the end of the year of assessment in which the income arises to one/some/all beneficiaries. In respect of the funds settled on the EOT by the company to fund the initial purchase of the shares, and on the basis that the settlements made to the EOT by the company are not income, the surcharge should not apply.

As stated above, the deferred consideration will be funded by further voluntary capital contributions into the EOT by the company. At this time, the Trustee will be a controlling shareholder in the company. However, the payment will not be related to any shares the Trustee holds. Rather, it will be a payment to facilitate the employee ownership governance structure and to enable the Trustee to satisfy its obligations under the previously agreed SPA. Accordingly, the additional funds settled by the company on the EOT should also not be treated as income of the EOT.

Application to EOT

Whilst there are arguments that suggest that no surcharge should be charged on any funds received by the EOT to pay the upfront and deferred purchase price of the shares, clarification on this point would give clarity and certainty for the EOT.

5.5.2 Section 438 TCA 1997 - Loans to participators

Section 438 TCA 1997 provides that, where a close company whose business does not include the making of loans, provides a loan to an individual who is a participator or an individual who is an associate of a participator, the company is subject to income tax at the standard rate on the grossed-up equivalent of such loan or advance. This provision also applies where a loan is made by a close company to a trustee and the shares of the company are subject to the trust. In this case, the trustees will be treated as participators and/or associates of a participator. The provision also extends to a company that is acting in a fiduciary or representative capacity and as such, where the company grants a loan to the EOT with a corporate trustee, Section 438

TCA 1997 could apply. Accordingly, where the company is making a loan to the EOT, this would likely give rise to an income tax charge under this section.

However, loans by the company to the EOT are not typically used as a mechanism to fund the EOT purchase price as the EOT is unlikely to be able to repay such loans on the basis that it generally does not receive income.

Application to EOT

Clarification on whether a loan granted to the EOT will fall within Section 438 TCA 1997 which could give rise to an income tax charge on the shareholders in the company, would assist businesses with conversion into EOT ownership if loans were contemplated.

5.5.3 Section 811B TCA 1997 – Employee Benefit Schemes

Section 811B TCA 1997 is an anti-avoidance measure designed to combat schemes whereby an employer settles funds on trust and subsequently, payments/loans, benefits or assets are provided by the trust to a director or employee or an individual connected to a director or employee. The provision imposes an income tax charge in certain circumstances where normal benefit-in-kind provisions do not apply. There is a specific carve out for certain Revenue approved share schemes.

Application to EOT

The Trust Deed of an EOT would typically prohibit the making of loans to individual beneficiaries, in which case section 811B TCA 1997 should not apply.

Under UK tax law, an EOT has to meet the “all-employee benefit” requirement which mandates that the trust must benefit all eligible employees on the same term. As such, making a loan to only one/some employees would principally not possible and as such, Section 811B TCA 1997 should not apply.

5.5.4 Section 172B TCA 1997 - Dividend withholding tax on relevant distributions

Where dividends/distributions are paid by Irish tax resident companies, DWT may be charged at a rate of 25% under Section 172B TCA 1997. DWT must be deducted by the Irish tax resident company making the distribution and paid over to Revenue unless the company making the distributions qualifies for an exemption from DWT.

There is currently no exemption from DWT for distributions to an Irish trust. Accordingly, where the EOT receives distributions from the company, such distributions from the company to the EOT would be subject to DWT. Where an EOT waives its entitlement to dividends from the company, distributions would remain in the company and would be available to pay to employees by way of bonus payments, and no DWT should arise.

Application to EOT

Whilst it would appear that the waiving of an entitlement to dividends should not have any negative tax implications for the EOT or the company, clarification on this point would be welcome. This may be particularly relevant where an EOT company is not 100% owned by the EOT and where the company wishes to pay dividends to all shareholders, with the EOT choosing to waive its entitlement to a distribution.

5.5.5 Distributions of excess profits

Once the EOT has repaid the full consideration (i.e., upfront and deferred as per the SPA) it will be considered as having achieved “Financial Freedom”. After this, the company may distribute excess profits to the EOT or directly to the employees as bonus payments. The company may also reserve some of the excess profits for charitable / community purposes and/or retain all or a portion of the profits for capital/expansion requirements.

5.5.5.1 Distributions of excess profits to EOT

The company may make a distribution of excess profits to the EOT, although in practice this is unusual. Under Section 172B TCA 1997, the company would have to withhold DWT at a rate of 25% on the distribution. If the EOT is tax resident in Ireland, the EOT would be taxed on the distribution at the standard rate of income tax of currently 20%. The DWT withheld should be allowable as a credit against the tax paid by the EOT, and the EOT should be in a position to claim a refund of the excess DWT withheld (i.e., the differential between the DWT rate of 25% and the standard rate of income tax of 20%, 5%).

The EOT could then distribute the income after tax to the beneficiaries in the trust, i.e., the employees in the company. As the employees are beneficiaries in the EOT by virtue of their employment with the company and as the EOT is only brought in existence to allow the majority ownership of the company by the employees via the EOT, the payment would likely be treated as an emolument of the employees and subject to payroll taxation under section 112 TCA 1997 in conjunction with chapter 4, Part 42 TCA 1997. Accordingly, the beneficiaries would likely be subject to payroll taxation at their marginal tax rates of currently up to 52.2%. Employers PRSI of currently 11.25% would most likely also apply to the payment.

If the EOT was to retain the income received by the company for a period of 18 months or more, the undistributed income would be subject to a surcharge of 20% under Section 805 TCA 1997, see section 5.5.1 above. The surcharge would not arise if the EOT was to distribute the income to the beneficiaries.

5.5.5.2 Distributions of excess profits to employees by way of bonus payments

Rather than distributing the excess profits to the EOT, the company could directly make bonus payments to the employees. Under section 112 TCA 1997 in conjunction with chapter 4, Part 42 TCA 1997, bonus payments are subject to payroll taxation at the employees’ marginal tax rates (i.e., income tax, USC and PRSI of currently up to 52.2%). Additionally, bonus payments are subject to employers PRSI at the current rate of 11.25%.

Application to EOT

As stated under section 5.5.4, the EOT may waive the right to receive a distribution, in which case no DWT should arise. Instead, the company will likely make bonus payments directly to the employees.

In the UK, provided the “all-employee benefit” test has been met, bonus payments of up to Stg£3,600 per employee can be paid free of tax to the employees. This allows the incentivisation of all employees, which would likely lead to increased productivity and retention of employees and as such, a similar provision would be welcome (see also Part 6, section 5).

5.6 Tax implications arising on exit

Typically, the transition to EOT ownership is intended to be a long-term succession strategy and as such, the disposal of the company by an EOT is not envisaged, albeit that it may occur in certain circumstances for the benefit of the business. For example, an exit by the EOT may occur where the company is in financial difficulties and cannot fund the outstanding deferred considerations or where the overall profitability of the company does not warrant its continuance. Exits can take place by virtue of the EOT disposing of its shareholding in the company or by a liquidation of the company.

5.6.1 Disposal of shares

As stated above, the sale of shares in a company is subject to CGT as it constitutes the disposal of an asset under Section 534 TCA 1997. In case of an Irish tax resident EOT, the EOT, as owner of the shares in the company, would therefore be subject to CGT on a gain arising on the disposal of the shares. Where the disposal is to a third-party, the gain will be calculated by reference to the disposal proceeds and the base costs of the shares at the time of acquisition (i.e., the consideration paid by the EOT on acquiring the shares). Where the disposal is to a connected party as defined in Section 10 TCA 1997, the market value would replace the consideration for the purposes of calculating the gain/loss arising on the disposal.

Where a gain arises on the disposal, the EOT will be subject to CGT at the currently prevailing rate of 33% on the gain. Where the disposal results in a capital loss, no CGT would arise on the disposal and the EOT should in principle be in a position to use the loss to shelter other capital gains in the tax year in which the disposal took place or carry the loss forward to future tax years. On the basis that the EOT is set up to only own the shares in the respective company, the Trust would unlikely have any other gains and as such, a loss arising on the disposal of the shares may effectively be lost.

If the disposal occurs prior to financial freedom, i.e., before the consideration for the purchase of the shares has been fully paid, the proceeds would have to be used to pay the outstanding deferred consideration to the original sellers of the company. Any gain would be subject to CGT at 33%. If there is excess consideration remaining after payment of any remaining deferred consideration, other liabilities and/or any CGT payable, the net amount would be distributed to the respective employees as beneficiaries in the EOT.

5.6.2 Liquidation of the company

Upon liquidation, the resulting liquidation proceeds would firstly be used to repay any creditors of the company. Any excess liquidation proceeds would be distributed to the EOT and would be treated as a capital distribution under Section 583 TCA 1997. Accordingly, an Irish tax resident EOT would be subject to CGT in respect of such capital distribution at the currently prevailing rate of 33%. The amount subject to CGT would be the difference between the capital distribution received and the acquisition costs of the shares.

Any excess liquidation proceeds net of CGT would then be distributed to the employees as beneficiaries of the trust.

5.6.3 Distribution to beneficiaries

As stated above, any excess consideration / liquidation proceeds net of CGT would be available for distribution to the beneficiaries in the EOT.

On the basis that the employees are beneficiaries in the EOT by virtue of their employment with the company and as the EOT is only brought in existence to allow the majority ownership of the company by the employees via the EOT, the distribution of the excess consideration would likely be treated as an emolument of the employees and subject to payroll taxation under section 112 TCA 1997 in conjunction with chapter 4, Part 42 TCA 1997. Accordingly, the beneficiaries would likely be subject to payroll taxation at their marginal tax rates of up to 52.2%. Employers PRSI would most likely also apply to the payment.

5.7 Broader clarification/changes needed to facilitate EOTs in Ireland

Where the shareholders of a company wish to transfer their shares to an EOT, it is important that there is clarity in relation to the tax treatment to ensure there is stability for the company in the future and to avoid any potential unexpected tax pitfalls which could arise for the company and/or the EOT at a later stage.

There is no question that EOTs would be a good fit for Ireland, that they will promote the growth of indigenous businesses, as well as retaining the workforce and Intellectual Property of the business in Ireland. However, it is important that EOT legislation is introduced carefully to ensure that they are not open to abuse and attract the right type of business. It is equally important that all stakeholders have clarity about the tax treatment and most importantly that there are no adverse consequences of putting an EOT in place, as this would clearly be a deterrent to implementation.

We believe the following key areas need either clarification in the form of Revenue guidance and/or legislative change to facilitate the use of EOTs as a genuine alternative to a third-party sale. To make the transition to EOTs an attractive alternative for a greater number of businesses, it would additionally be extremely helpful if there were some incentives to use EOTs versus considering selling the business to a third-party buyer. As a first step, however, we believe it is important to remove existing barriers and uncertainty so that EOTs can be openly available to all business owners looking for a succession option which is appropriate for their business.

In terms of introducing legislation on EOTs in Ireland, it may be helpful to include a definition of an EOT in Irish legislation, similar to that which is used in the UK legislation. Please refer to Part 6 for further information on a possible EOT framework including the definition of an EOT. This definition could form the basis for any exemptions/clarifications which may be given. The inclusion of such a definition/clause in the Trust Deed of an Irish EOT would also help to ensure that it meets the intended purpose of such a trust and reduces the possibility of abuse.

In this regard, we note that the UK has made changes from 30 October 2024 which require the trustees of an EOT to be UK tax resident. Whilst in an Irish context any scheme introduced may need to permit trustees to be resident in an EU jurisdiction at a minimum, we believe that having a definition of an EOT included in the Irish tax legislation should manage any potential abuse of such a structure, especially if the definition included e.g., the requirement to meet a “genuine economic activity” test for a trust located outside of Ireland, similar to the provisions in Sections 579 (non-resident trusts) / 806 (Transfer of Assets Abroad) TCA 1997. Again, please refer to Part 6 for further information on this.

The table below outlines the relevant legislation which might need to be amended, or which would need to be clarified by further guidance in order to make EOTs a successful business succession tool in Ireland.

Legislative reference	Brief description	Change/Guidance required	Type of change
Section 18 CATCA 2003	DTT - initial charge and annual charge	Exemption for EOTs.	Legislative
Section 43 CATCA 2003	Settlement on trust	Confirmation no CAT arises on settlement to the EOT.	Guidance
Section 130 TCA 1997	Meaning of a distribution	Confirmation that a payment made by a company to facilitate the payment of the upfront and deferred consideration is unrelated to a trustee's shareholding and should not be viewed as a distribution.	Guidance
Section 135(3A) TCA 1997	Reclassification of sale proceeds as a dividend	Confirmation that the provisions do not apply to transfers of shares to an EOT.	Guidance and/or legislation
Section 172B TCA 1997	Dividend Withholding Tax	Confirmation that there are no negative consequences of a dividend waiver by an EOT and that DWT will apply to dividends paid by a company to an EOT shareholder.	Guidance
Section 436A TCA 1997	Settlements made by close companies	Confirmation that a settlement will not be regarded as a distribution and that an EOT will qualify for the exemption in Section 436A(4) TCA 1997.	Guidance
Section 438 TCA 1997	Loans to participators	Confirmation that these provisions should not apply in relation to any settlements made to the EOT.	Guidance
Section 805 TCA 1997	Discretionary trust surcharge on income	Confirmation that this does not apply to gifts/settlements to an EOT which are not treated as a distribution under section 130 TCA 1997.	Guidance

Section 811B TCA 1997	Tax treatment of loans from employee benefit schemes	Confirmation that these provisions do not apply to an EOT.	Guidance
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PART 6

6.1 Suggested framework for new regime / relief

Part 5 covered the tax considerations and difficulties with current Irish tax legislation and how these would need to be amended/improved to facilitate EOTs in a manner which is tax neutral and not punitive, i.e., what changes are needed for an EOT succession to be a viable option in Ireland and how to put EOTs on a level playing field (from a tax perspective) with a trade/private equity sale.

The purpose of this section is to set out a framework for a new relief/regime which would be suitable for Ireland and would fit within the existing tax legislation.

Whilst it is noted that any new legislation would require approval from a State Aid perspective, we believe it is important to try and keep the legislation as simple as possible and try to achieve the aim of encouraging suitable businesses to become EOT-owned if appropriate for the type of business, the owners, the employees etc.

On the basis that the UK was an EU member state at the time the legislation was put in place, it should be possible to look to the UK legislation as a starting point for any Irish equivalent in order to develop a framework which is suitable for Ireland and will gain State Aid approval. EU member states Denmark and Slovenia have respectively extended or introduced tax incentives for sales to a domestic corporate equivalent of an EOT without any reported State Aid difficulties.¹

6.1.1 EOT Definition

Firstly, it will be important to introduce a definition of an EOT which will be the cornerstone for any relief. Taking some of the key features of the UK definition, we would expect the definition of an EOT to include the following:

1. **Trust:** Must be a trust (a discretionary trust) located in the State or a member state of the EU (and potentially the UK).
2. **All-Employee Benefit Requirement:** The trust must be established for the benefit of all employees of the company (or group) subject to a qualifying period of employment of no longer than 12 months. This provision ensures that employee ownership is inclusive and equitable and that all employees have the opportunity to benefit from the EOT's ownership of the company.
3. **Equality Requirement:** If the trustee makes any distribution of trust property this must be to all eligible employees on 'similar terms'. This is to prevent favoritism or disproportionate benefits to specific individuals or groups within the company. The "similar terms"

¹ The Danish legislation explicitly allows the Danish tax rules to apply to transfers to employee ownership companies established in the Faroe Islands, Greenland, or in an EU/EEA member state, provided that the foreign vehicle is equivalent to a Danish employee ownership company (as defined) and complies with the Danish substantive requirements for such companies.

requirement is already contained in Irish legislation and is contained in paragraph 4 of Part 2 of Schedule 11 TCA 1997, which deals with the Approval of Profit-Sharing Schemes and is therefore an established concept. However, guidance would be needed if this same terminology were used. In practice, in the normal operation of an EOT, no distributions would be made to beneficiaries. Rather, an EOT retains its shareholding in the trading company on a permanent and ongoing basis (and any bonuses would be paid directly by the trading company via payroll). It is also helpful to have a charity as a default beneficiary.

6.1.2 Qualifying EOT definition

In order to benefit from EOT-related CGT and bonus payment tax reliefs (see below), the EOT would need to be a “qualifying EOT” in which case additional requirements would apply:

1. **Control:** The EOT must hold a controlling interest in the company. This generally means that the EOT should own more than 50% of the company’s ordinary share capital and voting rights.
2. **Trading Company Status:** The company must be a trading company, or the holding company of a trading group. This condition is meant to ensure that the reliefs are applied to entities actively engaged in business operations rather than passive or investment-focused entities. The definition of a trading company/group can be taken from the Revised Entrepreneur Relief (“ER”) provisions in section.597AA TCA 1997, e.g., ‘*a holding of ordinary shares in a company whose business consists wholly or mainly of carrying on a qualifying business*’ or ‘*holding company of a qualifying group*’ etc. See Appendix 7 for the full text of the ER legislative provisions.
3. **Exclusion of Significant Influence for Former Owners on Trustee:** Individuals who controlled the company prior to the EOT acquisition, along with connected persons, must not have control of the trustee board. This condition prevents scenarios where former owners could retain effective control of a company by being in a majority on the trustee board.
4. **Change of Control:** The transfer into the EOT must constitute a genuine change of control. Relief should not be given to individuals who had a substantial shareholding and who represent a significant proportion of the business’ workforce before and after the move to EOT ownership. The number of 5%+ shareholders who are directors or employees (and any persons connected with them who are also directors or employees) as a proportion of the company or group’s total number of employees (the “participator fraction”) should not exceed 40% at the time of the sale to the EOT or for e.g., two years after the transfer (see further below regarding a two year claw-back period).

These key criteria are designed to ensure that EOTs are used genuinely to promote employee ownership and engagement, and are helping to distribute the benefits of company performance more broadly among its workforce. See Appendix 5 for a relevant extract from the UK EOT-regime

overall and in this context, especially the definition of an EOT in the UK tax legislation at section 236J TCGA 1992.

Once the company/trust structure meets all of the conditions above, it will be treated as a qualifying EOT and can access the benefits of an EOT.

Transfer into a qualifying EOT

A) CGT relief

Where a shareholder disposes of their shares into an EOT which, immediately after transfer, will be a qualifying EOT as set out above, we suggest that the individual transferor should be entitled to claim ER on the first Eur10m of a gain arising on the disposal of their shareholding in the company to the qualifying EOT, such that a 10% rate applies up to this limit, with the normal CGT rate of 33% applying thereafter.

Accordingly, we suggest extending Section 597AA TCA 1997 (Revised Entrepreneur Relief) such that it applies an increased limit to transfers into a qualifying EOT (an increase from the normal limit of Eur1.5m to Eur10m, “enhanced ER”). See Appendix 7 for further details on ER.

The Eur10m cap would apply per transferor and would be subject to a lifetime limit and will therefore ensure that the level of relief given remains controlled and is not unlimited – see Part 7 regarding the costings for the proposed relief.

A claw-back period should apply to transfers where the enhanced ER has been claimed, such that where the qualifying EOT sells the shares within a 2-year period after the original acquisition, the relief would be clawed back and capped at the usual level of ER (i.e., a gain of up to Eur1.5m). This ensures that sales to a qualifying EOT are not undertaken merely to avail of the enhanced ER. See further commentary in section 6.2 below on anti-avoidance provisions.

The 2-year claw-back period is suggested on the basis that the transferor is unable to control the activities of the qualifying EOT and the company post-transfer, and therefore a longer period places an undue burden on the transferor in relation to a potential claw-back of relief for activities which may be outside of their control. On the basis that the consideration will be paid in instalments over a period which is longer than 2 years, this would seem to be a reasonable minimum holding period.

The current ER legislation gives relief to shareholders who own a 5% interest in the qualifying company/group for a continuous period of 3 years in the 5 years immediately prior to the disposal. In order to further extend the relief to all shareholders in the company that are selling their shares into the qualifying EOT, these conditions could be waived such that there is no de-minimis holding period or holding size for a transferor. This would ensure that all individual transferors could avail of the relief when selling to a qualifying EOT.

The relief would not apply to any corporate entities that transfer their shares to a qualifying EOT. However, for most corporate entities holding an interest in a trading company or a holding company of a trading group, it would be expected that they would qualify for the relief under Section 626B TCA 1997 where they meet the relevant conditions.

By comparison, the relief in the UK is 50% of the CGT rate (i.e., a rate of 12%) on an uncapped level of gain. Note also that the relief in the UK is a deferral of CGT and in effect the EOT takes on the base cost of the transferor which means that, after a claw-back period of four complete tax years, the EOT will pay CGT on the gain if it subsequently sells the EOT-owned company.

Given the focus of the Irish government is to provide incentives for SMEs and private businesses in a targeted way, having an uncapped level of relief may prove to be costly if there were a high level of take-up amongst larger businesses. On that basis, we believe that providing an individual limit of Eur10m which would be subject to a reduced CGT rate should ensure that SMEs are targeted but equally does not exclude larger businesses from qualifying and therefore would provide a relief which is equitable to all current shareholders.

The rationale for providing a level of ER for transfers into a qualifying EOT which is significantly higher than the ER which applies to a sale of a business to a private equity/trade buyer is to compensate the seller for the typical long delay they face in receiving their proceeds and, hence, the potentially greater level of uncertainty, as compared to an external buyer with their own funds.

B) Deferral of CGT payment

A key feature of transfers of shares to an EOT is that typically the sale proceeds may be paid to the seller over a 6 to 7-year period.

Current Irish tax legislation as set out in Section 563 TCA 1997 requires the proceeds (i.e., upfront and deferred consideration) of a sale to be taxed based on the time of disposal. This means that for a sale between January – November, the full payment of CGT would be due on 15 December in that year and for a sale in December, the full payment of CGT would be payable on 31 January of the following year (see also Part 5).

Given the quantum of consideration that is being deferred in most cases, e.g. in the example in Part 4, 20% is paid upfront and the remaining 80% is deferred, where the tax was charged on the full consideration upfront, it would likely not be possible for the seller to cover the tax cost in the timeframe required.

There is a provision in section 981 TCA 1997, headed "Payment by instalments where consideration due after time of disposal" which allows the tax to be paid over a period of time in instalments. For this, the following conditions have to be met:

- **Consideration payable by instalments over more than 18 months.** The relief applies where the consideration (or part of it) taken into account in computing the chargeable gain is payable by instalments over a period beginning not earlier than the time of disposal, being a period exceeding 18 months.
- **Undue hardship test.** The person making the disposal must satisfy the Revenue Commissioners that they would “*otherwise suffer undue hardship*” if required to pay the tax in the normal way.
- **Payment by instalments over up to 5 years.** Where the test is met, the CGT (or corporation tax, as the case may be) on the chargeable gain may, at the taxpayer's option, be paid by such instalments as the Revenue Commissioners may allow, over a period not exceeding 5 years and ending not later than the time at which the last of the consideration instalments is payable.

Whilst this provision is somewhat helpful, we believe that a more structured provision will be required for the deferral to facilitate cases where consideration is payable over a period of more than 5 years and/or to prevent the requirement for a taxpayer to seek agreement in every EOT case. For example, the tax payment due date in relation to disposals to a qualifying EOT could be aligned with the payment date such that tax is paid as each instalment is received from the EOT.

C) Income tax relief

A qualifying EOT owned company should also benefit from further relief for annual bonus payments made to employees under an all-employee bonus plan. All employees (subject to a qualifying period of employment not exceeding e.g., 12 months) should qualify for an annual tax-free payment of Eur3k-5k (or such an amount as is considered to be appropriate) as a further incentive for companies to consider the EOT structure. The bonus would be paid on a “similar terms” basis as described above.

In order to align the benefit with SAYE/APSS share plans and individual pension contributions, the exemption could be limited to income tax only, with PRSI and USC still applying to such bonus payments.

The UK EOT framework includes a similar relief of £3,600 per annum for eligible employees and therefore introducing a comparable relief in Ireland will ensure that the scheme can be aligned for companies that operate on an all-Ireland basis and to ensure that any relief in Ireland is competitive as compared to the UK regime.

The bonus amount could either be aligned with UK EOTs (£3,600) or with the current exempt amount of free shares which can currently be given under an APSS which is Eur12,700 per annum.

The APSS provisions require a 3-year holding period for the free shares and therefore to fully align the terms it would be necessary to add further complexity to the EOT. For example, a bonus amount could be allocated to an employee and paid tax-free if that employee is still in employment in 3 years.

There are other possible ways to structure the EOT bonus which may be attractive from a policy perspective, for example, the bonus amounts could be accrued and paid tax free upon retirement or paid into a pension scheme. Whilst there are numerous ways in which the EOT bonus could be structured we believe that keeping the legislation simple (as in the UK) would be the best approach and allowing employers to add rules around retention, paying into pension schemes etc., if that fits with their employee retention/incentivisation strategy.

We would expect salary sacrifice rules which are contained within Section 118B TCA 1997 to apply to payments such that the exemption would only apply to genuine discretionary bonuses and could not be used to pay regular contractual salary or bonus payments.

D) Exclusions/exemptions

A transfer of shares into a trust that meets the definition of an EOT (as opposed to a qualifying EOT) see above, should benefit from the following exemptions (see Part 5 for more detailed analysis):

- i. The EOT should be exempt from DTT (both the once off 6% and the annual 1% charge) (section 2 CATCA 2003).
- ii. The settlement on the EOT should be exempt from section 436A TCA 1997 (reclassification as a distribution) on the basis that an EOT is being set up for a genuine commercial purpose.
- iii. The transferor and the company should not be subject to the provisions of section 135(3A) TCA 1997 which would seek to recategorise the disposal from a capital gain to a distribution which is subject to DWT and marginal rate of income tax/USC/PRSI.
- iv. Capital contributions into the EOT to fund the deferred consideration payments due to the seller should not be treated as a distribution under section 130 TCA 1997.

Providing the above exemptions/exclusions for trusts which meet the definition of an EOT would encourage the use of EOTs for a wider purpose, i.e., minority ownership, especially in situations where majority ownership may not initially be feasible. However, there may also be compelling arguments for limiting the above exemptions to qualifying EOTs only initially to ensure EOTs are set up with majority ownership and meet the generally intended purpose.

6.2 Anti-avoidance – how to avoid reliefs being abused / misused

EOTs are designed to facilitate business succession planning and promote employee ownership. However, it will be important that any new legislation includes specific provisions to prevent the abuse or misuse of such reliefs. In addition to the EOT / qualifying EOT definitions outlined above and the additional requirements to obtain tax reliefs including a claw-back provision, we believe other features are important to safeguard the abuse or misuse of the relief:

1. **No arrangements to take back control:** The qualifying EOT must maintain ongoing control of the company. A condition of the enhanced ER could prevent arrangements where control may revert back to the former owners or directors after the company has been transferred to the EOT.
2. **Loans:** Trustees of a qualifying EOT should be prohibited from making loans to beneficiaries of the EOT or any other parties.
3. **Bonuses:** EOT bonuses should not disproportionately benefit higher-paid workers.
4. **Location of trust:** The trust should be located in the State, but where it is located in another EU member state there could be a provision whereby the trust needs to carry out a 'genuine economic activity' in that other EU member state in order to meet the definition of an EOT.
5. **Incentives and non-monetary benefits:** The legislation could set limits on performance bonuses and similar incentives for executives and higher-paid employees within the EOT structure during the claw-back period. This would be to prevent excessive flows of benefits that undermine the intention of equitable employee ownership. The DTT exemption could be made conditional on such a requirement. However, the UK experience is that mandating "good behaviour" is unnecessary and that the EOT achieves genuine employee ownership because of the trustee's fiduciary duties and exerting its influence as a controlling shareholding.

It is assumed that existing general anti-avoidance provisions in Irish tax law can be used to counteract any artificial arrangements or schemes that seek to exploit tax reliefs without engaging in genuine business activities or objectives.

These provisions should collectively ensure that EOTs fulfill their intended purpose of promoting employee ownership and democratic business management, rather than serving as a vehicle for tax avoidance or personal enrichment for a select few individuals.

PART 7

Costings – Estimated tax costs of implementation

We have calculated that the proposed tax measures included in Part 6 would have the following tax costs. Please note that these are indicative calculations only and are based on the assumptions set out below.

We have prepared the following calculations based on two approaches:

- Firstly, based on the experience in Northern Ireland where now 20 businesses have converted to EOT ownership, we assumed that 25 companies will convert to EOT ownership in the first five years after implementation (“Approach 1”). Approach 1 represents the more conservative and less successful implementation of EOTs.
- Secondly, and as set out in Part 2c of this document, and based on the Scottish experience, we have assumed that there will be an exponential growth in businesses in Ireland converting to EOT ownership in the first five years after implementation. In doing so, we assumed that as of year 5 after implementation, 62 companies will have converted to EOT ownership (“Approach 2”). Approach 2 is less conservative and would be the “best case scenario” for EOT implementation.

We have included tax costs for each of these approaches to provide a best possible basis to determine the likely tax costs arising from the implementation of the tax measures outlined in Part 6.

1. *Discretionary Trust Tax*

As outlined in Part 6, we suggest that, where a trust meets the definition of an EOT, it should be exempt from the once-off 6% DTT as well as the 1% annual DTT.

We have not included a costing for this exemption because its introduction will not result in a tax loss. No private company currently uses EOTs (apart from the minority shareholding in the Wolfgang EOT). Without a DTT tax exemption, we expect few, if any, EOTs to be established. The projected number of EOTs below will not come into existence and so there will be no loss of DTT.

2. *Deferral of CGT payments*

As outlined in Part 6, we also suggest aligning the Capital Gains Tax (“CGT”) payment dates with the dates at which the consideration is paid by the EOT to the sellers. This would result in a timing difference on receipt of the tax but would not impact any actual tax costs. There would be a time value of money cost in the delayed receipt of tax payments which would need to be considered.

3. *Enhanced Revised Entrepreneur Relief (“ER”)*

Part 6 describes our suggestion of an enhanced ER that would allow sellers to claim a lower CGT rate of 10% on lifetime gains of €10m arising on the sale of shares to a qualifying EOT.

For the calculation of the potential tax costs arising from this measure, we have made the following assumptions:

- We assumed that each company converting to EOT ownership has at least two selling shareholders and that each transferor will be entitled to claim enhanced ER (or currently available ER).
- For the purposes of this calculation, we have assumed that the full transfer value would be subject to CGT, i.e., we have ignored any allowable base cost the transferors might have in respect of the sale of the shares to a qualifying EOT.
- Based on available data in relation to M&A activities in 2025, we assumed an average transfer value of cEur10.5m.¹

For this, we reduced the overall deal value of EUR19.5bn in 2025 by the value of all transactions exceeding Eur250m (totaling Eur14.145bn). We then divided the remaining overall deal value of Eur5.355bn by the number of M&A transactions which did not exceed EUR250m (524 transactions overall less the number of transactions with a value of Eur250+, i.e., 12, equaling 512 transactions). This resulted in an average deal value of Eur10.458m.

We applied this approach as 90% of transactions in 2025 were priced between Eur5m to Eur250m. Additionally, based on the experience in the UK, we would expect that it is typically SMEs that would convert to EOT ownership, so this appeared to be the appropriate approach.

On the basis of an assumed transfer value of Eur10.5m and assuming that each transferring shareholder would be entitled to claim the lower rate of CGT of 10% on a gain of up to EUR10m, this would lead to the entire gain being subject to the lower rate of CGT under the enhanced ER and would have the following cumulative tax costs:

Approach 1	Approach 2
Eur60.1m	Eur149.1m

Please note that this does not take into account that sellers might already be entitled to and could claim ER on Eur1.5m of the gain arising on the disposal. Taking this into account and assuming that both transferors are entitled to a lower tax rate on Eur1.5m, this would result in the following net tax costs:

Approach 1	Approach 2
Eur42.89m	Eur106.37m

¹ William Fry (2026). *M&A Review 2025*. <https://www.williamfry.com/knowledge/ma-full-year-review-2025/>. William Fry.

4. *Income tax relief on bonus payments*

As outlined in Part 6, in a qualifying EOT we suggest that employees might receive profit distributions from the company by way of tax-exempt performance bonus payments up to a specified amount (e.g., €5,000). As stated in Part 6, we suggest exempting these bonus payments only from income tax and not from USC and PRSI.

For the calculation of the tax costs arising from this measure, we have assumed the following:

- We have assumed that each of the companies converting to qualifying EOT ownership has 40 employees. This is based on the average number of employees per business in Scotland which is 41.²
- We have assumed that where a bonus is paid, the amount of the bonus will be Eur3,245. This is based on the average bonus payments of Stg£2,780 made in the UK by EOT owned businesses, converted into Euro at the annual average exchange rate for 2025.
- We have calculated the tax costs on the basis that 80% of the businesses will make bonus payments. This is based on the fact that circa 60% of UK EOT owned businesses paid bonuses to the employees (latest data available, see also Part 2b). As this data relates to the post-COVID period during which there may have been depressed business performance, we assumed that 80% of the companies will pay bonuses.
- We assumed that, if bonuses are paid, these will be paid each year after conversion to EOT ownership, albeit that some companies may delay payments for a number of years post conversion which paying deferred consideration to sellers.
- We have assumed that, of these employees, c. 1/3 are taxed at the standard rate of income tax (i.e., currently 20%). Conversely, we have assumed that c. 2/3 of the employees are taxed at the marginal income tax rate of currently 40%.

This is on the basis that the average earnings in Ireland are cEur55,880 based on recent statistics.³ However, companies converting to EOT ownership are often located in rural areas where the earnings tend to be lower. Additionally, where a bonus will be paid, it will be on an “all-employee benefit” basis, and as such, lower paid employees will be entitled to a bonus to the same extent as higher paid employees. Accordingly, we assumed the above proportion of lower paid employees to higher paid employees.

² Robinson, A. and Pendleton, A. (2024). *Employee-owned business census - Report to Scottish Enterprise and Co-operative Development Scotland*. [online] Available at: <https://www.scottish-enterprise.com/media/prtmpasv/final-employee-owned-business-census-scotland-2024.pdf> [Accessed 2 Jul. 2026].

³ Central Statistics Office (2026). *Earnings and Labour Costs Q4 2025 (Final) Q1 2026 (Preliminary Estimates)*. [online] Available at: <https://www.cso.ie/en/releasesandpublications/ep/p-elcq/earningsandlabourcostsq42025finalq12026preliminaryestimates/> [Accessed 2 Jul. 2026].

Based on the above, we have calculated the following cumulative tax costs:

Approach 1	Approach 2
Eur1.73m	Eur4.29m

PART 8

Overview of Legal Considerations

The summary below provides general information regarding Irish law for informational purposes only and does not constitute legal advice.

As a general proposition Ireland has the necessary legal framework to support EOTs. The Irish legal system aligns broadly with the UK in relation to trust law and company law and it is worth noting that there was nothing in the UK's legal framework that disproportionately impacted on employee-owned companies according to the Nuttall Review and a subsequent UK government report (see Appendix 9 for a link to the full document).

8.1 Trusts

There is a very long-established concept of a "trust" in Irish law, which in the context of employee ownership enables shares to be held by someone, called the "trustee", on behalf of the employees of a company (or a group of companies) (called the "beneficiaries" of the trust). The trustee has fiduciary responsibility for acting at all times in the best interests of the beneficiaries of the trust. Shares in such an employee trust are invariably held on what are known as discretionary trusts. This means that the trustee has the power, at its discretion, to choose how and when to benefit beneficiaries. Shares may remain held on discretionary trusts indefinitely and whilst held in this way no employee has an entitlement to any specific shares in that trust. In the trust model of employee ownership shares are permanently held in trust.

Since 2009 Irish trusts can, under Irish law, continue indefinitely and there is no absolute statutory limit, or "perpetuity period" that must apply to a trust (the perpetuity period refers to the maximum permitted time frame for assets to remain in a trust before they must be distributed to beneficiaries). This is very helpful from an EOT perspective. In the UK a fixed perpetuity period of 125 years applies unless a shorter term is chosen in the trust deed and therefore at present most founders setting up an EOT in the UK have accepted the 125 year time frame. In the USA certain states permit perpetual EOTs and this is the standard US model.

8.2 Company Law

Ireland has flexible company laws (and other laws, for example, securities laws) which include provisions that support "employee share schemes". For example, there are exemptions from certain company law provisions for "employee share schemes" in relation to the allotment of shares, pre-emption on allotment and financial assistance. An explanation of these laws is outside the scope of this summary.

8.3 Regulatory

From a regulatory perspective, some regulated sectors such as law, accounting, healthcare and financial services may have regulatory obstacles that prevent EOT ownership because the trustee or trustee board will not meet ownership requirements. For example, in Northern Ireland, law firm regulations are more restrictive than those in England and Wales but the take up of the structure among English law firms shows there is a demand for EOT ownership of law firms. Furthermore, government outsourcing contract requirements may similarly fail to take into account the possibility

of the collective ownership of shares. These matters would be for the Government to highlight with the relevant regulatory bodies for review, if EOT measures are introduced.

8.4 Finance

Bank lending to the trading company operating within an EOT structure should be available in principle provided no personal guarantees are required. This is the UK experience. There may be a knowledge gap in getting banks familiar with the EOT model, so clarity and guidance on this point would be recommended as part of any Government implementing measures for EOTs.

PART 9

Implementation

A key part of the success of EOTs is ensuring that there is awareness of this ownership model across the business community and a genuine understanding by business owners of what employee ownership means before embarking on the journey to transfer a business to an EOT. In addition, it is important that there is sufficient support available for business owners to help them through the transition to an EOT from a tax, legal, financial etc. perspective.

Appendix 6 contains an extract from the UK's 2012 Nuttall Review of Employee Ownership. It describes what was in 2012 a hypothetical example of an owner who wants to consider employee ownership as a succession solution. This idealistic scenario of what the business owner would be advised is what has been realized in the UK since 2014 and is happening now in the UK daily because the UK government decided to promote EOTs.

Appendix 9 sets out more detail on the UK's path to making employee ownership mainstream. The UK experience is that market forces worked well in many parts of the UK to promote EOTs following the introduction of its EOT tax regime, but Government support was needed both before and after making tax changes to ensure the success of EOTs. In particular, the introduction of the UK EOT tax regime was preceded by a period of high-level Government support for employee ownership as a business model, and afterwards by Ministers continuing to provide publicity for employee ownership. The UK tax authority has consistently provided practical guidance and support on the tax aspects of converting to EOT ownership.

What was notable, however, was that EOT take-up in Northern Ireland and Wales started late and only after their respective governments took steps to promote EOTs and that EOT take-up in Scotland was high from the outset because it already had a dedicated team as part of Scottish Enterprise that promoted employee ownership.

The Northern Ireland experience is especially relevant. EOTs only became a reality when an EO centre (Employee Ownership Ireland ("EOI")) was set up by Northern Irish business leaders and government funding was made available to support and drive EOI's plans for the growth of EOTs. Northern Ireland EOT conversions have only picked up in the last five years, with Northern Ireland now having 20 EOTs, according to recent statistics from EOI. Appendix 3 contains a list of Irish firms that have transitioned to EOT-ownership. Appendices 4a and 4b provide case studies from Northern Ireland.

Detailed in Appendix 8 is an experience share from EOI which could prove to be a helpful blueprint for the rollout of EOTs in Ireland but equally demonstrates the critical importance of official support to the growth of EOTs, if legislation is implemented in Ireland.

Government support of this nature will be a fundamental pillar to the introduction of EOTs in Ireland as businesses will need support and assistance in order to make the successful transmission to EOT-ownership.

PART 10

Endorsements/support for EOTs

There is an overwhelming level of support for EOTs in Ireland based on our discussions and conversations with business owners, representative bodies and professional firms. In order to demonstrate this, we have included a few comments/links below which demonstrate the support from some of these parties.

Please note that whilst all parties (1-10) have given their consent for their support for EOTs to be included in the report, their support is general in nature. The remainder of the report has been written by IPSA and does not necessarily represent the views of the parties referenced in this part of the report.

1. Scale Ireland
2. CGI Ireland
3. Karen Maguire, Founder of Relinea and Chair, Employee Ownership Ireland
4. Gill Brennan, former CEO IPSA
5. Aidan O'Neill - Founder, Employee Ownership Ireland
6. Cathy Lynch, Social Enterprise Facilitator
7. Colm O'Callaghan, Private Business Partner, PwC Ireland
8. Frank Greene, Tax and Business Adviser, Forvis Mazars
9. Michael Rooney, EY, People Advisory Services Partner
10. Employee owner in Cork, UK EOT-owned company, Finance Associate

Published quotes

In addition, to the above, we have included some published quotes which are more general in nature which demonstrate the need and support for EOTs.

11. Simon Coveney, Former Minister for Enterprise, Sunday Business Post May 10th 2023
12. Tom Early, Head of Investment, Enterprise Ireland, Sunday Business Post April 27th 2026
13. Dennis O'Brien, Sunday Business Post, July 19th 2025
14. Michael O'Leary, Sunday Business Post July 26th 2025
15. Graeme Nuttall, Author of UK EOT Legislation and Dr Oliver Brown, UCC. RTE 24 September 2025
16. Indecon review of the taxation of share-based remuneration for Dept of Finance. Page 82, Recommendation 6.
- 17 . David McWilliams, Economist. The David McWilliams Podcast, April 27 2025.

1. Scale Ireland

"Scale Ireland is happy to support the reform of Employee Ownership Trusts as advocated by the Irish Pro-Share Association. Founders should have as wide a range of options as possible available to them when considering exits from companies. Different businesses require different solutions depending on their trajectory and place in the market. While the majority of our member companies are likely to pursue other exit options; that may not suit all companies. EOTs should be an available model to founders to reward employees who have played a valuable role in growing a company, particularly for companies with a domestic focus."

2. CGI Ireland

“The Chartered Governance Institute Ireland strongly supports the introduction and expansion of Employee Ownership Trusts (EOTs) as a sustainable model for business succession in Ireland. EOTs provide a framework for broad-based employee ownership, helping to anchor businesses locally, enhance employee engagement, and drive long-term productivity. International evidence demonstrates that employee-owned companies are more resilient and deliver improved outcomes for both employees and the wider economy. As the professional body for governance practitioners, CGI Ireland sees a key role in promoting best practice, supporting trustees and boards in implementing EOT structures effectively, and contributing to the development of a strong governance framework for employee ownership. We believe that enabling a supportive legislative and tax environment for EOTs in Ireland would represent a significant step forward in fostering inclusive growth and preserving indigenous enterprise.”

3. Karen Maguire, Founder of Relinea and Chair, Employee Ownership Ireland

“When I sold Relinea in 2022, I wasn't thinking about the transaction. I was thinking about what would happen to the thirty-five people who had helped build it, and to the business itself.

That experience is what drives the work of Employee Ownership Ireland. When we started in 2022, employee ownership wasn't being discussed in Northern Ireland, it wasn't even on the table. Today there are over 1,600 employee-owners here across twenty-seven businesses. Twenty-one of those are indigenous businesses, grown from just one in 2022. EOI have helped build the conditions that made that possible: the awareness, the advisor ecosystem, the funded feasibility studies, and the government backing that gave business owners a real path to consider it.

The case for employee ownership in the Republic is urgent, but not simply because businesses are being sold. The deeper issue is what happens when ownership and wealth become increasingly concentrated in fewer and fewer hands: wages get squeezed, inequality deepens, and some of Ireland's most successful and influential businesses end up held by interests that have no long-term stake in Ireland's future. As we are seeing played out on the world stage right now, that is a real and present risk. Employee ownership addresses it directly, it keeps wealth, decision-making, and long-term commitment to Ireland inside the business and in Irish hands.

But right now in the Republic, employee ownership isn't a niche option, it isn't an option at all. Without a tax framework that puts it on a level playing field with other exit routes, it cannot be considered by the businesses that could most benefit from it.

Northern Ireland's experience shows what becomes possible when the legislation and the infrastructure are in place together. The legislation creates the conditions. The infrastructure; organisations, advisors, funded support, makes it real for business owners. In the UK, a business transitions to employee ownership every single day, and Northern Ireland is building towards that same momentum. There is a real opportunity here, and we would welcome any conversation about what we have learned along the way.”

4. Gill Brennan, former CEO IPSA

"As a former CEO of IPSA, a governance consultant and a trustee, I see the EOT from every angle. The case is overwhelming. It solves succession, retains indigenous enterprise, rewards employees and builds resilience. The only thing missing is the legislation. Budget 2027 is the moment to act. I have been passionate about employee ownership since my time leading IPSA, and that passion hasn't faded. If anything, watching the UK sector grow to over 2,800 businesses while Ireland stands still has sharpened it. EOTs are not complicated. They are fair, they are resilient, and they keep Irish businesses in Irish hands. It is time."

5. Cathy Lynch, Social Enterprise Facilitator

"I support the growth of Employee Ownership Trusts (EOTs) in Ireland because they provide a sustainable means of ensuring that successful businesses remain in the communities in which they were established. By safeguarding local employment and supporting economic activity across towns and regions throughout the country, EOTs can make a valuable contribution to long-term community and economic resilience. I also welcome the work of IPSA in promoting awareness of employee ownership and advocating for the legislative and policy developments needed to support its wider adoption."

6. Aidan O'Neill - Founder, Employee Ownership Ireland

"I am the founder and an active board member of Employee Ownership Ireland (EOI), which we established in January 2025. Our vision is an Ireland where employee ownership is a natural succession option for businesses—keeping ownership local, strengthening workplaces, supporting good jobs, and ensuring prosperity stays within the communities that earned it. Our ambition is to have one in seven people working in an employee-owned business across Ireland."

This is a highly ambitious target. While our family charity, the DLD Fund, initially provided the seed funding to get EOI off the ground, we have achieved a major milestone: since June 2025, the Northern Ireland Government has also stepped in to financially support our work. Achieving our ultimate vision across the entire island now depends heavily on securing equivalent legislation in the Republic to what we currently enjoy in the UK.

This cause is close to my heart. I come from a second-generation, family-owned engineering business employing 150 people in Northern Ireland. We are fortunate to have the option of selling our business to our employees through an Employee Ownership Trust (EOT). This is exactly what will happen if our third generation chooses not to take over, ensuring we retain jobs, wealth, and tax revenue in Northern Ireland. A trade sale—especially to an overseas buyer—would put all of that at risk.

My journey was inspired by a visit to Mondragon in the Basque region in 2023. The Basque statistics speak for themselves. However, the Emilia-Romagna region around Bologna in Northern Italy features an even higher density of worker-owned enterprises. There, one in seven people are employed directly in co-operatives, generating 33% of the region's GDP (I have attached a page outlining the metrics for Emilia-Romagna). To me, the co-operative sector and EOTs are deeply intertwined, and I urge you to push for legislative and state support for both models.

What fascinates me most about both regions is the profound, positive spillover effect these co-operatives have on surrounding businesses. They effectively set a higher baseline standard for non-employee-owned firms to follow—reducing inequality, deepening worker engagement, and driving up productivity. As Vera Negri-Zamagni, an Economic Historian at the University of Bologna, notes:

"Non-cooperative businesses in Emilia-Romagna frequently adopt the practices and principles of the cooperatives around them... creating a unique ecosystem where cooperation and networking are the standard, even for private, family-owned firms."

Over a century ago, Horace Plunkett and Ireland developed the engine that allowed rural, agricultural communities worldwide to adopt the co-operative model successfully (details on his legacy can be found via the Plunkett Foundation and Wikipedia). Today, the Irish Government has the unique opportunity, indeed the privilege—to lead the world once again by championing the spread of EOTs and modern co-operatives in our post-industrial world.

I would welcome the opportunity to discuss how we can work together to advance this legislative framework.

Key Outcomes in Emilia-Romagna:

Economic Strength: *Once one of Italy's poorest regions, it is now one of the wealthiest in Europe. GDP per person is 50% higher than the Italian average.*

Equality: *Drastically lower inequality (Gini coefficient) with typical pay ratios between 6:1 and 8:1.*

Resilience: *During the 2007–2011 crisis, cooperatives grew by 11% while the rest of the Italian economy stagnated.*

Social Wellbeing: *2nd highest life expectancy in Italy, lower cost of living through coop memberships, and 85% of social care led by cooperatives.*

Stability: *Unemployment sits at just 4%, with higher wages and 25% more personal savings than the national average.*

7. Colm O'Callaghan, Private Business Tax Partner, PwC Ireland

PwC recently issued a report which references their support for EOTs at point 5 as part of a 10-point multi-year plan for scaling SMEs in Ireland.

<https://www.pwc.ie/publications/2026/overcoming-barriers-to-scaling-irish-enterprises.pdf>

Support has also previously been flagged in their pre-budget submissions and their response to the public consultation on Ireland's Taxation of Share Based Remuneration.

Colm O'Callaghan, Partner, PwC Dublin (Private Business) says;

"Employee Ownership Trusts represent an opportunity to address several of the structural challenges facing Irish businesses simultaneously. By supporting ownership continuity, increasing employee engagement and helping companies attract and retain talent, EOTs can contribute to the development of larger, more resilient Irish-owned enterprises. As Ireland seeks to scale more indigenous champions, EOTs should form part of the conversation on the next generation of business growth and succession planning."

8. Frank Greene, Tax and Business Adviser, Forvis Mazars

"A common question that arises in certain owner managed businesses, as either part of a succession or sale plan, is whether Ireland has a tax friendly set of laws if the preferred option is to sell or transfer the business to the employees. I have advised a number of businesses, who

were interested in this option, that we do not have supportive tax policies when considering this option. In the modern world Ireland is in competition with many other countries for business and talent and while Northern Ireland and across the UK there is tax legislation on EOTs, ROI does not, and this leaves businesses of this nature with less options when considering the future. It is unfortunate that we have not adopted an all Island/Ireland approach to this topic and business and employees in ROI are losing out on the real opportunities to grow employee participation in business ownership, the benefits of which would accrue to all stakeholders including employees, business owners, the State and society as a whole.”

9. Michael Rooney, EY People Advisory Services Partner

"Introducing an EOT framework in Ireland could play a meaningful role in preserving indigenous businesses, enabling smoother ownership transitions, and strengthening long-term employee engagement and productivity. EY previously expressed support for EOTs in its 2024 response to the Department of Finance consultation on Share-Based Remuneration. An extract is included below."

“14. Are there any new share-based remuneration schemes which should be specifically legislated for in the Irish tax system? If yes, please provided details and outline the reasons for your answer, including the Exchequer impact.”

As with many of our peers and colleagues in this space, we note there is merit in exploring the introduction of Employee Ownership Trusts (EOTs) similar to the way they operate in the UK i.e. to investigate if they could be adapted to work in Ireland. We appreciate that in more recent years that there is appetite to look further afield than the UK when considering policy/legislative change. In addition to the EOT business model being successful in the UK, it is a model that is also being copied in the US, Australia and most recently Canada. Even countries without trust law, like Denmark, are looking at these schemes.

EOTs can provide a practical, straightforward business succession solution. Instead of a business closing, it is sold to its employees. This benefits the wider business community: the selling shareholders, the business, its employees, the community in which the business is based and the wider economy. In an Irish context entrepreneurs and SME owners are in need of such a vehicle to assist with exit planning. An EOT model akin to the UK would allow for Irish business to continue to scale with Irish ownership.

The solution could be simple: however, input and guidance are required from Department of Finance/Revenue. EOTs would not currently be workable in Ireland without legislative change e.g. to navigate Discretionary Trust Tax (DTT) rules and Anti-avoidance provisions of section 135 (3A) TCA 1997. We understand that there are certain concerns regarding anti-avoidance provisions in Ireland, which should also be considered if EOTs were introduced. With engagement from the Department of Finance/Revenue a potential option for SMEs and Entrepreneurs could be brought to life.”

10. Employee owner in Cork, UK EOT-owned company, Finance Associate

“As an Irish remote worker for a business that’s been EOT-owned for almost 10 years, I’ve experienced first-hand how employee ownership creates a great place to work and the positive difference it makes. Serving for three years as an employee elected EOT director gave me the opportunity to contribute at trustee board level. Day to day, the EOT creates a culture of strong staff engagement and ownership. Staff feel invested in the business's success and have the

opportunity to influence positive change alongside colleagues. EOT profit sharing rewards everyone when the business succeeds, making employee ownership benefits tangible for all.”

11. Simon Coveney, Former Minister for Enterprise, Sunday Business Post May 10th 2023

Speaking at the Oireachtas Committee on Enterprise, Simon Coveney said currently many successful and high-potential Irish companies reached a certain size and then decided to “cash in” by selling to larger, often foreign owned, multinationals.

“...we want to persuade companies, more and more companies, not to take that tempting offer, and instead to build a global brand out of Ireland.”

12. Tom Early, Head of Investment, Enterprise Ireland, Sunday Business Post April 27th 2026

“A few years ago, we were seeing a lot of companies that were on a rapid scaling agenda, but then often, the founders would sell the business early.”

13. Dennis O'Brien, Sunday Business Post, July 19th 2025

Ireland is too reliant on foreign direct investment (FDI) and urgently needs to back indigenous companies to diversify the economy.

We need to persuade entrepreneurs not to sell out,”

14. Michael O'Leary, Sunday Business Post July 26th 2025

“But you know, the numbers of Irish entrepreneurs who are successfully setting up businesses, regrettably seem to want to sell out for a quick buck early on,”

15. Graeme Nuttall, Author of UK EOT Legislation and Dr Oliver Brown, UCC. RTE 24 September 2025

By making EOTs attractive, Ireland could lead in employee ownership, creating a model that benefits owners, employees, and communities alike. The government has already gathered the evidence and consulted stakeholders; the next step is to act, issuing clear guidance and removing tax barriers so Irish businesses enjoy the same opportunities as those in the UK, USA, Canada and beyond. When founders choose between selling out or selling in, public policy should make it easy to choose the latter.

16. Indecon review of the taxation of share-based remuneration for Dept of Finance. Page 82, Recommendation 6

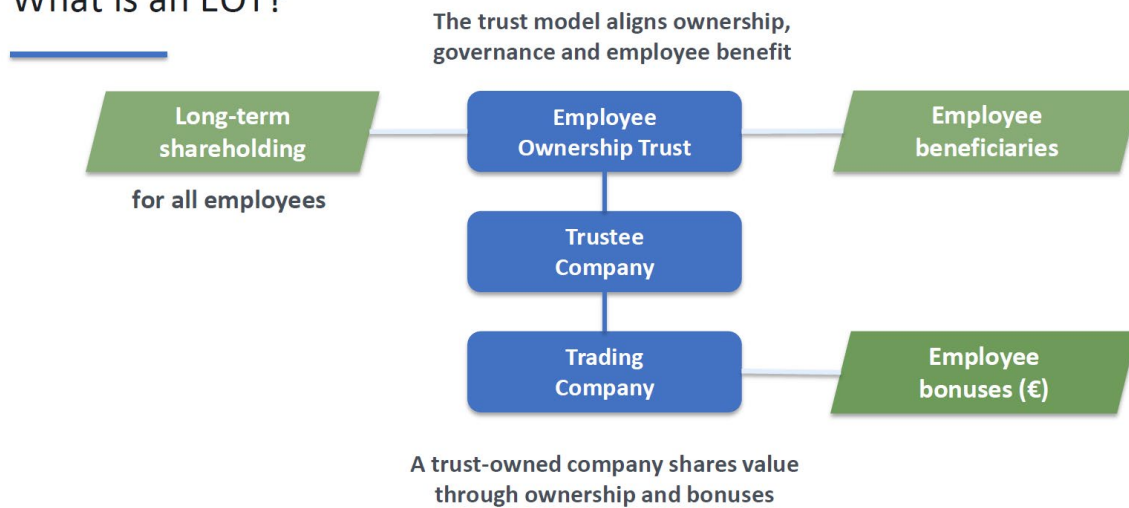
Facilitating employee ownership as an ownership succession option could contribute to enterprise policy goals of strengthening the indigenous sector and building a strong cohort of Irish-owned firms as the alternative is often the sale of the company to a foreign-owned multinational firm.

17. David McWilliams, Economist. The David McWilliams Podcast, April 27 2025.

“It is, I think, going to be one of the big ideas of the 21st century”

APPENDIX 1

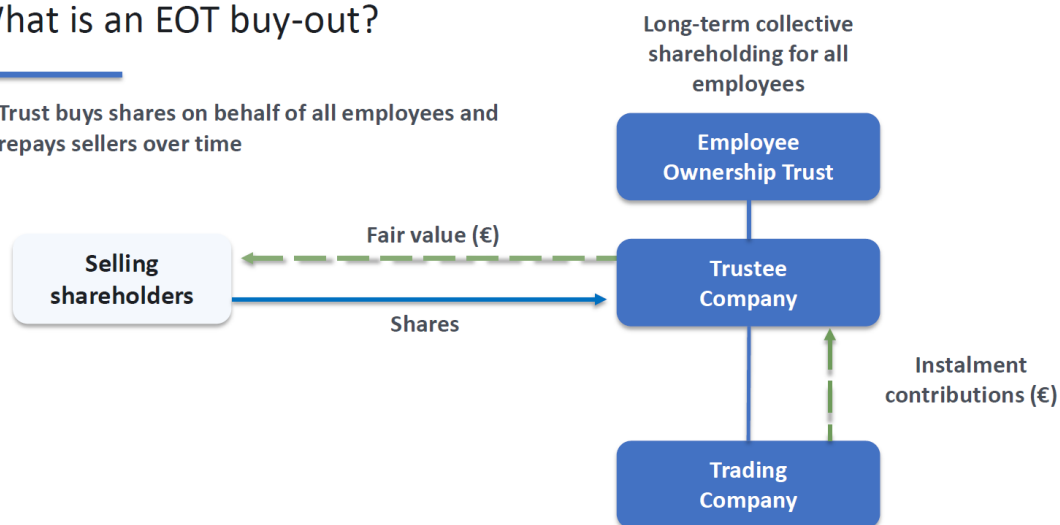
What is an EOT?



www.ipsa.ie

What is an EOT buy-out?

Trust buys shares on behalf of all employees and repays sellers over time



www.ipsa.ie

APPENDIX 2 – Checklist – how do EOTs fit into the “Tax Expenditures Evaluation – Updated Guidelines”

Ex ante evaluation	Addressed in Submission	Part
What is the objective of the tax expenditure?	Equalising and incentivising transition to EOT ownership.	Part 1, Part 5 and Part 6
What market failure is being addressed?	Succession gap, loss of Irish businesses & associated IP to foreign investors / multinationals, Ireland's increasing reliance on foreign multinationals	Part 1.3 & Part 2
Is a tax expenditure the best approach to address the market failure?	To encourage business to consider EOT ownership as a succession tool, EOTs should, at a minimum be treated equally to business disposals to third-parties. To compensate sellers for the risk arising from having typically the majority of the consideration being deferred for 6-7 years, tax incentives should be included to make EOT conversion an attractive and viable succession tool.	Part 2, Part 5, Part 6
What economic impact is the measure likely to have?	Increasingly, Irish businesses are sold into foreign ownership, with the associated loss of IP, and risk to Irish employment. Making EOT ownership an equal succession tool would allow Irish businesses to remain Irish owned, supporting Irish communities and employees. Typically, EO businesses increase in profitability, are more resilient and create secure employment. As such, the economic impact can be measured through increased spending in the communities by EOT owner employees which receive profits by way of bonuses. Additionally, resilient and secure businesses ensure ongoing employment, thereby reducing social welfare costs for the State. Keeping Irish businesses in Irish ownership	Part 1.2 & Part 2

	will retain the IP of these businesses in the State and will increase Irish indigenous productivity and profitability.	
How much is it expected to cost?	Please refer to Part 7 for an overview of the indicative tax costs.	Part 7
What impact is the tax expenditure likely to have from an equality perspective?	EOT ownership allows employees to become business owners without the requirement of capital to acquire a stake in a business. As such, profit and wealth is spread more equally across society.	Part 1.2, Part 2 & Part 7
What impact is the tax expenditure likely to have from an environmental perspective?	EOT owned businesses often have ongoing charitable engagement, also in the environmental sector.	Part 1.2 & Part 2
Are the data collected sufficient for the purpose of reviews?	N/A	N/A

APPENDIX 3

List of Irish firms which have transitioned to an EOT*

The below list shows the sector and number of employees for each business. Note that all businesses are in NI, other than Wolfgang Digital which is in ROI.

*Table provided by Employee Ownership Ireland.

Name	Sector	Stage	# employees ⁽ⁱⁱⁱ⁾	Year of transition
Boyce Precision Engineering	Manufacturing and Engineering	Transitioned	25	01/05/2024
People 1st	Professional Services and Training	Transitioned	100	01/06/2024
Relinea	Manufacturing and Engineering	Transitioned	40	01/03/2022
Savage&Whitten	Retail	Transitioned	300	01/01/2023
White Ink Architects	Professional Services and Training	Transitioned	35	01/09/2021
wolfgang digital ⁽ⁱ⁾	Professional Services and Training	Transitioned	30	01/05/2024
Cornerstone Vets	Professional Services and Training	Transitioned	20	01/06/2023
3rd St Studio	Creative Industries	Transitioned	3	01/11/2022
Adman	Construction	Transitioned	130	01/09/2024
LEHDING SERVICES DESIGN LTD	Professional Services and Training	Transitioned	15	01/01/2023
Ashwood Veterinary clinic	Professional Services and Training	Transitioned	16	01/12/2023
Gilbert Ash	Construction	Transitioned	300	01/04/2025
shed factory	Manufacturing and Engineering	Transitioned	25	01/04/2025
ATC	Manufacturing and Engineering	Transitioned	60	01/05/2025
Ultra Building	Manufacturing and Engineering	Transitioned	93	01/10/2024
CBRE NI	Professional Services and Training	Transitioned	40	01/09/2025

Patrick McCaul	Professional Services and Training	Transitioned after Feasibility Study	35	01/05/2025
SCC Ltd	Professional Services and Training	Transitioned after Feasibility Study	25	01/05/2025
Design ID	Professional Services and Training	Transitioned after Feasibility Study	60	01/05/2026
Unnamed ⁽ⁱⁱ⁾	Manufacturing and Engineering	Transitioned after Feasibility Study	30	01/06/2026
Unnamed ⁽ⁱⁱ⁾	Professional Services and Training	Feasibility Study Complete- planning on transitioning June 2026	15	Pending
			1397	

Notes:

⁽ⁱ⁾ Wolfgang Digital is located in Ireland.

⁽ⁱⁱ⁾ Have not yet publicly announced their transition / are still finalising the transition

⁽ⁱⁱⁱ⁾ No. of employees is "at transition"



S&W Wholesale: Transition to Employee Ownership Trust

Company Overview

Location	Industry	Year Established	Size
Newry	Wholesale distribution	Early 1900s	290 employees



Transition Details

1 Year of Transition

2023

2 Key Reasons

Succession planning

3 Succession Planning Context

Provide an exit strategy for previous shareholders while rewarding employees.

Impacts of Transition

Financial Benefits

Increased investment in the business.

Non-Financial Benefits

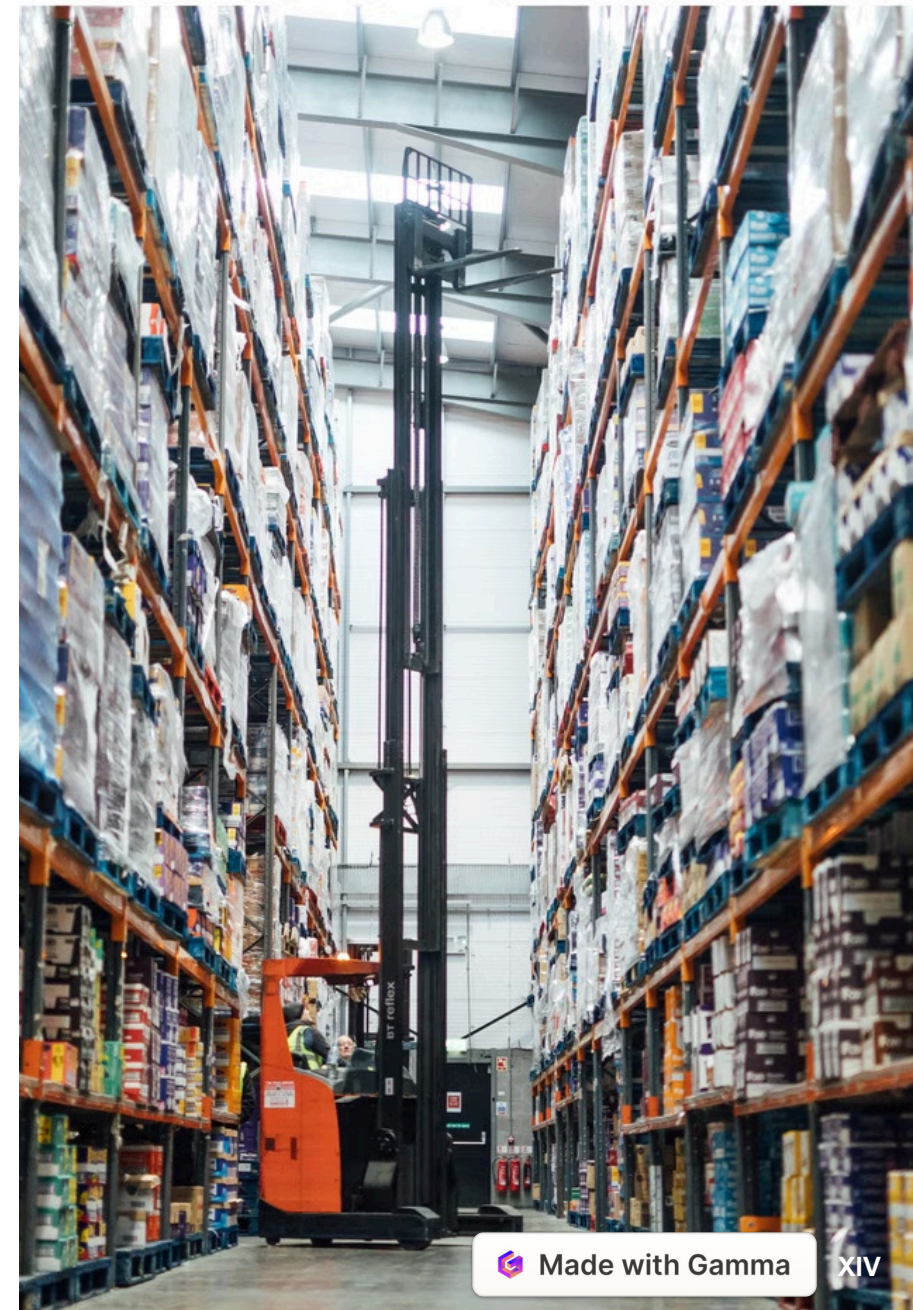
Improved morale and assistance with recruiting and retaining staff.

Operational Impacts

Greater employee buy-in and engagement.

Cultural Shifts

Increased employee buy-in and a drive for a positive working environment.



Lessons Learned



Understanding

All parties need to understand their roles post-transition.





Conclusion

S&W Wholesale's transition to an EOT has been a positive step towards sustainability and growth. The company is well-positioned for continued success with a strong foundation of employee ownership and a shared commitment to the future.



White Ink Architects: Transition to Employee Ownership Trust

White Ink Architects, a Belfast-based architectural firm established in 2001, embarked on a transformative journey in 2021 by transitioning to an Employee Ownership Trust (EOT).

Company Overview

Location and Industry

Belfast-based architecture firm, operating in the professional services sector of the construction industry

Establishment and Size

Founded in 2001, grown to 40 employees by 2023

Core Business

Specialising in architectural services

Transition to Employee Ownership Trust

1

2021: Year of Transition

White Ink Architects transitions to an Employee Ownership Trust

2

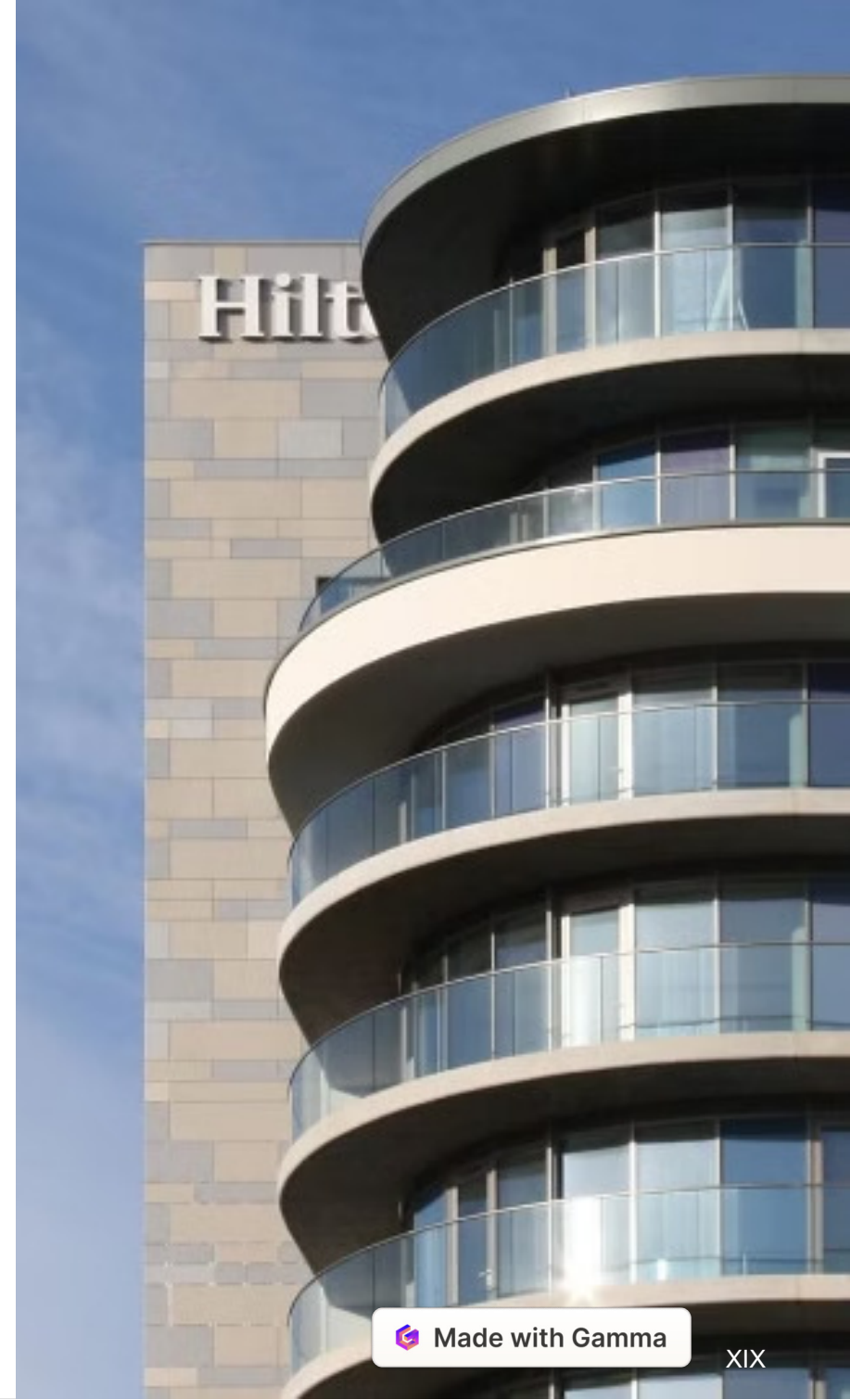
Key Motivations

Succession planning, securing the company's future, maintaining company culture, and rewarding employee contributions

3

Selection Process

EOT chosen for its alignment with company ethos and ability to foster future leadership based on talent rather than financial capacity



Succession Planning Context

Traditional Exit Routes

Founding directors explored options including management buyout and trade sale

EOT Discovery

Inspired by UK architects transitioning to employee ownership, leading to further research

Attractive Features

Simplicity of transition, business continuity, culture preservation, job security, and financial benefits





Financial and Operational Impacts

Growth

Expanded from 28 to 40 employees, with an increased management team of 8

Financial Performance

Two profitable years and one challenging year due to external factors; bonuses paid in 2 out of 3 years

Operational Stability

Minimal impact on day-to-day operations, ensuring team and client stability

Non-Financial Benefits and Cultural Shifts



Enhanced Benefits Package

Significant improvements in employee benefits, making the company more attractive to new talent



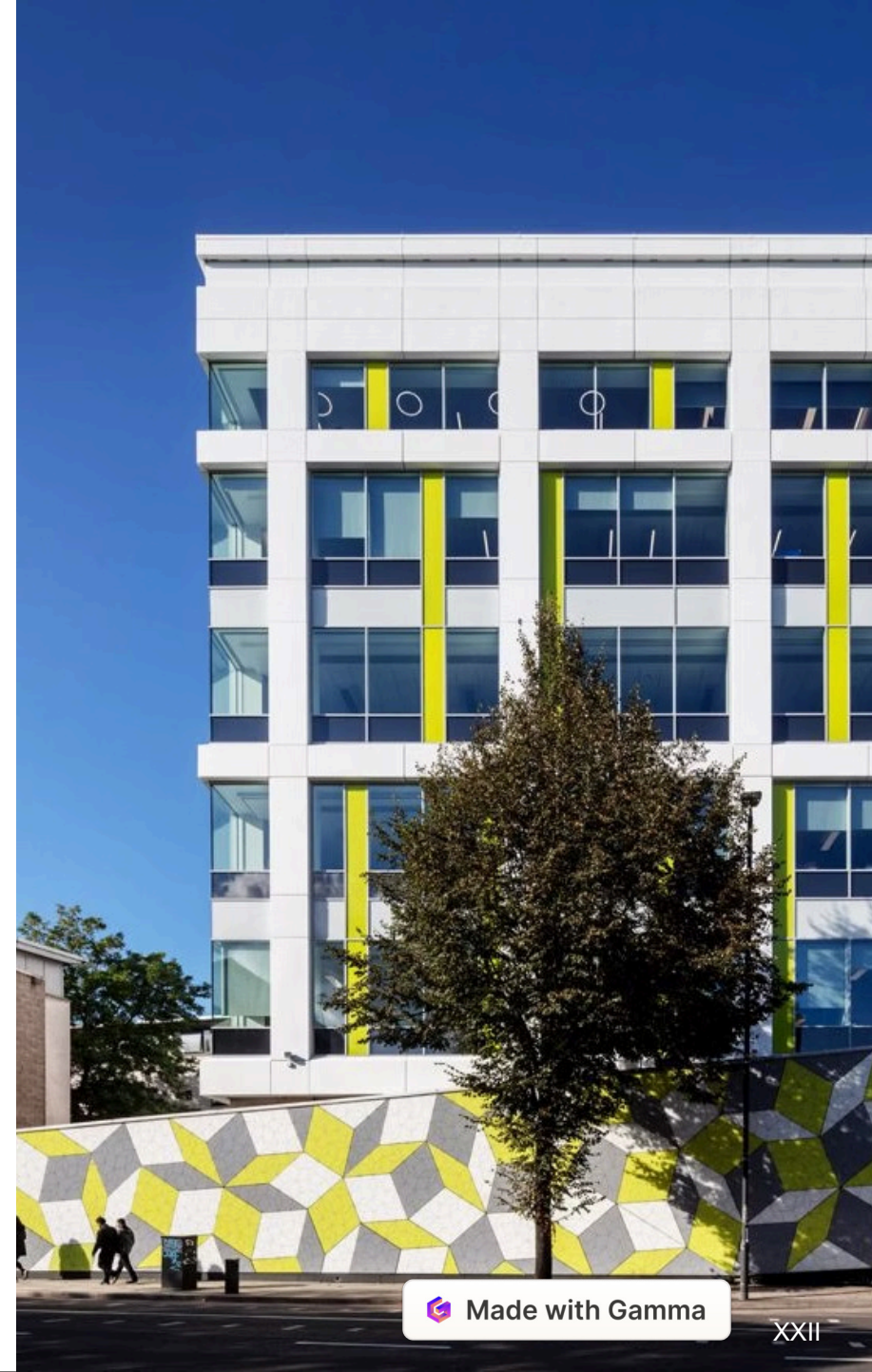
Cultural Reinforcement

Strengthened existing open and engaged company culture through increased information sharing



Increased Transparency

More formal and organised financial reporting to the EOT board and employees



Lessons Learned

1

Founder Preparation

Take time for founders to mentally prepare for the change and support new leadership

2

Employee Understanding

Allow time for team members to grasp the implications of employee ownership

3

Celebrate the Transition

Emphasise the positive impacts on employees, clients, and the local economy

4

Seek Guidance

Engage with other EO businesses to learn from their experiences

Future Goals and Recommendations

Future Goals

Planned transition of founding directors towards retirement, ensuring a strong management team and secure future for White Ink

Recommendations

Consider EO for businesses looking at succession or restructuring. Benefits include long-term business security, employee stake in the future, local economic benefits, and tax advantages

Conclusion: A Sustainable Future

White Ink Architects' transition to an Employee Ownership Trust has set a foundation for sustainable growth and employee empowerment. By preserving company culture, fostering transparency, and planning for succession, they've created a model that benefits employees, clients, and the local economy.

As they look to the future, White Ink stands as a testament to the potential of employee ownership in creating resilient, innovative, and people-focused businesses in the architectural sector.



APPENDIX 5

UK legislation on EOTs – relevant extracts

Introduction

The UK introduced a stand-alone tax regime for EOTs to provide, in particular, an EOT related capital gains tax and income tax relief. The proposed tax changes in Ireland do not require a full stand-alone tax regime. They assume:

- a statutory definition of a qualifying EOT which can be used to provide an exemption from discretionary trust tax and referred to in guidance;
- additional requirements if a capital gains tax relief is extended to sales to EOTs; and
- additional requirements (largely the same as above) if a tax relief applies to bonuses paid to EOT-owned companies.

The relevant equivalent provisions in the UK EOT regime (as at 1 July 2026) are set out below with brief explanations.

Statutory definition of a UK EOT

Existing best practice regarding the employee trust model was codified in tax law as the EOT. An EOT is a trust that meets the *all-employee benefit requirement*. Section 236J (1) Taxation of Chargeable Gains Act 1992 (**TCGA 1992**) lists all the requirements of an EOT. Subsequent sections and sub-sections expand on terms used.

Taxation of Chargeable Gains Act 1992, Section 236J

A settlement meets the all-employee benefit requirement if the trusts of the settlement—

- (a) do not permit any of the settled property to be applied, at any time, otherwise than for the benefit of all the eligible employees on the same terms,*
- (b) do not permit the trustees at any time to apply any of the settled property—*
 - (i) by creating a trust, or*
 - (ii) by transferring property to the trustees of any settlement other than by an authorised transfer,*
- (c) do not permit the trustees at any time to make loans to beneficiaries of the trusts, and*
- (d) do not permit the trustees or any other person at any time to amend the trusts in a way such that the amended trusts would not comply with one or more of paragraphs (a) to (c).*

Section 236J (2) cross-refers to section 236K which sets out an *equality requirement*. This includes a maximum qualifying period of employment of 12 months, the same terms test and permits charities to benefit:

Taxation of Chargeable Gains Act 1992, Section 236K

1) The requirement in section 236J(1)(a) (“the equality requirement”) is not infringed by the trusts by reason only that they—

(a) permit the settled property to be applied, where an eligible employee has died, as if a surviving spouse, civil partner or dependant of the deceased person were the eligible employee (and continued to be employed) for a period of 12 months, or such shorter period as the trusts may provide, starting with the time of death,

(b) prevent the settled property being applied for the benefit of persons who have not been eligible employees for a continuous period of 12 months or such shorter period as the trusts may provide,

(c) permit the trustees to comply with a written request from a person that the trustees do not apply any of the settled property for the benefit of that person, or

(d) prevent the settled property being applied for the benefit of all persons who are eligible employees by reason only that they are office-holders.

(2) The equality requirement is not infringed by the trusts by reason only that, in addition to requiring the settled property to be applied for the benefit of all the eligible employees on the same terms, they also permit the settled property to be applied for charitable purposes.

(3) Subject to subsections (1) and (2), the equality requirement is infringed by the trusts if they permit the settled property to be applied by reference to factors other than those mentioned in subsection (4).

(4) The equality requirement is not infringed by the trusts by reason only that they permit the settled property to be applied for the benefit of all the eligible employees by reference to—

(a) an eligible employee’s remuneration,

(b) an eligible employee’s length of service, or

(c) hours worked by an eligible employee;

but this is subject to subsections (5) and (6).

(5) The equality requirement is infringed by the trusts if they permit any of the settled property to be applied on terms such that some (but not all) eligible employees receive no benefits (other than by virtue of subsection (1)(b), (c) and (d)).

(6) If any of the settled property is applied by reference to more than one of the factors mentioned in subsection (4), the equality requirement is infringed unless—

- (a) each factor gives rise to a separate entitlement related to the level of remuneration, length of service or (as the case may be) hours worked, and
- (b) the total entitlement is the sum of those separate entitlements.
- (7) “Eligible employee” has the same meaning as in section 236J.
- (8) In this section, references to the settled property include references to any income arising from it.

Section 236J (3)-(6) define eligible employees. These can include former employees for up to two years in the event the company ceases trading and excludes certain participators (material shareholders). The exclusion of certain participators as beneficiaries matches an existing UK inheritance tax relief for other types of employee trust and is considered unnecessary as part of an Irish definition of EOT. The other eligible employee and all-employee benefit requirements prevent misuse of an EOT.

Taxation of Chargeable Gains Act 1992, Section 236J(3)-(5)

- (3) “Eligible employee” means—
 - (a) *if C meets the trading requirement by virtue of section 236I(1)(a), any individual who is employed by, or is an office-holder of, C, and*
 - (b) *if C meets the trading requirement by virtue of section 236I(1)(b), any individual who is employed by, or is an office-holder of, a relevant group company,*

but does not include an excluded participator.
- (4) *But where—*
 - (a) *C has ceased to meet the trading requirement or the trustees have ceased to hold any shares in C (or both), and*
 - (b) *a person was an eligible employee at any time during the period of two years ending immediately before that event (or, where both have occurred, the earlier of them),*

that person continues to be an “eligible employee”.
- (5) “Excluded participator” means—

[not reproduced].
- (6) *The participators in a company who are referred to in subsection (5) do not include any participator who—*
 - (a) *is not beneficially entitled to, or to rights entitling the participator to acquire, 5% or more of, or of any class of the shares comprised in, the company’s share capital, and*
 - (b) *on a winding-up of the company would not be entitled to 5% or more of its assets.*

Section 236J(7) contains additional provisions permitting transfers between EOTs and for deeming certain pre-existing employee trusts with a 10% shareholding to be deemed EOTs. There is only one Irish EOT and so it is assumed a deeming provision is not needed.

Taxation of Chargeable Gains Act 1992 section 236J(7)

(7) *In this section—*

“authorised transfer” means a transfer of property consisting of or including any ordinary share capital of a company (“the transferred company”) where—

- (a) *the transferred company meets the trading requirement, and*
- (b) *the transfer is made to the trustees of a settlement which—*
 - (i) *meets the controlling interest requirement with respect to the transferred company immediately after the transfer, and*
 - (ii) *meets the all-employee benefit requirement with respect to the transferred company (ignoring section 236L),*

and for this purpose references to “C” in sections 236I, 236M and 236T and this section are to be read as references to the transferred company,

“close company” and “participator” [Not reproduced],

“the look-back date” [Not reproduced]

“relevant group company” means C or any other company which is a member of the group of which C is the principal company.

(8) *In this section references to the settled property include references to any income arising from it.*

(9) *See section 236L for cases where the all-employee benefit requirement is treated as met.*

Additional capital gains tax requirements

Section 236H (1)- (3) TCGA 1992 sets out who is eligible (individuals and trustees) for capital gains tax relief on sales to an EOT, the effect of claiming relief and prevents claims for additional reliefs. Section 236U applies standard meanings to company, group, trade etc.

Taxation of Chargeable Gains Act 1992 section 236H (1)-(3)

(1) *This section applies where—*

- (a) *a person other than a company (“P”) disposes of any ordinary share capital of a company (“C”) to the trustees of a settlement,*
- (b) *the relief requirements are met, and*
- (c) *P makes a claim under this section.*

(2) *Where this section applies, section 17(1) (disposals and acquisitions treated as made at market value) does not apply to the disposal and, taking account of that disapplication—*

(a) *if a gain accrues, subsection (2A) applies, or*

(b) *if no gain accrues, subsection (3) applies.*

(2A) *Where this subsection applies—*

(a) *only 50% of the gain is a chargeable gain,*

(b) *the disposal is not to be regarded as a qualifying business disposal for the purposes of Chapter 3 of Part 5 (business asset disposal relief),*

(c) *the ordinary share capital disposed of is to be regarded, immediately before the disposal, as comprised wholly of excluded shares for the purposes of Chapter 5 of that Part (investors' relief), and*

(d) *the acquisition by the trustees is to be treated for the purposes of this Act as made for the consideration for the disposal less an amount equal to so much of the gain as is not a chargeable gain as a result of paragraph (a).*

(3) *Where this subsection applies, the disposal, and the acquisition by the trustees, are to be treated for the purposes of this Act as being made for such consideration as to secure that neither a gain nor a loss accrues on the disposal.*

The capital gains tax relief additional requirements are listed in 236H (4) TCGA 1992, namely, in addition to needing an EOT there must be a UK tax resident trustee and are a trading requirement, a trustee independence (from sellers) requirement, a controlling interest requirement, a no more than market value test and a limited participation requirement. The capital gains tax relief applies only to sales in the tax year in which an EOT acquires its controlling interest.

(4) *“The relief requirements” are—*

(za) *that the trustees of the settlement are resident in the United Kingdom at the time of the disposal and continue to be UK resident for the remainder of the tax year in which that time falls,]*

(a) *that C meets the trading requirement (see section 236I) at the time of the disposal and continues to meet that requirement for the remainder of the tax year in which that time falls,*

(b) *that the settlement meets the all-employee benefit requirement at the time of the disposal and continues to meet that requirement for the remainder of the tax year in which that time falls (see sections 236J to 236L and subsection (5) of this section),*

(ba) *that the settlement meets the trustee independence requirement (see section 236LA) at the time of the disposal and continues to meet that requirement for the remainder of the tax year in which that time falls,*

(c) that the settlement does not meet the controlling interest requirement (see section 236M) immediately before the beginning of the tax year in which the disposal occurs, but—

- (i) it meets that requirement at the end of that tax year, and
- (ii) if it met the requirement at an earlier time in that tax year (whether before or after the time of the disposal) it continued to meet it throughout the remainder of that tax year,

(ca) that the trustees have taken all reasonable steps to secure that—

- (i) the consideration for the disposal does not exceed the market value of the ordinary share capital at the time of the disposal, and
- (ii) where some or all of the consideration for the disposal is deferred, that the rate of any interest payable in relation to the deferral does not exceed a reasonable commercial rate,

(d) that the limited participation requirement is met (see section 236N), and

(e) that this section does not apply in relation to any related disposal by P or a person connected with P which occurs in an earlier tax year.

The format of the claim has been extended from the original requirements to enable more data collection by HM Revenue & Customs (e.g. number of employees) and is set out in section 236H(7) TCGA 1992.

Taxation of Chargeable Gains Act 1992 section 236H (7)-(7A)

(7) A claim under this section must include—

- (a) information to identify the settlement,
- (b) C's name and the address of its registered office, **FZ...**
- (ba) the number of persons who at the time of the disposal are employees of—
 - (i) C, or
 - (ii) if C is the principal company of a trading group (within the meaning of section 236I(3)), any member of that group,]
- (c) the date of the disposal and the number of shares disposed of, and
- (d) the consideration for the disposal (including amounts of consideration due after the disposal).

(7A) But where the person making the claim is unable to include the number of employees in the claim as required by subsection (7)(ba) because they have been unable to ascertain that number, that requirement is to be taken to be met if—

- (a) the person has taken all reasonable steps to ascertain that number, and
- (b) the claim contains a statement that the person has taken such steps.

Additional details are provided in other sections. The trading requirement is set out in Taxation of Chargeable Gains Act 1992 section 236I. Ireland has an equivalent definition and so this is not reproduced. The trustee independence requirement is set out in section 236LA. The requirement not to have “excluded participators” in the majority on the trustee board is a manageable (with care) requirement.

The additional elements of the independence requirement are, however, onerous and considered excessive by some commentators with the potential for unintended breaches. As acknowledged in HM Revenue & Customs guidance, for example, the EOT should not, if 50% or more of its directors are or might be excluded participators, give the trading company the power to appoint or remove trustees, or to vary the settlement (see CG67827).

Taxation of Chargeable Gains Act 1992 section 236LA

- (1) *A settlement meets the trustee independence requirement if—*
 - (a) *less than 50% of the trustees are persons who are excluded participators, and*
 - (b) *excluded participators do not have control of the settlement.*
- (2) *In this section “excluded participator” means—*
 - (a) *a person that is an excluded participator within the meaning given by section 236J, other than a person who is an excluded participator only as a result of a connection falling within section 286(3) (trustees regarded as connected with settlors etc), or*
 - (b) *a company not falling within paragraph (a), if 50% or more of its directors are persons falling within that paragraph.*
- (3) *Excluded participators have control of the settlement if one or more excluded participators, acting alone or together without the trustees who are not excluded participators, have power under the trust instrument or by law to—*
 - (a) *dispose of, advance, lend, invest, pay or apply settlement property;*
 - (b) *vary or terminate the settlement;*
 - (c) *add or remove a person as a beneficiary or to or from a class of beneficiaries;*
 - (d) *appoint or remove trustees or give another individual control over the settlement;*
 - (e) *direct the exercise of a power mentioned in sub-paragraphs (a) to (d).*

There are some relieving provisions to allow time to adjust to the death of a trustee. A more general provision allowing a short period to adjust to other changes would be helpful e.g. a trustee director resignation that affects a trust’s control. See Section 236O (2A) & (2P).

Section 2236M TCGA 1992 defines a controlling interest requirement so as to ensure the EOT trustee has genuine economic and voting control

Taxation of Chargeable Gains Act 1992 section 236M

- (1) *A settlement meets the controlling interest requirement if—*
- (a) *the trustees—*
 - (i) *hold more than 50% of the ordinary share capital of C, and*
 - (ii) *have powers of voting on all questions affecting C as a whole which, if exercised, would yield a majority of the votes capable of being exercised on them,*
 - (b) *the trustees are entitled to more than 50% of the profits available for distribution to the equity holders of C,*
 - (c) *the trustees would be entitled, on a winding up of C, to more than 50% of the assets of C available for distribution to equity holders, and*
 - (d) *there are no provisions in any agreement or instrument affecting C's constitution or management or its shares or securities whereby the condition in paragraph (a), (b) or (c) can cease to be satisfied without the consent of the trustees.*
- (2) *See section 236T for further provision relating to the controlling interest requirement.*

Section 236T TCGA 1992 ensures that neither external finance nor the usual practice of allowing a trustee to waive dividends will breach the controlling interest requirement (a trustee may waive dividends so that the trading company can instead use profits to pay bonuses).

Taxation of Chargeable Gains Act 1992 Section 236T

- (1) *This section applies for the purposes of—*
- (a) *section 236L(2) (trustees hold a significant interest in C), and*
 - (b) *section 236M (controlling interest requirement).*
- (2) *Chapter 6 of Part 5 of CTA 2010 (group relief: equity holders and profits or assets available for distribution) applies as it applies for the purposes of the provisions mentioned in section 157(1) of that Act.*
- (3) *The trustees are to be treated, for the purposes of section 236L(2)(b) or 236M(1)(b), as entitled to dividends on shares even if the trustees are required, or permitted, by the trusts of the settlement to waive their entitlement to those dividends.*
- (4) *In determining whether section 236L(2)(d) or 236M(1)(d) applies, ignore any provision of—*

(a) a mortgage or charge (or, in Scotland, a charge or security) granted by the trustees to a third party to secure any debt, or

(b) an agreement in respect of a loan made to the trustees by a third party,

which confers any entitlement on the third party in the event of a default by the trustees in performing their obligations in relation to that debt or loan.

(5) In this section—

“third party” means a person other than—

(a) C or a member of a group of which C is the principal company,

(b) a person who is, or has at any time in the preceding 12 months been, a participator in C or in a member of such a group, or

(c) a person connected with a person within paragraph (b);

“close company” and “participator” have the same meaning as in Part 4 of the Inheritance Tax Act 1984 (see section 102 of that Act), and a reference to a participator in a company is, in the case of a company which is not a close company, to be construed as a reference to a person who would be a participator in the company if it were a close company.

Section 236N TCGA 1992 contains the limited participator fraction. The purpose of this requirement is to guard against capita gains tax relief being given to individuals who had a substantial shareholding in the company in circumstances where they, along with other claimants, made up a significant proportion of the business’s workforce before and after the creation of the EOT. See worked examples in HMRC Manuals at [CG67856](#)

Taxation of Chargeable Gains Act 1992 section 236N

(1) The limited participation requirement is met if Conditions A and B are met.

(2) Condition A is that there was no time in the period of 12 months ending immediately after the disposal mentioned in section 236H(1) when—

(a) P was a participator in C, and

(b) the participator fraction exceeded 2/5.

(3) Condition B is that the participator fraction does not exceed 2/5 at any time in the period beginning with that disposal and ending at the end of the tax year in which it occurs.

(4) But a time which falls in a period during which the participator fraction exceeded 2/5 is to be disregarded for the purposes of subsection (2)(b) and (3) if—

(a) that period lasts no more than 6 months, and

(b) the fraction exceeded $\frac{2}{5}$ during that period by reason of events outside the reasonable control of the trustees.

(5) “The participator fraction” means—

$$\frac{NP}{NE}$$

where—

NP is the sum of—

(a) the number of persons who at the time in question are both—

- (i) participators in *C*, and
- (ii) employees of, or office-holders in, *C*, and

(b) the number of other persons who at that time are both—

- (i) employees of, or office-holders in, *C* or, if *C* is the principal company of a trading group, any member of the group, and
- (ii) connected with persons within paragraph (a);

NE is the number of persons who at that time are employees of *C* or, if *C* is the principal company of a trading group, any member of the group.

(6) The participators in *C* who are referred to in subsections (2) and (5) do not include any participator who—

- (a) is not beneficially entitled to, or to rights entitling the participator to acquire, 5% or more of, or of any class of the shares comprised in, *C*’s share capital, and
- (b) on a winding-up of *C* would not be entitled to 5% or more of its assets.

(7) In this section—

- (a) “participator” has the meaning given by section 454 of CTA 2010, and
- (b) references to a participator in a company are, in the case of a company which is not a close company (within the meaning of Chapter 2 of Part 10 of that Act), to be construed as references to a person who would be a participator in the company if it were a close company.

The UK EOT tax regime provides for disqualifying events if relief requirements cease to be met at any time. A disqualifying event creates a deemed disposal of the EOT’s shares. The resulting tax charge falls on the sellers if this occurs at any time in the four complete tax years following that in which relief was claimed. After that period the trustee has to pay the resulting tax. The four-year clawback period (in effect five years if

a disposal occurs at the start of a tax year) is considered unfair and unnecessary by practitioners especially as most disqualifying events (such as ceasing to trade) are outside the control of sellers. It is proposed that there is a two-year clawback period in Ireland only for sellers and only for a more limited range of events. The UK EOT regime clawback provisions are found in sections 236O to 236R TCGA 1002.

Section 236S TCGA 1992 has share identification rules to allow an EOT to support a share plan by selling shares to it. In practice this is rare.

Additional income tax relief requirements

A separate set of provisions in Part 4, Chapter 10A Income Tax (Earnings and Pensions) Act 2003 (**ITEPA 2003**) provides the income tax relief for qualifying bonus payments. Section 312A ITEPA 2003 contains the relief. Bonuses in excess of £3,600 per employee per tax year are subject to income tax

Income Tax (Earnings and Pensions) Act 2003 section 312A

- (1) This section applies in relation to qualifying bonus payments made, in a tax year (“the tax year”), by an employer which is a company to an employee or former employee of the employer.*
- (2) No liability to income tax arises in respect of the qualifying bonus payments if, or to the extent that, the total chargeable amount in respect of those payments does not exceed £3,600 (“the exempt amount”).*
- (3) If qualifying bonus payments are made to the same person by two or more employers in the tax year, subsection (2) applies separately in relation to the total payments made by each employer, unless subsection (4) applies.*
- (4) If two or more employers are members of the same group at the time each of them first makes a qualifying bonus payment to the employee or former employee in the tax year, subsection (2) applies as if the reference to the qualifying bonus payments were to all the qualifying bonus payments made by those employers to the employee or former employee in that tax year.*
- (5) If, in a tax year—*
 - (a) an employer makes a payment when it is a member of a group, and*
 - (b) later in that tax year the employer ceases to be a member of that group,**the employer is treated for the purposes of this section as remaining a member of that group for the remainder of the tax year (without prejudice to it also being a member of any other group).*
- (6) In applying subsection (2)—*

(a) the exempt amount is set against payments in the order in which they are made, and

(b) if two or more payments are made on the same day, which together take the total payments made in the tax year over the exempt amount, subsection (7) applies to determine the amount of each of those payments which is exempt.

(7) In a case within subsection (6)(b), the amount of a payment which is exempt is given by the formula—

$$\frac{P}{SP} \times \text{REA}$$

where—

P is the amount of the payment,

SP is the sum of that payment and the other payments made on the same day, and

REA is so much of the exempt amount as remains after taking account of any qualifying bonus payments previously made in the tax year.

(8) Where subsection (2) applies separately to different payments by virtue of subsection (3), subsections (6) and (7) also apply to those payments separately.

(9) The Treasury may by order increase or reduce the sum of money specified in subsection (2).

(10) A statutory instrument containing an order under this section which reduces the sum of money specified may not be made unless a draft of it has been laid before and approved by a resolution of the House of Commons.

(11) In this section “chargeable amount”, in respect of a qualifying bonus payment, means the amount of employment income which would be charged to tax in respect of that qualifying bonus payment, apart from this section.

The conditions to obtain tax relief are listed in section 312B and are similar to those for capital gains tax relief with some additional bonus related conditions e.g. the payment must not be regular remuneration, the employer must not be a service company (see [section 312G](#) and HMRC Manuals at [EIM03059](#)) and the payment must not be in return for giving up other earnings (see section 312H below). Standard definitions again apply as set out in [Section 236I](#).

The trading requirement etc. below are similar to equivalent requirements above but not the same. The relevant sections are not reproduced here. Links are provided. The participation and equality requirement contains extra flexibility as regards the same terms test, and is set out in full below.

Income Tax (Earnings and Pensions) Act 2003 section 312B

(1) A payment made by an employer (“E”) to an employee or former employee is a qualifying bonus payment if—

- (a) it does not consist of regular salary or wages,
- (b) it is awarded under a scheme which meets the participation requirement and the equality requirement (see section 312C),
- (c) E meets the trading requirement (see section 312D) throughout the qualifying period,
- (d) E meets the indirect employee-ownership requirement (see section 312E) throughout the qualifying period,
- (e) E meets the office-holder requirement (see section 312F) at the time the payment is made and on at least the requisite number of days in the qualifying period (whether or not those days are consecutive),
- (f) E is not a service company (see section 312G),
- (g) the payment is not excluded (see section 312H), and
- (h) where it is a payment to a former employee, it is made in the period of 12 months beginning with the day the employment ceased.

(2) In this section “the qualifying period”, in relation to a payment, means the period of 12 months ending with the day on which the payment is made.

(3) But in a case where E meets the indirect employee-ownership requirement on the day on which the payment is made—

- (a) if the controlling interest requirement was first met during that 12 month period, the qualifying period does not include any time before it was met, and
- (b) if the all-employee benefit requirement was first met during that 12 month period, the qualifying period does not include any time before that requirement was met.

(4) In this section “the requisite number of days” means—

- (a) if the qualifying period is 12 months, the number of days in that period reduced by 90, and
- (b) if the qualifying period is a shorter period by virtue of subsection (3), the number of days in that period reduced by the corresponding fraction of 90 days

Income Tax (Earnings and Pensions) Act 2003 section 236H

(1) For the purposes of section 312B, a payment is “excluded” if the employee is a party to arrangements (whether made before or after the beginning of the employee's employment) under which—

(a) the employee gives up the right to receive an amount of general earnings or specific employment income in return for the provision of the payment, or

(b) the employee and employer agree that the employee is to receive the payment rather than receive some other description of employment income.

(2) In this section references to an employee include a former employee.

Exceptions to the normal equality requirement permit payments be withheld for gross misconduct and from directors (who are not employees). Also the equality requirement is infringed if the scheme has the effect of conferring benefits wholly or mainly on directors, the higher paid or particular groups.

Income Tax (Earnings and Pensions) Act 2003 section 312C

(1) For the purposes of section 312B—

(a) the participation requirement is that all persons in relevant employment when the award is determined must be eligible to participate in that and any other award under the scheme, and

(b) the equality requirement is that every employee who participates in an award under the scheme must do so on the same terms.

(2) A person is in “relevant employment” if—

(a) where E is a member of a group, the person is employed by any company which is a member of the group, and

(b) in any other case, the person is employed by E.

(2A) The participation requirement is not infringed by reason of the exclusion of directors of the company from participating in an award.]

(3) The participation requirement is not infringed by reason of a person in relevant employment being excluded from participating in an award because, at the time the award is determined, the person has less than the minimum period of continuous service in relevant employment required by E.

But the minimum period required by E for this purpose must not exceed 12 months.

(4) The participation requirement is not infringed—

(a) by reason of a person being excluded from participating in an award where—

(i) disciplinary proceedings have been taken against the person by E which have resulted in a finding of gross misconduct against the person, and

- (ii) *that finding was made in the period of 12 months immediately before the time the award is determined,*
 - (b) *by reason of a person's eligibility to participate in an award being conditional, in a case where the person is at the time of the award subject to disciplinary proceedings taken by E, upon those proceedings being concluded and no finding of gross misconduct being made against that person, or*
 - (c) *by a person being treated as never having been eligible to participate in an award where, after the award was made but before the payment is made—*
 - (i) *a finding of gross misconduct is made against that person in disciplinary proceedings taken by E after the award was made, or*
 - (ii) *that person is summarily dismissed from the employment.*
- (5) *The equality requirement is infringed if the amount of an award to an employee under the scheme is determined by reference to factors other than those mentioned in subsection (6).*
- (6) *The equality requirement is not infringed by reason of the amount of an award under the scheme to employees participating in the award being determined by reference to—*
 - (a) *an employee's remuneration,*
 - (b) *an employee's length of service, or*
 - (c) *hours worked by an employee;**but this is subject to subsections (7) and (8).*
- (7) *The equality requirement is infringed if an award is made on terms such that some (but not all) of the employees participating in the award receive nothing.*
- (8) *If the amount of an award is determined by reference to more than one of the factors mentioned in subsection (6), the equality requirement is infringed unless—*
 - (a) *each factor gives rise to a separate entitlement related to the level of remuneration, length of service or (as the case may be) hours worked, and*
 - (b) *the total entitlement is the sum of those separate entitlements.*
- (9) *Subject to subsection (6), the equality requirement is infringed if any feature of the scheme has, or is likely to have, the effect of conferring benefits wholly or mainly on those participating in the award who are—*
 - (a) *directors or former directors, or*

- (b) *employees receiving the higher or highest levels of remuneration,*
or
- (c) *employees who—*
 - (i) *are employed in a particular part of the business carried on by E or, if E is a member of a group, the group, or*
 - (ii) *carry on particular kinds of activities.*

(10) In subsections (1)(b), (5), (6), (7) and (9) references to an employee include a former employee, so, when applying those subsections in relation to a former employee, any reference to remuneration, length of service, hours worked, being employed in a particular part of a business or carrying on particular activities is to be read as relating to that former employment.]

Inheritance tax and EOTs

The requirements to qualify as an EOT are stricter than those in section 86 Inheritance Tax Act 1984 (**IHTA 1984**) to qualify as an employee trust for inheritance tax (**IHT**) relief purposes. So, it is likely that many EOTs will also qualify as a “section 86” employee trust with the result that the existing IHT legislation can apply to disposals made to an EOT. However, to make sure that all EOTs benefit from the same treatment for IHT purposes, new sections were added to the IHTA 1984 that apply to EOTs. These are summarised in HMRC Manuals at [IHTM42997](#).

A section 86 employee trust (and an EOT) are largely outside the IHT provisions governing relevant property trusts (58(1)(b) IHTA 1984) and so are not subject to the ten-year anniversary charges.

Section 86 does not have any requirements regarding the nature of trust property or the control of the trustee for non-EOTs (see [IHTM42911](#)).

APPENDIX 6

Extract from Nuttall Review of Employee Ownership (2012)

What needs to be achieved to make employee ownership trusts (**EOTs**) a mainstream business model in Ireland may be illustrated by taking a hypothetical example (as originally used in the Nuttall Review) of an owner who wants to consider employee ownership as a succession solution.

Consider how unlikely this scenario currently is in Ireland given the lack of awareness of employee ownership and of resources available to support it, combined with Ireland's specific tax obstacles and uncertainties.

The following scenario was idealistic in 2012 in the UK but is now largely realistic. This shows how EOTs have overcome the above obstacles to make employee ownership a mainstream UK business model.

The only parts of the scenario that have not been realised are the ideas that HM Revenue & Customs (**HMRC**) would approve trust deeds and share valuations for EOT purposes, also some UK banks remain unfamiliar with financing EOT sales. This scenario pre-dated the codification of employee trusts in tax law as EOTs and so refers to employee benefit trusts.

Table 1 – Employee ownership as a neat business succession solution

The owner of a successful private trading company is planning for his retirement in a few years' time. No-one in his family is able or willing to succeed him. He would prefer not to sell the business to a competitor and the business is too small to consider a Stock Market flotation. He would like to realise a capital gain in recognition of his success in building up the business. He has researched employee ownership and made some calculations. These show employee ownership is financially viable as a succession solution. He would therefore like to consider this as his succession solution. What happens next?

The following illustrates *how employee ownership could work as a neat succession solution* with the support of professional advisers, a bank and HM Revenue & Customs.

The owner visits the company's solicitor who confirms employee ownership is a tried and tested business model and that it works well in the owner's situation. What is needed, in particular, from a legal point of view is a trust deed to create an employee benefit trust and to agree on trustees. On balance it would be worthwhile establishing a company to act as a corporate trustee. There are various detailed design points to consider but essentially the idea would be that the trading company, over a period of years, makes donations to the trustee of the employee benefit trust which are then used to buy the owner's shares. In this way the company will become employee owned.

The solicitor confirmed he would work with the company's accountant to ensure all tax issues are fully considered. The owner meets the company's accountant who also confirms that employee ownership is a viable succession solution, checks the owner's calculations and explains the accounting and tax implications of the proposal. The tax and accounting

treatment for the employee trust and the trustee company are straightforward. The trading company would not get a tax deduction for contributions it makes to the employee trust but the owner would realise a capital gain. The owner informs his bank of the plans. The bank says it is familiar with these arrangements and if the owner is interested it would be prepared to lend money to the company to help it finance contributions to the employee benefit trust. The owner discusses the idea of employee ownership, in confidence, with a couple of business friends who confirm they could see the advantages. The owner explains his idea to the senior management of the business who welcome it and admit they had, in fact, been considering employee ownership as a succession solution. They want to increase employee engagement in the business. It was agreed that a recruit at a senior level is needed to replace skills that would be lost when the owner retired. The senior managers are confident staff would support the idea. The owner has further discussions with the company's solicitor and accountant, including on how to value his shares. He encourages his advisers to investigate matters in more detail with HM Revenue and Customs and they reported back that they had received confirmations on various helpful points:

- *HM Revenue and Customs had approved the draft employee benefit trust deed as eligible for various inheritance tax reliefs¹;*
- the local tax office confirmed no tax returns would be needed in respect of either the employee benefit trust or the trustee company, on the basis neither received any income or made any gains;
- *Shares and Assets Valuation had confirmed the proposed valuation was not in excess of market value;² and*
- the Clearance and Counteraction Team, Anti-Avoidance Group had confirmed the proposed payments by the trustee company to the owner would not be considered as disguised dividends.

The owner and senior managers explain the proposal to staff and encourage them to visit other employee owned companies to discover more about employee ownership. The staff report back that they wholeheartedly support this new ownership model and want to know when the first trustee director elections would take place. The owner and the senior managers and staff representatives debate whether or not they should introduce individual share ownership to operate alongside the proposed employee benefit trust. On balance it was decided there was no immediate need to do this but they would keep this idea under review. The owner receives the detailed additional advice needed from his advisers to finalise his decision and implement it. He retires, leaving the business he had founded in employee ownership.

¹ Please note there is no and has never been an HM Revenue & Customs approval procedure for EOT deeds (as at July 2026).

² Please note there is no and has never been an HM Revenue & Customs approval process for valuing shares sold to an EOT (as at July 2026).

APPENDIX 7

Provisions of section 597AA TCA 1997 – Revised Entrepreneur Relief – summary and legislation.

1. Summary of ER provisions

Overview of the relief

- The relief provides a 10% Capital Gains Tax (CGT) rate on qualifying chargeable gains for disposals of chargeable business assets made on or after 1 January 2017.
- There is a lifetime limit on qualifying gains of €1.5 million.
- The standard CGT rate of 33% applies to gains that exceed this lifetime limit.

Chargeable business assets

- The asset, including goodwill, must be used for a qualifying business carried on by the individual.
- Alternatively, the asset can be ordinary shares in a company that is either carrying on a qualifying business or is the holding company of a qualifying group.
- A minimum 5% ordinary shareholding is required for a continuous three-year period at any time prior to disposal.
- The individual must be a qualifying person.

Non-qualifying assets

- Investments, development land, and assets with no chargeable gain do not qualify.
- Goodwill or shares disposed of to a connected company will not qualify, unless disposed of for bona fide commercial reasons.

Qualifying Business

Any business other than holding investments, holding development land, or development or letting of land qualifies as a qualifying business.

Qualifying Person

Must be a director or employee of the company, or of a qualifying group company.

Must spend at least 50% of working time in a managerial or technical capacity working for the company or, where the company is a member of a qualifying group, for one or more companies in that qualifying group.

Must have served continuously for three years in the five years prior to disposal.

Qualifying Group

A group means a holding company and all its 51% subsidiaries.

A qualifying group means a group where the business of each 51% subsidiary, other than a holding company, consists wholly or mainly of carrying on a qualifying business.

Anti-Avoidance

The relief is denied where arrangements are designed to avoid connected-company exclusions.

Connected-company exclusions are disapplied for bona fide commercial disposals.

2. Legislation

Section 597AA — Revised entrepreneur relief

(1)(a) In this section—

“*51 per cent subsidiary*” has the same meaning as it has in section 9(1)(a);

“*development land*” has the same meaning as it has in section 648;

“*group*” means a holding company and all companies which are 51 per cent subsidiaries of the holding company;

“*holding company*” means a company—

(i) that holds shares in other companies, all of which are its 51 per cent subsidiaries, and

(ii) whose business consists wholly or mainly of the holding of shares in the subsidiaries referred to in *subparagraph (i)*;

“*qualifying business*” means a business other than—

(a) the holding of securities or other assets as investments,

(b) the holding of development land, or

(c) the development or letting of land;

“*qualifying group*” means a group, the business of each 51 per cent subsidiary (other than a holding company) in which consists wholly or mainly of the carrying on of a qualifying business;

“*qualifying person*” means an individual who is or has been a director or employee of a company (or companies in a qualifying group) who—

(a) is or was required to spend not less than 50 per cent of that individual’s working time in the service of that company (or those companies) in a managerial or technical capacity, and

(b) has served in that capacity for a continuous period of 3 years in the period of 5 years immediately prior to the disposal of the chargeable business assets of which the disposal of shares in the company (or one of those companies) forms the whole or part;

“*relevant company*” means a company (including a company in a qualifying group) the disposal of shares in which forms the whole or part of the disposal of chargeable business assets;

“*relevant individual*” means an individual—

(a) who has been the beneficial owner of an asset or an interest in an asset to which *subparagraph (i)* of the definition of ‘chargeable business asset’ in *subsection (2)(a)* applies for a continuous period of not less than 3 years in the 5 years immediately prior to the disposal of that asset, or

(b) who has been the beneficial owner of a holding of ordinary shares to which *subparagraph (ii)* of the definition of ‘chargeable business asset’ in *subsection (2)(a)* applies for a continuous period of not less than 3 years at any time prior to the disposal of those shares;

“*working time*” means any time that an employee or director is—

(a) at his or her place of work or, in the case of an employee, at his or her employer’s disposal, and

(b) carrying on or performing the activities or duties of his or her work.

(b)(i) For the purposes of the definition of ‘qualifying person’ in *paragraph (a)*, any period during which the individual was a director or employee of—

(I) a company that was treated as being the same company, for the purposes of section 586, as a relevant company, or

(II) a company involved in a scheme of reconstruction or amalgamation under section 587 with a relevant company,

shall be taken into account in calculating the periods during which the individual was a director or employee.

(ii) For the purposes of the definition of ‘relevant individual’ in *paragraph (a)*, any period during which the individual owned shares in—

(I) a company that was treated as being the same company, for the purposes of section 586, as a relevant company, or

(II) a company involved in a scheme of reconstruction or amalgamation under section 587 with a relevant company,

shall be taken into account in calculating the periods during which the individual was a beneficial owner.

(2)(a) Subject to *paragraph (b)*, ‘chargeable business asset’ means an asset, including goodwill which—

(i) is, or is an interest in, an asset used for the purposes of a qualifying business carried on by an individual, or

(ii) is a holding of ordinary shares in—

(I) a company whose business consists wholly or mainly of carrying on a qualifying business, or

(II) a holding company of a qualifying group,

in respect of which an individual—

(A) has owned not less than 5 per cent of the ordinary shares for a continuous period of not less than 3 years at any time prior to the disposal of those shares, and

(B) is a qualifying person in respect of the company or, if the company is a member of a qualifying group, of one or more companies which are members of the qualifying group.

(b) “*Chargeable business asset*” does not include—

(i) shares (other than shares mentioned in *paragraph (a)(ii)*), securities or other assets held as investments,

(ii) development land,

(iii) assets on the disposal of which no gains accruing would be chargeable gains,

(iv) subject to *subsection (8)*, goodwill which is disposed of directly or indirectly to a company, where, immediately following the disposal, the individual is connected with the company, or

(v) subject to *subsection (8)*, shares or securities in a company which are disposed of directly or indirectly to another company, where, immediately following the disposal, the individual is connected with the first-mentioned company.

(3) Subject to *subsections (4) to (4C)*, the rate of capital gains tax chargeable on a chargeable gain or chargeable gains accruing in respect of a disposal or disposals of the whole or part of chargeable business assets made by a relevant individual shall be 10 per cent.

(4) Where a relevant individual makes a disposal or disposals of the whole or part of chargeable business assets in the period beginning on 1 January 2016 and ending on 31 December 2025—

(a) the rate of capital gains tax referred to in *subsection (3)* shall be chargeable only on so much, if any, of the chargeable gain or chargeable gains accruing, when added to the aggregate amount of any chargeable gain or chargeable gains accruing in respect of any

previous disposal or disposals of the whole or part of the chargeable business assets made by the relevant individual in that period, that does not exceed €1,000,000, and

(b) the rate of capital gains tax referred to in section 28(3) shall be chargeable on so much, if any, of the chargeable gain or chargeable gains accruing, when added to the aggregate amount of any chargeable gain or chargeable gains accruing in respect of any previous disposal or disposals of the whole or part of chargeable business assets made by the relevant individual in that period, that exceeds €1,000,000.

(4A) *Subsections (4B) and (4C)* shall apply where a relevant individual makes a disposal or disposals of the whole or part of chargeable business assets on or after 1 January 2026, and the amount that is the aggregate of—

(a) the chargeable gain or chargeable gains accruing,

(b) the aggregate amount of any chargeable gain or chargeable gains accruing in respect of any previous disposal or disposals of the whole or part of chargeable business assets made by the relevant individual on or after 1 January 2026, and

(c) the aggregate amount of any chargeable gain or chargeable gains accruing in respect of any previous disposal or disposals of the whole or part of chargeable business assets made by the relevant individual in the period beginning on 1 January 2016 and ending on 31 December 2025, provided that where the chargeable gain or chargeable gains so aggregated for such disposals is greater than €1,000,000, the chargeable gain or chargeable gains that shall be so aggregated in respect of such disposals shall be €1,000,000,

exceeds €1,500,000.

(4B) The rate of capital gains tax referred to in *subsection (3)* shall be chargeable only on so much, if any, of the chargeable gain or chargeable gains referred to in *paragraph (a) of subsection (4A)*, when added to the amount of any chargeable gain or chargeable gains referred to in *paragraphs (b) and (c) of subsection (4A)*, that does not exceed €1,500,000.

(4C) The rate of capital gains tax referred to in section 28(3) shall be chargeable on so much of the chargeable gain or chargeable gains referred to in *paragraph (a) of subsection (4A)*, when added to the amount of any chargeable gain or chargeable gains referred to in *paragraphs (b) and (c) of subsection (4A)*, that exceeds €1,500,000.

(5) This section shall not apply, and section 597A shall apply, to a disposal of the whole or part of chargeable business assets made by a relevant individual where the amount of capital gains tax payable in respect of the disposal under this section is greater than the amount of capital gains tax payable in respect of the disposal were section 597A to apply.

(6) Subject to section 600 and *subsection (8)*, this section shall not apply to such portion of the chargeable gain or gains accruing in respect of a disposal or disposals by a relevant individual of chargeable business assets which form part of a transfer to which section 600 applies as

bears the same proportion to the total of such gains as the value of the consideration received by the relevant individual out of the assets of the company in respect of the transfer bears to the value of the consideration received by the relevant individual other than by way of shares or securities in respect of such transfer.

(7) Where a relevant individual enters into arrangements, the main purpose, or one of the main purposes, of which is to secure that the relevant individual is not connected with a company for the purpose of either or both of subparagraphs (iv) or (v) of *subsection (2)(b)*, this section shall not apply.

(8) *Subsections (2)(b)(iv), (2)(b)(v) and (6)* shall not apply in relation to a disposal of assets where it would be reasonable to consider that the disposal is made for *bona fide* commercial reasons and does not form part of any arrangement or scheme the main purpose or one of the main purposes of which is the avoidance of liability to tax.

APPENDIX 8

Establishing an Employee Ownership Centre - learning from the EOI Experience

By Catherine Muldoon, Project Manager, EOI

1. Purpose of this document

This document sets out practical steps for establishing an employee ownership centre, using the early development of EOI as a reference point.

It is intended to support organisations exploring the creation of a new EO centre and to inform government consideration of how employee ownership, including EOTs, could be supported as part of a wider business succession and economic development agenda.

The document reflects the experience of building an EO centre in a young market, where awareness is still developing, adviser capacity is uneven, and business owners need a trusted route from interest to action.

2. The starting point: leadership, belief and early capacity

The establishment of EOI began as a passion-led project.

It did not begin with a fully developed institutional model.

It began because an individual was willing to step forward, back the idea, and create the conditions for the work to begin.

The DLD Fund supported the early development of the project and helped put dedicated capacity in place. This was an important first step. Employee ownership movements require belief and leadership, but they also need someone with time and responsibility to drive the work forward.

Without dedicated capacity, the activity can remain dependent on goodwill, informal conversations and isolated opportunities.

The first lesson is clear:

A new EO centre needs early leadership, but it also needs practical resource.

3. Build a minimum viable centre first

The early phase should focus on creating enough structure to be useful.

It does not need to be perfect from day one.

For EOI, the initial work included:

- Building a website
- Creating basic public information
- Developing early resources
- Starting conversations with business owners
- Engaging advisers
- Bringing together people with lived experience of employee ownership
- Creating a visible point of contact for the market

This minimum viable approach allowed the project to start, learn and improve over time.

A new EO centre should avoid waiting until every resource, process or partnership is complete.

The first version should give business owners somewhere to go, something to read, and someone to speak to.

4. Establish an industry-led board

A credible EO centre needs strong governance.

In the early stages, EOI prioritised an industry-led board. This was essential.

The board included people with lived experience of employee ownership and direct experience of leading or supporting employee-owned businesses.

This gave the organisation credibility with business owners, advisers and public stakeholders.

EOT leaders bring insight that cannot be replaced by theory. They understand:

- The founder journey
- The questions owners ask
- The emotional side of succession
- The role of advisers
- The importance of employee communication
- The challenges after transition

A new centre should include people who have lived the process, not only people who support it from the outside.

5. Extend governance into the wider ecosystem

Once the core industry-led structure is in place, the centre should widen its expertise.

Employee ownership does not grow through business engagement alone.

It needs wider ecosystem support.

The board or advisory structure should include people with:

- Experience of scaling projects
- Strong business networks
- Adviser relationships
- Policy knowledge
- Communications and engagement expertise
- Links into government and economic development
- Understanding of regional business needs

This helps the centre move from enthusiasm to delivery.

It also prevents the work becoming too narrow.

A meaningful EO centre must connect business owners, employee-owned firms, advisers, funders, government, researchers and support bodies.

6. Secure political support

Political support was a key part of EOI's development.

Employee ownership should not be presented only as a technical succession model. It has wider relevance to government priorities.

It connects to:

- Business succession
- SME resilience
- Local wealth retention
- Productivity
- Employee engagement
- Regional economic development
- Job protection
- Long-term ownership stability

Political support helps move employee ownership from a niche conversation into a recognised economic development opportunity.

A new centre should engage political stakeholders early, but it should remain clearly grounded in business need.

The centre must not become a purely political project.

Its credibility depends on being led by real market demand and industry experience.

7. Move towards government backing

Industry leadership gives an EO centre agility.

Government backing gives speed, credibility and reach.

The strongest model combines both.

For EOI, government backing helped increase the pace of delivery and strengthened confidence in the work. It also supported practical interventions, including feasibility study support.

A centre that remains entirely passion-led may struggle to scale.

A centre that becomes entirely government-led may lose its practical connection to business owners.

The balance matters.

A strong EO centre should be:

- Industry-led
- Government-backed
- Adviser-informed
- Evidence-driven
- Business-focused

This combination allows the centre to stay close to business reality while building the scale needed to influence the wider market.

8. Move from reactive to strategic after 12 months

The first year of an EO centre will often be reactive.

That is normal.

In a new market, the first 12 months are about learning.

The centre responds to enquiries, builds relationships, tests resources, attends events, develops public messaging and learns what businesses are actually asking.

This reactive stage has value.

It shows where the demand sits.

It reveals which messages work.

It helps identify the barriers.

It tests whether the centre has a useful role to play.

However, after 12 months, the centre needs to move from reactive delivery to strategic market-building.

The first year should prove there is interest.

The second year should prove there is a system.

That means moving from:

- One-off conversations to a managed business pipeline
- General awareness to targeted sector and regional engagement
- Basic information to practical business pathways
- Informal adviser contact to structured adviser education
- Individual opportunities to repeatable programmes
- Isolated case studies to a clear evidence base
- Passion-led activity to sustainable delivery

This shift is critical.

If the centre remains reactive for too long, it may become too dependent on individual energy and informal networks.

A strategic centre creates systems that can be repeated, measured and scaled.

9. Create a clear business owner pathway

A meaningful EO centre should help business owners understand what happens next.

The pathway should be simple.

A suggested journey is:

1. Awareness
The owner first hears about employee ownership as a succession option.
2. First conversation
The owner has a confidential, plain-English discussion.

3. Initial suitability check
The centre helps the owner understand whether employee ownership may be worth exploring.
4. Feasibility study
The business receives structured support to assess whether the model could work.
5. Adviser engagement
The business is signposted to appropriate professional advice.
6. Transition support
The business moves through the technical, financial and governance process.
7. Post-transition community
The newly employee-owned business receives peer support, trustee support and employee engagement resources.

The first step must be easy.

Business owners should not need to understand every technical detail before asking for help.

10. Make feasibility studies central

Feasibility studies are one of the most important tools in moving from awareness to action.

Before the development of a centre, employee ownership transitions may still happen, but often by chance.

A business owner may meet the right adviser.

A founder may hear the right story.

A professional contact may happen to understand the model.

That is not enough if employee ownership is to become a serious and mainstream succession option.

A centre creates a more deliberate pathway.

Feasibility studies allow businesses to explore:

- Whether employee ownership may be suitable
- What the financial position looks like
- What valuation issues may arise
- What the governance implications are
- What employee engagement may be needed
- What adviser support is required
- What steps would come next

For government, feasibility studies provide useful evidence.

They show:

- Real business demand
- Sector interest
- Regional interest
- Common barriers
- Adviser capacity
- Policy gaps
- Likely transition potential

This turns employee ownership from a general policy idea into measurable business activity.

11. Build adviser capacity

Advisers are central to the success of any EO centre.

Business owners often turn first to their accountant, solicitor, corporate finance adviser or wealth planner when thinking about succession.

If those advisers do not understand employee ownership, it may never be raised.

If they understand it poorly, it may be dismissed too quickly.

If they understand it well, it can become part of normal succession planning advice.

A new EO centre should therefore prioritise adviser engagement.

This should include:

- CPD-style sessions
- Lunch and Learns
- Technical briefings
- Plain-English guidance
- Referral routes
- Adviser roundtables
- Shared learning from completed transitions
- Quality expectations for feasibility studies

The aim is not to replace advisers.

The aim is to build confidence, consistency and quality in the market.

12. Learn from regions further ahead

A new EO centre should not try to invent everything from scratch.

There is already strong learning from other regions and organisations.

Northern Ireland has benefited from engaging with wider employee ownership networks and from observing regions further ahead.

A new centre should actively learn from:

- Wales
- Scotland
- England
- The wider UK employee ownership movement
- International EO and ESOP ecosystems
- Co-operative and worker ownership models
- Professional advisory networks
- Academic and research centres

However, learning should not mean copying.

Each market has its own legal, tax, cultural and business context.

The task is to take what works elsewhere and adapt it to local need.

For the Republic of Ireland, this point is particularly important.

A centre should be designed around the realities of Irish business ownership, adviser behaviour, tax policy, SME succession and regional economic development.

13. Relevance for the Republic of Ireland

The Republic of Ireland has a significant opportunity to develop employee ownership as part of its succession planning and SME resilience agenda.

However, EOTs will only become a practical option if the wider environment supports them.

That requires two connected elements:

- An enabling legal and tax framework
- A trusted centre or support body to build awareness, adviser capacity and business confidence

Policy change on its own is not enough.

If legislation creates the option, businesses still need to understand it.

Advisers still need to raise it.

Owners still need support to explore it.

Employees still need to understand what ownership means.

A centre can provide the practical bridge between policy and business action.

14. Recommended steps for a new EO centre

A new centre should follow a staged approach.

Stage 1: Establish the foundation

- Identify an initial champion or funder
- Put dedicated capacity in place
- Define the centre's purpose
- Build a minimum viable website
- Create basic resources
- Establish an industry-led board
- Include leaders with lived employee ownership experience
- Begin early adviser and stakeholder engagement

Stage 2: Build credibility

- Develop case studies
- Build political relationships
- Engage government departments
- Run early awareness events
- Create a simple business owner journey
- Build partnerships with trusted advisers
- Learn from other regions
- Start gathering evidence

Stage 3: Move into structured delivery

- Launch feasibility study support
- Create a managed enquiry pipeline
- Run adviser education sessions
- Target key sectors and regions

- Develop post-transition support
- Create trustee and employee voice resources
- Build a peer community of employee-owned businesses

Stage 4: Move from reactive to strategic

- Set an annual delivery plan
- Track enquiries and outcomes
- Identify priority sectors
- Identify regional succession risks
- Report evidence to government
- Strengthen adviser quality
- Build long-term funding
- Publish annual impact data
- Use evidence to shape policy asks

Stage 5: Build long-term market infrastructure

- Support continued government engagement
- Develop sustainable funding streams
- Build cross-border and international learning links
- Support research and data collection
- Maintain adviser and business networks
- Strengthen post-transition support
- Position employee ownership as a mainstream succession option

15. Core message for government

Employee ownership should not be left to chance.

Without a centre, transitions may still happen, but they will often depend on individual advisers, isolated champions and business owners who happen to discover the model at the right time.

With a centre, employee ownership can become part of the normal business succession conversation.

This matters because succession is not only a private business issue.

It affects:

- Jobs
- Local ownership
- Regional resilience
- Productivity
- Tax receipts

- Community wealth
- Employee engagement
- Business continuity

A well-designed EO centre helps turn policy intent into practical business action.

It gives business owners a trusted first step.

It gives advisers confidence.

It gives government evidence.

It gives employee-owned businesses a community.

Most importantly, it moves employee ownership from chance to purpose.

16. Key learning from EOI

The development of EOI shows that an EO centre does not need to start with a perfect model.

It needs to start with:

- Leadership
- Capacity
- Industry credibility
- Practical resources
- Political support
- Adviser engagement
- A clear route for business owners
- A willingness to learn from others
- A plan to move from reactive delivery to strategic market-building

The first year is about proving the need.

The next stage is about building the system.

That is where the real value of an EO centre begins.

APPENDIX 9

The path to making EOTs mainstream in the UK

Introduction

The UK's phenomenal increase in its number of UK **EOBs** started in 2014 with the codification in tax law, as the EOT, of its long-standing employee trustee model. It is important to appreciate it was not simply changing tax law that achieved growth in UK private company **EO**.

Previous attempts to promote EO through an isolated tax change failed. These failures were partly due to the models those measures supported (ones based on the more complex US employee stock ownership plan) They were also due to the Government failing at the same time to promote EO as a distinct business model¹.

The UK experience is that ongoing official support is needed (especially from the tax authority) to address uncertainties over how the EOT tax rules work in practice, and to continue to promote the idea of private company EO. In some regions, sustained official support was needed to achieve take-up of EOTs.

Market forces have worked well to promote EOTs following the introduction of the UK EOT tax regime but as seen below Government support both before and after making tax changes is needed to ensure the success of EOTs. In particular, please note:

- a) the introduction of the UK EOT tax regime was preceded by two years of high-level Government support for EO in all its forms as a business model, and.
- b) EOT take-up in Northern Ireland and Wales started late and only after their respective Governments took steps to promote EOTs. (EOT take-up in Scotland was high from the outset because it already had a dedicated team as part of Scottish Enterprise that promoted EO.)

Tax measures are highlighted below

16 January 2012		Announcement of Government plan to promote EO and start of regular Ministerial support for EO across Government (e.g. <u>The Deputy Prime Minister Nick Clegg's 2012 Mansion House speech</u> , Deputy Prime Minister's <u>speech to the British Chambers of Commerce 2012 annual conference</u> , <u>Inaugural Robert Oakeshott Memorial Lecture 2013</u> etc.).
8 February 2012		Appointment of independent adviser on employee ownership and start of informal consultation to identify and overcome barriers to private company EO (Department for Business, Innovation & Skills (archived) <u>employee ownership web page</u>)
21 March 2012		HM Treasury internal review starts. There was a <u>Budget 2012</u> announcement that "HM Treasury would conduct an <u>internal review</u> to examine the role of employee ownership in supporting growth and examine options to remove barriers, including tax barriers, to its wider take-up".

¹ Read further here - [Celebrating the 10th anniversary of the Nuttall Review \(2012, Cwmpas\)](#)

4 July 2012		Publication of <u>Sharing Success: The Nuttall Review of Employee Ownership</u> and research on <u>Benefits and consequences</u> (Cass Business School).
4 July 2012	30 October 2012	Government's acceptance wholly or in part of Nuttall Review's recommendations on non-tax measures to promote EO (e.g. <u>Employee Ownership and Share Buy Backs: Implementation of Nuttall Review Recommendation V - Government Response to Consultation, Purchase of Own Shares by Non-Quoted Companies – Tax Implications for Employees Selling Shares</u>). See further at https://tinyurl.com/NuttallReviewmaterials
4 July 2012		Support for Nuttall Review from various bodies including Trades Union Congress (see https://web.archive.org/web/20130706183301/http://touchstoneblog.org.uk/2013/07/trade-unions-and-employee-ownership-a-good-mix-lost-in-the-myths)
5 December 2012		Key outcomes of HM Treasury's internal review set out in <u>Autumn Statement 2012</u> including "the Government is considering further incentives to support employee ownership and will report at Budget 2013".
27 November 2012	17 July 2013	Government EO Implementation Group meetings. The group consisted of representatives from the EO sector, and relevant financial, legal and professional organisations and officials from across government. See minutes here: https://www.gov.uk/government/groups/employee-ownership-implementation-group
20 March 2013		Announcement of capital gains tax relief for sales of businesses to their employees in Budget 2013
4 July 2013		Government consultation on two new tax reliefs (income tax exemption and capital gains tax relief) to encourage EO (press release and <u>Supporting the employee-ownership sector consultation paper</u>)
4 July 2013		Inaugural EO Day supported by Government and publication of a range of official EO materials (please note this guidance pre-dates the UK EOT legislation): • <u>Moving to Employee Ownership: A Brief Guide For Employees and related web page</u> • <u>Model documentation: For a Company with Employee Ownership</u> • <u>Moving to Employee Ownership: Guidance on Model Documentation</u> • <u>Employee Share Trust – Introduction to Tax Issues and related guidance and model documentation web page</u>
Various dates		Government employee ownership web pages e.g. • UK Government web page with "making employee ownership more accessible" policy statement • Department for Business, Innovation & Skills and HM Treasury Employee Ownership home pages • HM Revenue & Customs Employee Ownership home page
19 November 2013		<u>Nuttall Review of Employee Ownership: One Year On Report</u>

5 December 2013		Chancellor George Osborne's Autumn Statement 2013 speech confirming "We set out major reforms to encourage employee ownership"
10 December 2013		Response to tax consultation. Proposed further requirements for employee trusts to be qualifying trusts for the purposes of the income tax exemption and capital gains tax relief. Such trusts to be called EOTs. (Supporting the employee-ownership sector: summary of responses , related Supporting the employee-ownership sector consultation web page and consultation draft and explanatory note)
19 March 2014		Budget 2014 Report confirmation that "As announced at Budget 2013, the government will introduce a package of tax reliefs to support the employee ownership sector" (para 2.71)
27 March 2014		EOT provisions published in Finance (No.2) Bill 2013-14 (esp. Schedule 33 and see Explanatory notes) (see explanation of changes following consultation and explanation of amendments in House of Commons). These provisions include inheritance tax reliefs equivalent to those for other employee trusts.
17 July 2014		EOT provisions enacted in Finance Act 2014 (see section 290 and Schedule 37) ²
17 July 2014		First sale to an EOT. The sale to Quintessa Limited took effect as soon as the Finance Act 2014 received Royal Assent. Danny Alexander, Chief Secretary to HM Treasury said: <i>"This is incredibly welcome news. The Employee Ownership model not only gives workers a stake – and a voice – in the companies that employ them. It also allows them to benefit from their success. The Government has worked hard over the last four years to create a legal and tax environment that encourages more companies to set up in this way. I'm delighted that Quintessa are doing so."</i> (https://www.fieldfisher.com/en/insights/quintessa-among-first-to-switch-to-new-employee-ownership-trust-business-model)
14 August 2014		HM Revenue & Customs (HMRC) guidance on inheritance tax aspects of EOTs (and see HMRC Trusts and Estates Newsletter and https://www.gov.uk/hmrc-internal-manuals/inheritance-tax-manual/ihtm42995)
Various dates		HMRC guidance on EOT capital gains tax relief (https://www.gov.uk/hmrc-internal-manuals/capital-gains-manual/cg67800)
Various dates		HMRC guidance on EOT qualifying bonus payments (https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim03050)
2014	2017	HM Revenue & Customs policy advisers confirm in series of email exchanges with Graeme Nuttall that EOTs are not affected by a range of anti-avoidance provisions
2014		First cultural and engagement service provider for EO sector established (J Gadd & Associates)
2015		Practical Law Company publishes EOT precedent.

² Amendment made to the independence requirement for the Enterprise Management Incentives arrangement to accommodate corporate EOT trustees (1 October 2014 appointed day).

2015		Employee Ownership Association starts to expand organisation and reach including training programmes for EOBs e.g. EO Learn
September 2015		First employee trusts specific research. <i>The MoralDNA of employee-owned companies</i> . Chartered Management Institute.
November 2016		Erith Group becomes EOT-owned helping EOTs become mainstream for construction companies
12 January 2017		EOTs accounting standard published following William Franklin, Graeme Nuttall and the Esop Centre discussions with Financial Reporting Council (FRC). Confirms EOT as an investor not a parent company. https://esopcentre.com/metapages/understandings/
28 Sept 2017		Leading architects practice Allford Hall Monaghan Morris converts to EOT ownership helping EOTs to become mainstream for architects (see Employee ownership case studies - Architects, designers and planners)
June 2018		The Ownership Dividend Report published with 20 + leading independent UK business organisations supporting EO after hearing evidence from 100 EOBs during The Ownership Effect Inquiry organised by Employee Ownership Association
2018		Publication of first book by a founder on moving to EOT ownership (Chris Budd, <i>Eternal Business - How to Transition a Business for the Employee Ownership Revolution</i>)
26 August 2018		Scotland sets target of 500 EOBs by 2030 backed by £75,000 of Scottish Government funding (New group boosts employee-ownership in Scotland The National)
5 November 2018		Aardman Animations (Wallace and Gromit) becomes EOT owned. https://aardman.com/about/employee-ownership-at-aardman . The first of UK-wide known brands such as Richer Sounds (2019), Go Ape (2021) and The Entertainer (2025) to convert to EOT ownership
3 December 2018		Major law firm becomes first to be EOT-owned setting precedent for other law firms (Hodge Jones & Allen)
2019		Launch of independent trustee and director service, followed by others
November 2019		First EO textbook including EOTs published by Robert Postlethwaite and Jeremy Gadd, <i>The Employee Ownership Manual</i> .
June 2021		The Ownership Hub launched – a Joint programme between Co-operatives UK and the Employee Ownership Association, and regional authority partners: South Yorkshire Ownership Hub (2021 -), West Midlands Ownership Hub (2023-2025) and London Ownership Hub (2023 -).
February 2022		First EOT exclusive textbook published by David Pett, Employee Ownership Trusts.
24 June 2022		Welsh Government sets out plans to double the number of EOBs in Wales through Welsh Government funded Cwmpas (https://media.service.gov.wales/news/employee-ownership-day-economy-minister-sets-out-plans-to-double-the-number-of-employee-owned-businesses-in-wales)

20 January 2025		Creation of Employee Ownership Ireland (<u>New business body aims to create 10,000 employee-owners in north by 2029 – The Irish News</u>) (with £100,000 Northern Ireland funding)
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This Appendix does not cover the amendments to the EOT tax regime in 2024 and 2025 Budgets.