

# Different share schemes have different tax implications

In the UK there are three points at which tax can be due.



## On award

Only affects ordinary shares

## On exercise

Only affects options

## On sale

Always due on all shares

Then there are two different types of tax that generally apply.

## Income Tax

Typically between 20–45% (based on the recipient's current tax rate). It's due when shares are awarded or options are exercised, and based on any gain in value.

## Capital Gains Tax (CGT)

Normally 20%. It's due on sale of the shares and applied to the gain in value from the point they were given, purchased, or, in the case of options, from when they were exercised.

Sometimes a lower rate of CGT is applied (e.g for EMI) which is known as Entrepreneurs' Relief, and is at 10%.

Still have questions?

**The Complete Guide To Setting Up A Company Share Scheme**