

A work in progress with the majority of shares held in an employee benefit trust.

The problem

The company had a very unusual ownership structure in that the majority of the shares in the company were held by an employee benefit trust. In addition the company had an employee share scheme in place. The overall structure was designed to ensure that the company should always remain employee controlled.

The receipt of a takeover offer from a third party together with the increasing difficulty of maintaining profitability in a company of this size meant that it was desirable to sell the company to ensure the long-term employment of the company's staff. The constraints of the existing structure with the trust owning the majority of the shares made it very difficult to arrive at an effective solution.

The solution

The options for the EBT were for it to:

- Sell the shares to the buyers and then distribute the proceeds
- Distribute the shares to the employees who would then sell to the buyers
- Have its shares bought back by the company

Each option produced different outcomes and was further complicated as the buyer was going to pay mainly in its own shares.

Work in progress...

We said

“There's rarely a straightforward solution and this is no exception. Our team of experts spend each day navigating the UK's tax code consisting of over 10 million words / 22,000 pages of small print along with vast volumes of case law and guidance. That expertise will give our client the best outcome.”

Steve Lawrey, Tax Director,
Wilson Partners