



Employees being shareholders

A client of ours is considering becoming a limited company. They have six members of staff, and was wondering whether he could issue them with a "non-voting" share, which would be surrendered as the employee leaves the company.

In addition, a bonus scheme is paid, dependant on the level of sales in that particular month. Would that be allowed to paid as a dividend (hence saving tax and NIC), or are there rules preventing that?

The owner of the business is concerned as to whether the "non-voting" shareholders are entitled to see the accounts, as that would obviously give rise to confidentiality issues.

Any guidance would be greatly appreciated.
Chris McLaren

AccountingWEB 17-May-2006

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Number of comments: 2



Nichola Ross Martin , 18 May 2006 @ 10:28 AM

The employees will also be taxed on the market value of the

shares issued, unless they pay themselves. Might be worth looking at share schemes perhaps?



Samuel Khan , 17 May 2006 @ 22:34 PM

yes

It can be done, employees can be paid dividends instead of a salary but have to be paid the national minimum wage first!

Dividends can be paid instead of a bonus, again NMW must be observed.

Directors are exempt from NMW as long as there is no employment contract in place.

The classes of shares would have to be divided up so that the amount of dividend paid to each employee can be varied.

This requires amendment to the Memorandum & Articles of Association.

Added burden is that each employee would need to do a self assessment tax return as they would no longer simply be under PAYE deductions.

Ltd company accounts are available for download to the general public so not confidential! Albeit abbreviated accounts can be filed by small companies.

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