

# Employee Ownership Trust – At a Glance

## What is an EOT?

An Employee Ownership Trust (EOT) is a structure where a trust holds a controlling share (usually at least 51%) of a company on behalf of all employees. Employees don't buy the shares themselves – the trust acquires them from the current owners, and the business's future profits are used to pay the former owners over time.

## Key Features

<b>Tax benefits for sellers</b>	If you sell a majority stake to an EOT and qualifying conditions are met, 50% of the gain is chargeable to Capital Gains Tax and 50% is held over. This typically results in an effective CGT rate of around 12% for higher-rate taxpayers.
<b>All-employee benefit</b>	Every employee has a beneficial interest in the trust, regardless of role or seniority.
<b>Majority control</b>	The trust usually holds at least 51% of the shares, giving employees a controlling stake.
<b>Long-term stability</b>	Keeps the company independent, protecting jobs and culture.

## How It Works – Step by Step

1. Valuation – Independent valuation to set a fair market price for the business.
2. Trust Creation – Set up the legal EOT structure and appoint trustees.
3. Sale Agreement – Current owners sell the shares to the EOT.
4. Funding the Sale – Often financed by the company's future profits; can also use external lending.
5. Post-Sale Operation – Trustees oversee the company on behalf of employees; management continues to run the business.

## Benefits

<b>For owners</b>	Fair value for the business. Partial Capital Gains Tax relief on qualifying disposals to an EOT (since November 2025, 50% of the gain is chargeable). Smooth handover, often with option to stay involved.
<b>For employees</b>	Sense of ownership and shared purpose. Potential tax-free annual bonuses (up to £3,600 per employee). Greater job security.

<b>For the business</b>	Continuity of brand, culture, and customer relationships. Independence from external buyers.
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## Considerations

- The business must generate enough profit to repay the former owners.
- Employee engagement is key – ownership works best when staff understand and embrace it.
- Legal and financial advice is essential for setup.

## Is It Right for You?

An EOT may be a good fit if you:

- Want to preserve your company's independence.
- Care about rewarding and retaining your team.
- Prefer a gradual, stable transition over a quick exit to a third party.

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