

EMPLOYEE OWNERSHIP IRELAND

Employee Ownership Ireland Toolkit

Guides and resources for business owners and advisors exploring employee ownership trusts.

- Advisor 1-Pager
- What to Ask Your Advisor
- Advisor Checklist
- Business Succession Pathways
- EOT Myths vs Facts
- Top 10 Client FAQs

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What is an Employee Ownership Trust (EOT)?

An Employee Ownership Trust (EOT) is a succession model where a trust holds the majority of shares in a company on behalf of employees. It helps owners exit fairly, while protecting jobs, culture, and community. Today, there are more than 2,470 employee-owned businesses in the UK.

Key Benefits		
Owners Fair value Reduced CGT rate of 12% (compared to the standard 24% rate for most business disposals) Smooth transition Legacy protection	For Employees Stake in future Tax-free bonus (£3,600) Greater engagement	For the Business Resilience Retain skills locally Lower turnover

The EOT Journey	
1. Explore	Owner considers succession options and feasibility study.
2. Value	Independent valuation of the business to set fair terms.
3. Transition	Shares sold to the trust using future company profits.
4. Employee Ownership	Employees gain a long-term stake and tax-free bonuses.

Advisors' Role

- Introduce EO as an alternative succession option
- Compare financial/tax advantages vs trade sales
- Guide valuation, legal and governance
- Access EOI's funded feasibility study

Employee ownership is growing in Northern Ireland. Companies such as White Ink, S&W; Wholesale, and People 1st have already transitioned to employee ownership, securing jobs and protecting local legacies.

Support Available	
Case Studies	https://employeeownershipireland.com/members-area/?_ma-tag=case-study
Feasibility Study	https://employeeownershipireland.com/feasibility-study-support/
Advisor Resources	https://employeeownershipireland.com/members-area/
Confidential 1-to-1 Peer Chats	By request

What to Ask Your Advisor About Employee Ownership Trusts

When you're considering employee ownership as a succession route, your legal or financial advisor will play a central role. These are the questions you should be asking to make sure you get the right guidance.

1. Advisor's Experience

- Have you advised on EOT transactions before?
- Can you share examples of companies you've supported into employee ownership?
- Do you work with other specialists (tax, valuation, trustee set-up)?

2. Understanding Fit for My Business

- What makes an EOT suitable or unsuitable for my business?
- How does it compare to trade sale, management buy-out, or family succession?
- What business size and structure works best for an EOT?

3. Valuation & Funding

- How will my business be valued for the EOT transaction?
- What options exist for funding the sale (company reserves, bank finance, staged payments)?
- How do staged payments typically work in practice?

4. Legal & Tax Considerations

- What are the tax advantages of an EOT?
- What conditions must be met to qualify for these advantages?
- What governance changes will I need to make in the company?

5. Employee Engagement & Culture

- How should I prepare employees for the transition?
- What role will employee trustees play?
- What support is available for building an ownership culture?

6. Costs & Timeline

- What are the likely advisory fees for an EOT transaction?
- How long does the process usually take?
- What ongoing compliance and reporting requirements exist?

7. Post-Transition Support

- What help will you provide after the EOT is in place?
- How can you help us review and improve governance in the first years?
- Will you train trustees or board members?

Next Step

If your advisor cannot confidently answer these questions, consider seeking additional support.

Employee Ownership Ireland can connect you with trusted specialists and peer companies who have already transitioned.

Contact: catherine.muldoon@employeeownershipireland.com Website: employeeownershipireland.com

Advisor Checklist: Exploring Employee Ownership with Clients

This sheet highlights the key factors advisors should be aware of when considering an Employee Ownership Trust (EOT) with a client.

Essentials are typically required for an EOT to be viable.

Desirables strengthen the case but are not always necessary.

Client Profile

Essential

- Profitable with stable cashflow
- Owner intends to retire or step back within 1–5 years
- No obvious family successor, MBO or trade buyer

Desirable

- Owner motivated by values as well as financial return
- Leadership team in place to support post-transition

Cultural Fit

Essential

- Owner wishes to protect jobs, values, and independence

Desirable

- Clear ways for employees to share views (meetings, surveys, forums)
- Evidence that feedback is listened to and acted upon

Financial Fit

Essential

- Indicative valuation method identified
- Capacity for the business to fund a trust purchase over time
- Owner open to staged payments rather than a lump sum

Desirable

- Company has cash reserves that could contribute to part payment
- Constructive banking or funding relationships

Community & Legacy

Essential

- Retaining jobs and profits locally matters to the owner

Desirable

- External sale or closure would cause regional harm

Support Available from EOI

- Fully funded feasibility study (DfE supported) to test suitability for an EOT.
- Case studies – White Ink, S&W; Wholesale, People 1st.
- Confidential 1-to-1 peer chats with business leaders who've already transitioned.
- Members Area with videos, guides, and toolkits.
- Events and roadshows across NI for clients to meet experts and peers.
- Advisor resources – comparison tables, FAQs, and conversation guides.
- All support is free of charge and open to businesses in NI.
- Contact: Catherine Muldoon –
catherine.muldoon@employeeownershipireland.com

Business Succession Pathways: A Comparison

Choosing a succession route is one of the most important decisions a business owner will make.

Each option carries very different financial, cultural, and community outcomes. Some routes maximise short-term value, while others prioritise legacy, jobs, and long-term resilience. The table below sets out the main succession options — trade sale, family succession, employee ownership trust (EOT), and closure — to help you and your clients weigh up their impact on owners, employees, and the wider community.

Succession Options at a Glance for a £5M

Business

Criteria	Trade Sale	Family Succession	Employee Ownership Trust (EOT)	Closure / Wind-up
Headline Sale Value	£5m agreed sale price	£5m transfer value (if sold/gifted to family)	£5m agreed sale to trust	Liquidation value of assets only (often far less than trading value)
Tax Treatment	CGT of 18% on £1m = £180k. CGT of 24% on £4m = £960k. Combined CGT of £1.14m.	May trigger CGT depending on structure; no proceeds if gifted (but still likely a “deemed disposal” for CGT purposes.)	Reduced CGT rate of 12% → approx. £4.4m net on a £5m sale (compared to approx. £3.86m net at standard CGT rates)	CGT on asset sales, no reliefs; employees receive redundancy
Control & Legacy	Passes to external buyer (competitor, PE, multinational). Future uncertain.	Remains in family, but depends on skills, appetite and readiness.	Trust safeguards culture, values and independence.	Business ends. Control ends — brand, reputation, and culture lost.
Impact on Employees	Jobs at risk if buyer restructures; culture often disrupted.	Jobs protected if family committed; succession issues if not.	Jobs protected; employees gain stake and annual tax-free bonus (up to £3,600).	All jobs lost. Employees displaced.
Impact on Community	Risk of profits and decisions leaving NI; possible job losses.	Can preserve local roots if family engaged.	Strong local anchor: jobs, supply chains, skills, and profits stay in NI.	Loss of jobs, loss of supply chain spend, negative local economic impact.

Wider Community Impact	May weaken local economy if HQ functions move out.	Potential continuity of local investment.	Builds wealth locally, stabilises communities, encourages long-term reinvestment.	Loss of economic activity, skills and services; hollowing effect on community.
Timeframe	6–12 months to find and negotiate with buyer.	Variable — depends on family's readiness and agreement.	6–12 months once feasibility confirmed.	Immediate to 6 months (legal wind-up).
Owner's Role Post-Sale	Often short-term earn-out or advisory role.	Typically long-term involvement until next generation ready.	Flexible — can step back gradually or remain engaged.	None. Owner exits immediately.
How is it funded?	Buyer funds purchase through cash reserves, private equity, or bank finance. Often includes an <i>earn-out period</i> where part of the price depends on future performance.	Can be structured as a gift, partial sale, or staged buy-out. Often relies on personal/family wealth, external finance, or company reserves over time.	Funded primarily from the company's future profits (staged payments to selling owner). May also include bank finance, private equity or initial use of company reserves to reduce the repayment period. Employees themselves do not contribute personal funds.	No external buyer; assets are sold off to release cash. Proceeds come only from liquidation value (property, equipment, stock), usually far below trading value.
Owner's Proceeds & Timing	Net ~£3.86m – £4m after CGT (£1.14m tax bill on £5m sale at current 18%/24% rates). Usually received upfront, but some value tied to earn-out or deferred payments over 1–2 years.	Depends on structure: If gifted → £0 immediate cash (but still CGT exposure, unless holdover relief applies). If partial sale → cash proceeds can be negotiated, often staged or reliant on family funding. Often spread over many years, depending on family wealth/finance.	Approx. £4.4m net (12% CGT on qualifying sales, compared to higher standard CGT rates of up to 24%) Typically paid over 5–7 years from company profits, though initial lump sums possible if reserves or bank finance are used. Owner receives instalments but retains full headline value.	Cash limited to liquidation value of assets, usually far below £5m (often 10–40% of trading value). Proceeds received as assets are sold, typically within 6–12 months. All trading value, goodwill, and brand are lost.

Key Takeaway for a £5m Business

- **Trade Sale:** ~£4m net after CGT, but risk to jobs and community.
- **Family Succession:** Viable if family ready, but continuity not guaranteed.
- **EOT Sale:** Reduced CGT rate of 12%, which may deliver significantly higher net proceeds compared to the standard CGT rate of up to 24%. Strong chance of protecting jobs and local legacy, but depends on good governance, leadership, and employee engagement.
- **Closure:** Assets only, often far less than business value, jobs and community impact severe.

Employee Ownership Trusts (EOTs): Myths vs Facts

Myth 1: *Employees have to buy the business with their own money.*

Fact: The EOT buys the shares using the company's future post tax profits. Employees make no financial contribution whatsoever.

Myth 2: *I won't get full market value if I sell to an EOT.*

Fact: The business is independently valued, and the price must be fair market value under HMRC rules. Additionally, an expert valuer will expect to reflect "market value" in their process of determining the value.

Myth 3: *Employee ownership means I lose all control immediately.*

Fact: Absolute control does shift from the ex-owner to the trustees of the EOT, but many ex-owners can and choose to stay involved during the period following transition and retain major influence over the day to day operation.. Many remain as directors or advisors, albeit

Myth 4: *EOTs are only for small businesses.*

Fact: EOTs work across sectors and sizes. In the UK, employee-owned firms range from under 20 staff to tens of thousands of employees.

Myth 5: *EOTs are risky because profits might not cover payments.*

Fact: Feasibility studies and financial modelling can test affordability before any transition begins. Payments are structured to match the company's likely post tax profits and cash flow.

Myth 6: *Employees won't care about ownership.*

Fact: Research shows engagement, retention, and productivity increase when employees have a stake. Bonuses of up to £3,600 tax-free reinforce this.

Myth 7: *It's complicated and will take years to set up.*

Fact: With the right advisors, most transitions are completed in 6-12 months.

Myth 8: *This is just a tax dodge.*

Fact: EOTs are supported by UK government policy as a legitimate succession route. Reliefs exist to reward owners who protect jobs and legacy.

EOTs are supported by UK government policy as a legitimate succession route. Tax reliefs exist to incentivise succession to employee ownership, including reduced CGT rates for qualifying disposals.

Top 10 Client FAQs: Employee Ownership Trusts (EOTs)

1. How does an EOT buy the shares if employees don't put in money?

- The trust buys the shares using the company's future profits.
- Employees don't have to invest their own money.
- Payments are made to the selling owner over time.

2. Will I really get full market value for my business?

- Yes. An independent valuation is carried out.
- The price must be fair market value under HMRC rules.
- Many owners find the value competitive with trade buyers.

3. How is an EOT different from an employee share scheme?

- Share schemes give individual ownership to some employees.
- An EOT holds shares collectively on behalf of all employees.
- Everyone benefits equally, regardless of role or pay grade.

4. Can I stay involved after selling to an EOT?

- Yes. Many owners stay on during transition, sometimes as directors.
- The EOT allows flexibility: you can step back gradually or exit quickly.

5. What happens if the business can't generate enough profit to pay me out?

- Payments are structured around the business's ability to pay.
- Advisors build financial models to ensure affordability.
- In most cases, the trust pays owners over 5–7 years.

6. What tax reliefs apply, and are they guaranteed?

- Qualifying sales to an EOT benefit from a reduced Capital Gains Tax rate of 12%, compared to the standard rate of up to 24%.
- Employees can also receive annual bonuses up to £3,600 tax-free.
- The reliefs are part of UK law; advisors ensure conditions are met.

7. Do employees really want ownership, or will it just confuse them?

- Case studies show employees welcome it.
- Engagement increases when employees have a genuine stake.
- Clear communication is key — EOI provides examples and resources.

8. How do trustees work, and who appoints them?

- Trustees oversee the trust on behalf of employees.
- Typically a mix of employee, independent, and company-appointed trustees.
- They ensure decisions protect employee benefit and business sustainability.

9. How long does the transition usually take?

- Most transitions complete within 6–12 months.
- This includes feasibility, valuation, legal setup, and communication.

10. Why would this be better than just selling to a trade buyer?

- Owners keep full value (0% CGT).
- Jobs and culture are protected.
- Profits and decisions stay in Northern Ireland.
- It avoids the risks of restructuring or relocation often seen in trade sales.

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Stay Connected

Employee Ownership Ireland

Supporting business owners and advisors across Northern Ireland.

Email

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Support Available

- Fully funded feasibility study
 - Case studies and videos
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