Flowering Shares

Flowering shares are a class of ordinary shares issued by a company which entitle the shareholder (employee in this case) to capital generated by the future growth of the business above its current value.

Shares are issued at a day one value. When a company reaches an agreed level of future growth (which is known as the “hurdle”) the shares will have an agreed value. This amount can be either variable (based on a percentage) or a fixed amount.

The shares are normally available for purchase at a nominal or small amount meaning only minimal outlay by the employees at the outset.

Flowering shares can deliver business growth. They can also help a company retain key talent as the shares only deliver if the employees stay with the company.

Any proceeds earned by the shareholders from the sale of the flowering shares will be taxed at CGT rates not at Income Tax rates.

Flowering shares should help align the employee’s interests with those of the owners of the company.

There is no limit to the amount of shares that can be issued under the flowering share plan.

Leaver provisions can be built into the rights attaching to the flowering shares. This will prevent ex-employees from retaining an interest in the company.

Flowering share plans are flexible and can be adopted to a variety of situations.

If you would like any advice or assistance in relation to the foregoing please do not hesitate to contact us.