

# Arram Berlyn Gardner

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## Employee Benefit Trusts

Employee Benefit Trusts offer profitable trading companies an opportunity to reward key staff (including Directors) in a very tax efficient manner.

Conceptually, the Employee Benefit Trust is a type of Bonus Pool ie. a sum of money set aside from the business to reward and incentivise potentially any member of staff.

Different Service Providers use different methods to “source” the Employee Benefit Trust. The reason for this is that most Service Providers arrange matters such that Sch 24 FA 2003 does not apply to defer the Corporate Tax Deduction. Instead, a Corporate Tax deduction usually applies when funds are transferred out of the EBT, usually into key employee subtrusts.

The accounting treatment is outlined in UITF32. UITF32 states that the assets of the EBT should be included in the company’s balance sheet unless:

The company can enjoy no future economic benefit from the assets held by the EBT; or

The company can exercise no “de facto” control over the assets within the EBT.

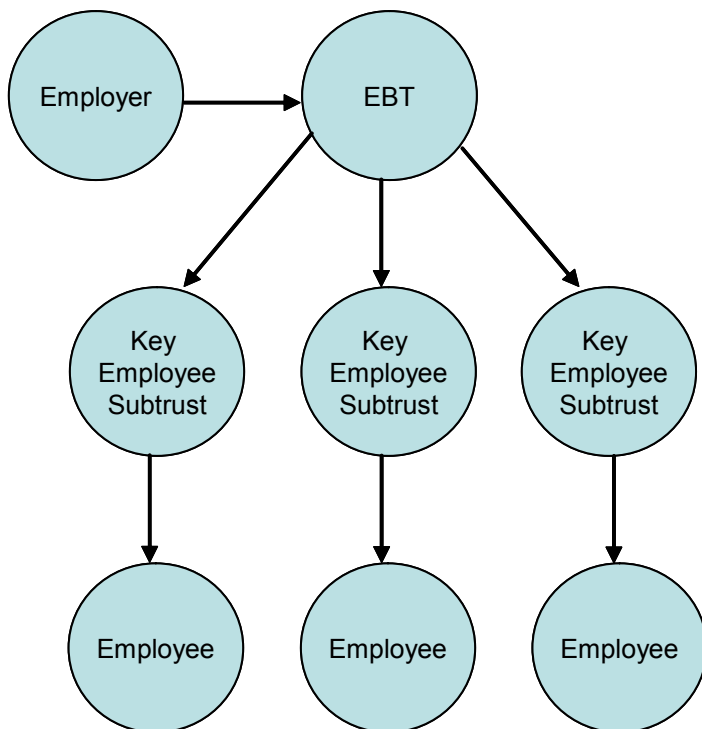
Hence, funds within the EBT are on the balance sheet of the company, whereas funds within an employee sub-trust are not. The disclosure in the statutory accounts is usually on the basis that a deduction will be claimed in the Profit & Loss account when the funds are transferred to the sub-trust.

Once a sub-trust is established and funded, employees can choose when and how to take their funds out of their sub-trust, via an “Expression of Wishes” made to the Trustees.



Many employees ask for a loan from their sub-trust as this is particularly tax efficient. Some employees leave the funds within the sub-trust, using it as a tax-efficient wrapper for investment purposes.

Any assets held within an EBT will also be exempt from Inheritance Tax on the death of the relevant employee.



If you would like to discuss Employee Benefit Trusts please contact Mark Rubinson on:

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Or your usual ABG contact partner.

This document is intended as a guide only, and no responsibility can be accepted for any inaccuracies within it. Any arrangement that reduces a tax liability can expect to come under scrutiny from HM Revenue & Customs.

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