

CONTENTS

<i>Foreword</i>	<i>ix</i>
<i>Preface</i>	<i>xi</i>
<i>Acknowledgements</i>	<i>xiii</i>
Introduction	xv
1 Designing an Incentive Scheme	1
Stage 1 – Why introduce a scheme ?	2
Stage 2 – Identifying your objectives	6
Stage 3 – Selecting the participants	8
Stage 4 – Choosing the performance measure	10
Stage 5 – Scheme design	14
Stage 6 – Launch	17
Stage 7 – Post-launch	18
The need for ceremony	19
Quick summary	20
2 Non-cash Incentive Schemes	21
Visibility	21
Vouchers	22
The nagging spouse factor	23
The Taxed Award Scheme	23
Overseas conferences	24
Taxation implications	25
Quick Summary	25
3 Golden Hellos, Handcuffs, and Handshakes	26
Competing for people	26
General background	27
Tax generally	28
Special rules for lump sum payments	28
Golden hellos	28

Golden handcuffs	29	
Golden handshakes	30	
Practical aspects	31	
Redundancy Payments	31	
National Insurance	32	
Restrictive Covenants	32	
Quick summary	32	
4 Company Cars		33
The role of the car in incentive planning	33	
The employee's position	33	
Car parking and car telephones	37	
The choice of car	38	
The employer's position	38	
Contract hire v. finance leasing	41	
Quick summary	42	
5 Other Fringe Benefits		43
General	43	
Use of company assets	43	
Luncheon facilities	44	
Medical insurance	44	
Cheap loans	45	
Accommodation	46	
Tax-free relocation	46	
Telephone allowances	47	
Suggestion schemes	47	
Long-service awards	48	
Sporting facilities	48	
Nursery facilities	48	
Quick summary	49	
6 The Role of Pensions in Incentive Planning		50
General	50	
Final salary schemes	52	
Money purchase scheme	53	
Executive 'top-hat' schemes	54	
Additional voluntary contributions (AVCs)	55	
Salary and bonus sacrifices	56	
Additional benefits	57	
Personal pensions	58	
Unapproved pension arrangements	59	
Portability	60	

Contracting out	60	
Quick summary	61	
7 Profit-Related Pay		62
Background	62	
The basic rules	63	
Registration	64	
Requirements of a PRP scheme	65	
Ascertainment of the distributable pool	65	
Ascertainment of profits	66	
Cancellation	67	
Quick summary	67	
8 Share Incentives Generally		69
Background	69	
Incentivising with shares	71	
Unapproved schemes	74	
General rules	74	
Unapproved share options	75	
Approved or unapproved?	77	
Phantom share options	77	
The need for ceremony revisited	78	
How to get rich quick!	79	
Quick summary	79	
9 Approved Employee Share Schemes		81
Executive share option schemes	81	
Profit-sharing schemes	83	
Buy one, get one free	84	
Sharesave – You just can't lose	85	
Easing the admin burden – at no extra cost	88	
Quick summary	88	
10 ESOPs		90
Background	90	
How does an ESOP work?	92	
Qualifying ESOPs	93	
Qualifying or non-qualifying?	94	
ESOPs as a poison pill	95	
Captive shares	96	
A new tool in corporate finance	96	
ESOPs as a marketmaker	97	
An alternative to flotation	97	
Quick summary	98	

Appendix 1	The Taxed Award Scheme	99
Appendix 2	Suggestion Schemes	101
Appendix 3	Registration Form for Profit-Related Pay	103
Appendix 4	Employee Share Schemes – ABI Guidelines	108
Appendix 5	Employee Share Schemes – NAPF Guidelines	117
Appendix 6	Employee Share Schemes – Stock Exchange Requirements	120
Appendix 7	Employee Share Option Scheme – Inland Revenue Specimen Rules	122
Appendix 8	Savings Related Share Option Scheme – Inland Revenue Specimen Rules	131
Appendix 9	Profit-Sharing Scheme – Inland Revenue Specimen Trust Deed and Rules	141
	Stoy Hayward	159
	<i>Index</i>	<i>163</i>