

## Employee Benefit Trusts

Increasingly, companies are using Employee Benefit Trusts (EBTs) as a means to provide incentive plans to their key employees and thereby attracting personnel and engendering long-term commitment.

An EBT is a flexible trust arrangement (usually discretionary in nature) which is established by an employer company for the benefit of some or all of its employees or indeed the employees of a group of companies.

EBTs are usually constructed on a bespoke basis to suit an employer's criteria in providing a variety of benefits to its employees. These arrangements may take many forms, the most common are share-based incentive arrangements, but they could be designed to provide deferred compensation, employer sponsored employee savings plans, or long-term incentive plans.

Dependent upon the nature of the scheme, the employer might make contributions directly to the EBT allocated or earmarked for a particular employee, or create a pool of 'benefit' from which awards are made subject to certain pre-defined parameters or conditions, often performance related. In the case of employee share schemes the EBT usually has the ability to borrow from the sponsoring company to finance the acquisition of company shares. A retiring employee/shareholder could sell their shares to the EBT using a pre-defined pricing mechanism. The EBT could then transfer shares to successor employees or warehouse them for future allocation. Companies might also use such schemes to prevent shareholder dilution.

Many of these arrangements are complex and can involve employees in several different jurisdictions, this leads to the desire for establishing such schemes in stable tax-benign jurisdictions such as Guernsey, New Zealand and BVI.

Our experienced personnel work in conjunction with professional legal and tax advisers in establishing and administering bespoke employee incentive arrangements tailored to meet client requirements.

### Examples of Newhaven's experience

#### Share Warehousing

Created to facilitate the buy-back of shares from a principal shareholder and put the shares into trust so that they can be re-distributed to other employees in the future. Classic share warehousing EBT, which will also look to acquire additional shares in the future.

#### Tax Efficiency

Created for UK tax efficient mechanism to provide alternative employee remuneration (by way of long term loans).

#### Deferred Compensation

Deferred compensation scheme set up to benefit professional sports persons. Objective is to spread 'bonuses' over a long term in lieu of a pension scheme.

#### MBO

Created as a consequence of a management buy-out shares held by departing or departed employees acquired in order to transition to the current/new employees.

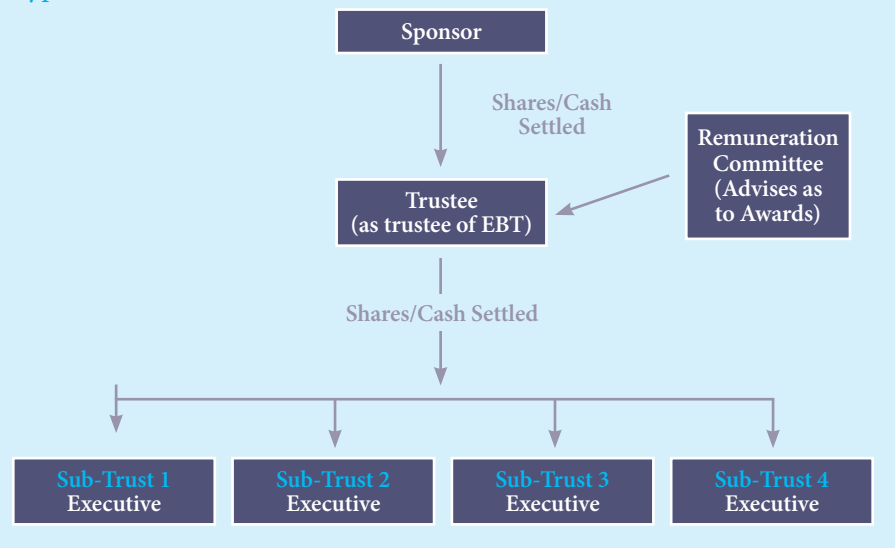
#### Employee Plan

Created to enable the employers to contribute to their employees' retirement planning (therefore a quasi-pension scheme), cash based. To attract and retain employees and to incentivise, employee contributions topped up by employer.



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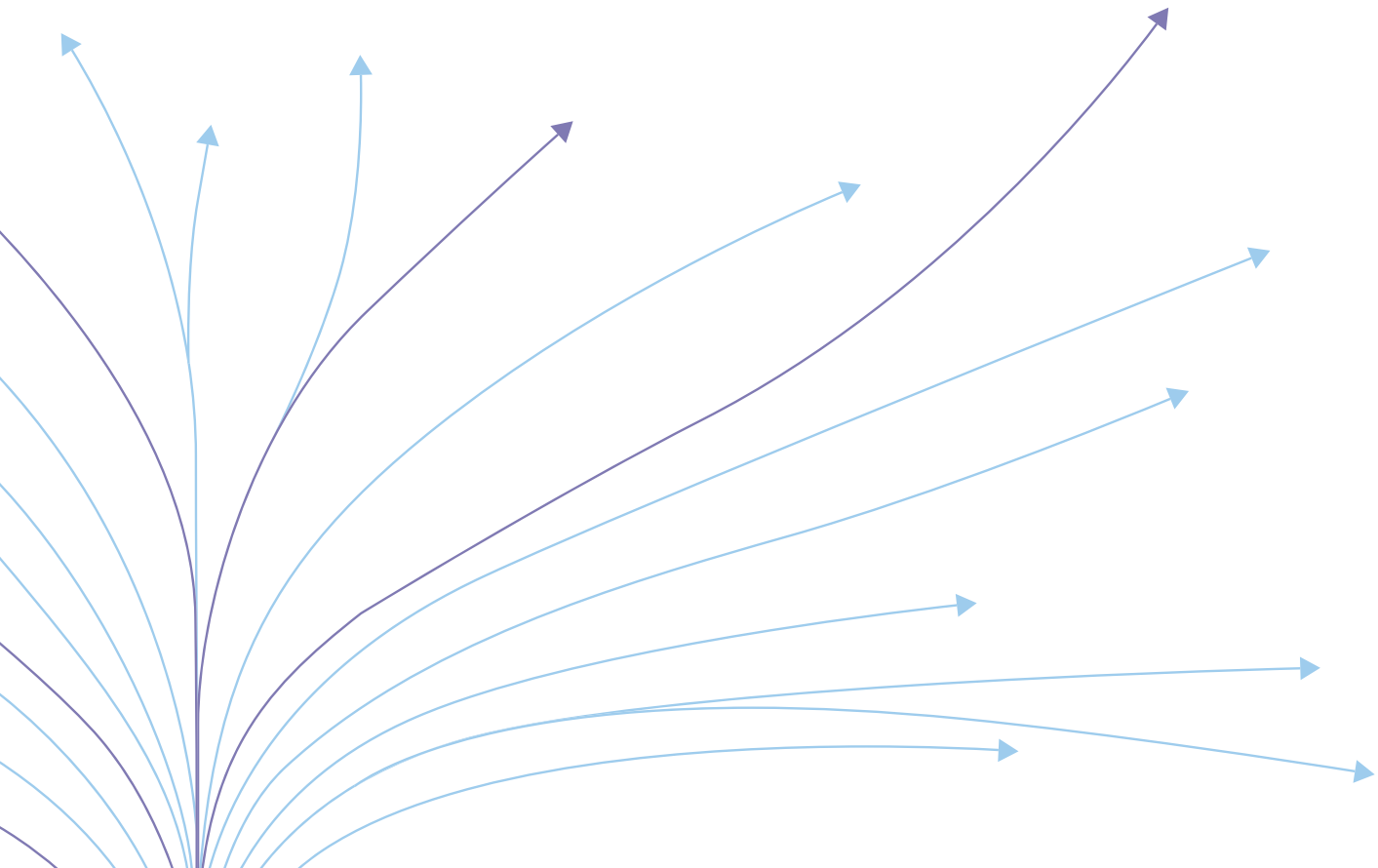
### Typical EBT Structure





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## Contact

For further information on the BVI Share Trust or any other fiduciary structures, please contact your usual client service associate or:

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