



ENTERPRISE MANAGEMENT INCENTIVES (EMI): SIMPLIFICATION OF THE PROCESS TO GRANT OPTIONS

Issued 07 September 2026

ICAEW welcomes the opportunity to comment on the draft legislation for this measure published by HMRC on 13 July 2026, a copy of which is available from this [link](#).

ICAEW supports the removal of the requirement to submit a notification of a grant of Enterprise Management Incentive (EMI) Options and calls for guidance to address some operational questions which have arisen as a result of this simplification.

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This response of 7 September 2026 has been prepared by ICAEW's Tax Faculty.

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KEY POINTS

ICAEW is supportive of the changes and simplification of the EMI process to grant options. The draft legislation is clear and achieves this goal.

However, we would like to raise some operational concerns about the new process and highlight some gaps which need to be covered by guidance.

The draft legislation makes inclusion of the grant in the annual return a condition of the option being a qualifying option. The return for 2027/28 will not be filed until after 6 April 2028, potentially almost 15 months after an option is granted. (Clause 1(3)(b), inserting new paras 52(1)(2) into Sch 5, ITEPA 20023). This raises a few questions and concerns which need to be addressed:

1. There should be a proportionate remedy for errors. HMRC should confirm the consequences where an otherwise qualifying option is omitted from the annual return because of an administrative mistake.
2. Existing end-of-year filing problems should not be 'transferred' into the EMI qualification process. HMRC has previously reported that most returns are filed in the final week of the filing window and that significant numbers of late-filing penalties continue to be issued. The new regime concentrates the risk associated with the ordinary annual reporting obligation and the legal qualification of each EMI option granted during the year into one reporting process.
3. HMRC should publish the return fields and technical specifications sufficiently far in advance of the changes taking effect.
4. Clause 1(3)(c) permits HMRC to require information or declarations for the purpose of determining whether the Schedule 5 requirements are met. A confirmation from HMRC would be welcome that the new return will not require companies to re-enter information already held through scheme registration or previous returns.
5. New paragraph 52(4)(b), inserted by clause 1(3)(b) refers to the date on which it is "reasonable to assume" that the company's shares will no longer become subject to qualifying options. This is a very subjective test and we suggest that it is clarified in guidance. HMRC should explain who makes that assessment, when it is made, and whether a scheme can later be reactivated. The legislation or guidance should avoid requiring nil returns indefinitely merely because the company has not formally ruled out future grants.
6. There is some practical ambiguity around commencement. For example, what happens when an option granted before 6 April 2027 is varied or replaced afterwards. Transitional examples in guidance would be welcome.
7. Although the reporting obligation falls on the company, a failure to include a grant in the annual return may determine whether an employee's option is a qualifying EMI option. Employees could therefore suffer an indirect but potentially substantial tax consequence through no fault of their own. Guidance on HMRC's approach in such circumstances is needed.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. **Statutory.** Tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament. A clear statutory basis ensures legitimacy, accountability, and public trust in the tax system.
2. **Certain.** As far as possible, the application of tax rules and compliance processes should be certain. Taxpayers should not normally need to resort to the courts to understand how the rules apply to their affairs.
3. **Simple.** The tax system should be easy to understand for all taxpayers and advisers. Complexity undermines trust, creates unfairness, and discourages compliance.
4. **Easy to administer.** Tax liabilities should be straightforward to administer for HMRC, agents, and all taxpayers. Taxes should be designed to work effectively in a digital environment, while administration must remain accessible to those with limited digital capability.
5. **Properly targeted.** Anti-avoidance rules and other targeted measures should be proportionate, clearly defined, and carefully scoped to achieve their policy objective without undermining simplicity or certainty. Poorly targeted measures add complexity and uncertainty, harming compliance.
6. **Stable.** Changes to the tax system should only be made when clearly justified by economic, social, or environmental goals. Transparent, purposeful reforms build confidence and move the system toward greater coherence and long-term stability.
7. **Subject to proper consultation.** Other than in exceptional circumstances, tax changes should be subject to open and meaningful consultation. Adequate time for stakeholder input improves policy quality, practicality, and public trust.
8. **Regularly reviewed.** Tax rules, reliefs, and policy-driven interventions should be subject to regular, transparent review to assess whether they remain relevant, effective, and aligned with current policy goals. Outdated or unjustified provisions should be reformed or repealed to maintain coherence.
9. **Fair and accessible.** The tax system should be fair and accessible in design and in operation, ensuring equitable treatment of taxpayers. Revenue authorities must exercise their powers proportionately, and all taxpayers should have timely access to HMRC assistance, independent appeal, and redress.
10. **Efficient.** The tax system should raise revenue in a way that minimises unnecessary distortions, compliance burdens, and resource misallocation. While all taxes affect behaviour to some degree, tax design should avoid cliff edges, unintended incentives, or inefficiencies that reduce economic wellbeing unless these serve a clearly defined policy aim.

For more information, please see [Ten Tenets for a Better Tax System | ICAEW](#)