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Autumn Budget 2026: Key changes to equity incentives

The 2026 Autumn Budget bought some positive news for growing companies looking to attract and retain talent, with the announcement of further improvements to the UK's tax-advantaged share option schemes. The changes should make it easier for companies to use the Enterprise Management Incentives (**EMI**) and Company Share Option Plan (**CSOP**) regimes together, and give businesses greater flexibility over how long options can remain outstanding and what happens following certain key events.

Introduction

The 2026 Autumn Budget has expanded the scope and flexibility of tax-advantaged employee share options. The main changes affect CSOP, which will now be referred to as "**EMI2**", and selected EMI rules. The principal measures take effect from 6 April 2027.

At a glance: the main changes

Independent limits	£120,000	15 years	180 days
CSOP/EMI2 no longer reduces the £250,000 EMI individual limit	New CSOP/EMI2 individual limit	Maximum EMI2 exercise period	EMI exercise window after a disqualifying event

Overview of the measures

The table below summarises the practical position before and after the measures take effect. Please note that whilst CSOP is now referred to as EMI2, this is principally a change in policy name; the scheme will continue to be referred to as CSOP in the legislation, and formal option documents should mirror this position.

Relevant Measure	Position before 6 April 2027	Position from 6 April 2027	Practical significance
EMI2 Individual limit	An individual option holder can hold no more than £60,000 of shares under CSOP options at any one time. This limit is calculated based on the market value of the shares under CSOP option as at the date of grant of the option.	The limit will double to £120,000, again measured by the market value of the shares under CSOP option as at the date of grant.	Companies can deliver a much larger tax-advantaged option award per individual under EMI2.
Interaction with the EMI limit	CSOP options count towards the £250,000 EMI individual limit.	The limits operate independently. EMI2 options do not reduce the employee's EMI capacity, including where EMI options already exist. If both limits are fully utilised, the maximum aggregate value is £370,000.	An eligible employee may hold up to £250,000 of EMI options and separately be granted up to £120,000 of EMI2 options, subject to the conditions and rules of each scheme.
EMI2 exercise period	The maximum period in which CSOPs must be exercised before losing their	The maximum period for EMI2 options is extended to 15 years (in line with the maximum period	Longer-term awards and exit-only structures have greater flexibility. Existing agreements can be amended to reflect the new

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	tax-advantaged status is 10 years from the date of grant.	that has applied to EMI options since 6 April 2026).	position (subject to the legislation being implemented as expected).
EMI disqualifying events	Generally an employee has 90 days to exercise their option after a disqualifying event to preserve EMI tax treatment.	The window is extended to 180 days where the disqualifying event occurs on or after 6 April 2027. EMI options granted before 6 April 2027 also benefit from the new 180-day period.	More time to complete an exercise or transaction following a disqualifying event. This may be particularly helpful in leaver discussions where options become exercisable on leaving, as the option holder has more time to fund the exercise price.
EMI and EOT transitions	The usual independence requirement for EMI treatment contains an exception that applies where the company is controlled by an employee ownership trust (**EOT**).	The exception extends to arrangements entered into on or after 6 April 2027 for the company to *become* EOT-controlled.	An EMI company can continue granting qualifying options while transitioning to employee ownership, subject to the conditions.
EMI grant reporting	A separate notification of each EMI option grant must be submitted to HMRC, alongside the existing annual return requirements.	The separate grant notification is abolished for options granted on or after this date and the grant details are instead reported through the existing EMI annual return.	A single annual reporting process will replace the separate grant-notification requirement, reducing the administrative burden for companies.

What should companies do now?

The existing rules will continue to apply until the relevant measures take effect. However, companies may benefit from considering the changes in advance and, in particular, taking the following steps ahead of their implementation:

- ☑ Review whether CSOP / EMI2 could supplement EMI once the limits operate independently, particularly for employees who have reached or may reach the EMI individual limit.
- ☑ Identify existing CSOP agreements that may benefit from a 15-year exercise period. Amendments should only be made after the legislation is in force.
- ☑ Review EMI leaver and other relevant provisions that refer to the 90-day post-disqualifying-event window, and consider whether template documentation should reflect the 180-day period for relevant events from 6 April 2027.
- ☑ For a proposed transition to employee ownership, consider the extended EOT exception when planning the timing of EMI grants and the transaction steps.

If you would like further information in relation to any of these measures, please contact a member of our tax team.

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