



Employee Ownership
Australia *Making it your business*



Employee Ownership Australia Ltd (ABN 40 152 310 266) * Phone 0418 418 182 * Email: info@employeeownership.com.au

Press Release - Employee Ownership Australia Advocates for Stronger Support for Employee Ownership Trusts

Melbourne, Australia – November 18, 2024 – Employee Ownership Australia (EOA), together with the leading UK-based employee ownership expert Graeme Nuttall OBE and author of the renowned Nuttall Report on Employee Ownership, continues to champion the cause of employee ownership trusts (EOTs). Despite significant advocacy and the growing adoption of EOTs across many common law jurisdictions, Australia has yet to fully embrace this transformative model.

EOA has been at the forefront of promoting employee ownership since 2020, supporting numerous events and initiatives aimed at increasing awareness and adoption of EOTs. The Nuttall Report, a pivotal document authored by Graeme Nuttall OBE, has been instrumental in highlighting the benefits of employee ownership and the critical role of EOTs in fostering inclusive and sustainable business practices.

However, the progress in Australia has been slower than anticipated. While there is a strong desire among businesses and employees for the adoption of EOTs, the legislative and Australian Taxation Office (ATO) responses have not been as robust as needed to facilitate widespread implementation.

“We believe that employee ownership trusts can play a crucial role in empowering employees and enhancing business resilience,” said Andrew Clements, Chair of EOA. “It is disappointing that despite the clear benefits and the successful adoption of EOTs in other jurisdictions, Australia has not yet provided the necessary support.”

Global Employee Ownership Expert Graeme Nuttall on Speaking Tour in Australia

Leading UK-based employee ownership expert Graeme Nuttall OBE is visiting Australia during November – December 2024 to speak to Australian companies, business experts, and policy-makers about how to develop employee ownership in Australia. Graeme was instrumental in designing and introducing the EOT in the UK in 2014, and his model has seen astonishing success.

Australia is lagging behind the UK, USA, Canada, and European countries in its adoption of employee ownership. Graeme will explain how the EOT model can help companies manage business succession in Australia.

A large number of Australian company owners would like to develop a succession plan that protects their company and their employees into the future – employee ownership does just that.

Employee ownership has been widely found in academic research around the world to encourage high levels of productivity, business stability, and employee well-being and wealth creation.

The purpose of an EOT is to provide long-term employee ownership of a trading company (or group). An EOT holds a company's equity (usually all or at least a majority) on behalf of all that company's employees, providing them with good work, a share in the financial success of their company, and a voice in its affairs. The EOT's trustee safeguards this employee ownership for all present and future employees.

In the UK, nearly 2000 EOTs (with tens of thousands of employee-owners) have been established since the EOT was introduced ten years ago. The EOT is also being utilized in the US, and the Canadian Federal Government has recently introduced tax and regulatory supports for EOTs. Various European countries, such as Denmark and Slovenia, are also introducing legislation to support equivalent models.

The EOT model has been adapted for the Australian legislative and tax environment under the guidance of Graeme and Andrew Clements, a legal consultant at KWM and Chair of EOA.

Graeme Nuttall OBE says, "The main reason why so many new EOTs are created each month in the UK is the EOT's success as a succession solution for private company owners. Selling to the trustee of an EOT avoids sharing trade secrets with competitors and gives control over timing. It also secures legacy, independence, and ethos at the same time as rewarding and incentivizing those who make a company successful, its employees. These are values that apply internationally, and I look forward to seeing the widespread adoption of the EOT business model in Australia."

Andrew Clements adds, "There has been significant interest from small businesses following our work in relation to EOTs. It is a model which is regarded as providing a very effective tool for employee ownership without the complexities of allocated employee share plans."

Key Dates and Events

- 15 November: Graeme meets with the Fair Work Ombudsman
 - 18 November: Company visit to Honorbread, Bermagui NSW to advise on employee ownership. Honorbread is exploring a transition to an EOT.
 - 25 November: Graeme is keynote speaker at The Future of Work: Employee Ownership and Economic Transformation, RMIT Forward, Melbourne.
 - 26 November: Graeme addresses the Employee Ownership Australia 'Summer Event', Melbourne.
 - 28 November: Graeme addresses the Employee Ownership Australia 'Summer Event', Sydney.
 - 29 November: Graeme is keynote speaker at Employee Ownership: Shaping Australia's Economy at SGS Economics and Planning, Sydney.
 - 6 December: Event with Business South Australia and Green Industries Department, Adelaide.
-

Notes to the Editors
About Employee Ownership Australia (EOA)

Employee Ownership Australia (EOA) assists companies of all sizes in implementing employee ownership by providing high-quality and topical educational resources and hosting information-sharing and networking events. EOA is also the leading advocate for change at the legislative level to improve the tax and legal operating environment for businesses with employee share schemes in Australia.

Website: [Employee Ownership Australia](https://www.employeeownership.com.au)

LinkedIn: Employee Ownership Australia

Twitter: @EOwnership

For additional quotes, please contact Andrew Clements:

Andrew Clements | EOA Chair & KWM Legal Consultant

Ph: +61 3 9643 4089

Mb: +61 407 286 492

andrew.clements@employeeownership.com.au

Full Statement from Andrew Clements on behalf of Employee Ownership Australia (EOA)

Employee Ownership Australia (EOA) has been making progress in providing alternative employee ownership structures for Australian small businesses. We have been working on a structure based on the employee ownership trust model used in the United Kingdom. We have been assisted by Graeme Nuttall, the author of the influential UK Nuttall Review of employee ownership, in developing an employee ownership trust structure for use by Australian companies.

An employee ownership trust is, in very simple terms, a discretionary trust share plan within which shares are held collectively for the benefit of all employees. It has a number of significant benefits over conventional allocated employee share plans offered in the market and regulated by the existing tax rules. It is not driven by tax outcomes.

We are pressing the Australian Taxation Office to provide clearer guidance in relation to the operation of employee ownership trusts in Australia. There are a number of aspects of the existing tax rules which are potentially an impediment to the broader rollout of employee ownership trusts in Australia.

There has been significant interest from small businesses following our work in relation to employee ownership trusts. It is a model which is regarded as providing a very effective tool for employee ownership without the complexities of allocated employee share plans. Interestingly, we are experiencing interest in a broad range of areas, for example:

- Effective succession planning for baby boomer businesses to maintain their operation after the founder leaves the business.
- The maintenance of sustainable medical and dental practices in regional areas
- Community-based regional service organisations

- More generally, enterprises wishing to create more engaged workforces through greater employee involvement in the management and operation of the enterprise.

We look forward to the further development of this employee ownership model in Australia.