

The Complete Guide to Revenue Sharing for Businesses

Everything you need to know about using revenue sharing to build aligned, high-performing business relationships.

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About the Author

Ed Goold is an English qualified lawyer with 15 years of experience in elite law firms, companies and government. He has led legal and operations at successful startups and scaleups and regularly advises companies as a fractional General Counsel. Ed founded Enten to make revenue sharing accessible to businesses of all sizes and has personally designed and implemented revenue-sharing structures for clients ranging from HRTech startups to international software agencies. He holds degrees in Law (BPP, Distinction) and History (Edinburgh, First Class) and is a graduate of Makers Academy coding school and BlueDot Impact's AGI Strategy Course.

SECTION 1

What is Revenue Sharing?

What is revenue sharing and how does it work?

Revenue sharing is a relationship where one party receives a share of another party's revenue for a defined period of time. The revenue share is typically granted as part of a value exchange where the party receiving the revenue share provides their work, advice, expertise or some other input in exchange for the rev-share. The rev-share aligns interests between the parties and ensures that they share in the success that their working relationship brings over time. In this way, the parties succeed or struggle together.

The Five Elements of a Revenue Share

Every rev-share relationship is built on five core elements:

- 1. The Revenue Stream.** The stream of revenue from which the rev-share is calculated and paid. It can either be the gross revenues of an organisation or business unit, or the net revenues from a specific product or service line.
- 2. The Revenue Share %.** The percentage of the revenue stream that is being shared under the terms of the rev-share.
- 3. The Term.** The length of time over which the rev-share will pay out once it has been triggered.
- 4. The Threshold Trigger.** The minimum number — often calculated on an MRR basis — that the revenue stream needs to hit before the rev-share is triggered.
- 5. The Performance Trigger.** Any other condition that needs to be met for the rev-share to be triggered, such as hitting performance targets or other delivery standards.

The first three elements above are the minimum required to implement an effective rev-share. The trigger elements are often, though not always, present. Getting any of these five elements wrong is the most common source of revenue sharing disputes.

What Revenue Sharing is NOT

Revenue sharing is often confused with adjacent compensation models. It is important to understand the distinctions:

- **Not equity.** A rev-share grants no ownership in the company. It comes with no voting or membership rights and is a purely commercial relationship. Existing owners are not diluted.

- **Not a sales commission.** Sales commission is tied to specific sales efforts by a specific agent. A rev-share takes a wider view, covering a more general revenue stream and stimulating a holistic, team-driven approach to outcomes.
- **Not profit sharing.** Profit sharing occurs after costs are deducted. Revenue sharing occurs at an earlier point, with the rev-share itself treated as a cost. This generates a more powerful set of incentives and drives better commercial outcomes.

The Historical Context to Revenue Sharing

Revenue sharing is a standard way of doing business across certain sectors. In the **creative industries** — music, film, and publishing — it takes the form of royalties that share a percentage of future revenues with rights-holders. In **professional services**, large advisory businesses such as management consultancies routinely take part of their compensation as a revenue share. In **franchise structures**, the franchisor takes a share of franchisee revenues as a core part of the business relationship.

What is changing now is the degree to which revenue sharing can be easily adopted by businesses of all sizes. Previously, established systems and practices solved for the problems of trust and operationalisation that tended to foreclose revenue sharing as an option. With the advent of new technology solutions and platforms, revenue sharing is more widely available and accessible than ever before.

The Compensation Model Comparison Matrix

How does revenue sharing compare to other common compensation models? The matrix below sets out the key dimensions, with the Revenue Share column highlighted in blue.

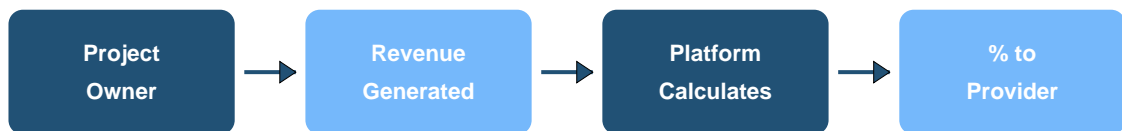
	Revenue Share	Equity	Fixed Fee	Profit Share	Sales Commission
Low upfront cost	Yes	Yes	No	No	No
No cap table impact	Yes	No	Yes	Yes	Yes
Incentive alignment	High	High	Low	Medium	Medium
Simple to implement	Yes	No	Yes	No	Yes
Time-limited	Yes	No	Yes	Varies	Varies
Shares downside risk	Yes	Yes	No	Yes	Partial
Speed of setup	Fast	Slow	Fast	Medium	Fast

	Revenue Share	Equity	Fixed Fee	Profit Share	Sales Commission
<i>Best suited for</i>	<i>Project work, startups, SMEs</i>	<i>Core long-term team</i>	<i>Defined scope deliverables</i>	<i>Established businesses</i>	<i>Direct sales roles</i>

This matrix is indicative — specific arrangements will vary by context.

How Revenue Sharing Flows

At its simplest, a revenue-sharing arrangement operates as follows:



The Project Owner generates revenue. The platform (or agreed mechanism) calculates the applicable share. The percentage flows directly to the Provider.

SECTION 2

Why Does Revenue Sharing Work?

What are the benefits of revenue sharing for businesses?

Revenue sharing works because it solves a fundamental problem in business relationships: how to pay fairly for contributions whose value is uncertain at the time the agreement is made. By tying compensation to actual commercial outcomes, both parties share the risk and the reward. This creates stronger alignment than fixed-fee arrangements and greater flexibility than equity.

Incentive Alignment

When income is linked directly to the revenue that work generates, incentives shift fundamentally. The provider is no longer optimising for hours billed or deliverables shipped — they are optimising for commercial impact. This is structurally different from a salary (which pays regardless of outcome) or equity (which is illiquid and subject to dilution). A revenue share creates a direct, measurable, ongoing feedback loop between effort and reward.

"When I structured a revenue share for a UK HRTech startup's CTO relationship, the shift in behaviour was immediate. The CTO began making product decisions based on what would drive revenue, not what was technically interesting."

Cash-Flow Efficiency for the Payer

For the business offering the revenue share, the immediate benefit is reduced cash outlay. Instead of paying full market rate upfront, they pay a discounted rate now in exchange for a share of future revenue. This preserves runway and converts a fixed cost into a variable cost that scales with success.

A business that would normally pay £600/day for a senior developer might instead offer £300/day plus a 2% revenue share. If the product generates £500,000 in its first year, the developer earns £300/day + £10,000 in rev-share. If the product generates only £50,000, the business has been protected from overpaying.

Upside Participation for the Recipient

From the provider's perspective, a revenue share offers something a fixed fee never can: potentially unlimited upside participation. If the work drives significant revenue, they benefit directly. This is particularly attractive to high-performers who are confident in their ability to create value but who may not be willing to take the illiquidity risk of equity.

Flexibility and Reversibility vs Equity

Revenue shares are inherently time-limited and contractual. They do not appear on the cap table, do not create shareholder rights, do not dilute existing investors, and can be negotiated with clear end dates or payment caps. This makes them dramatically easier to implement, modify, and unwind than equity arrangements — a critical advantage for early-stage businesses where team composition and business model may change rapidly.

Risk Distribution

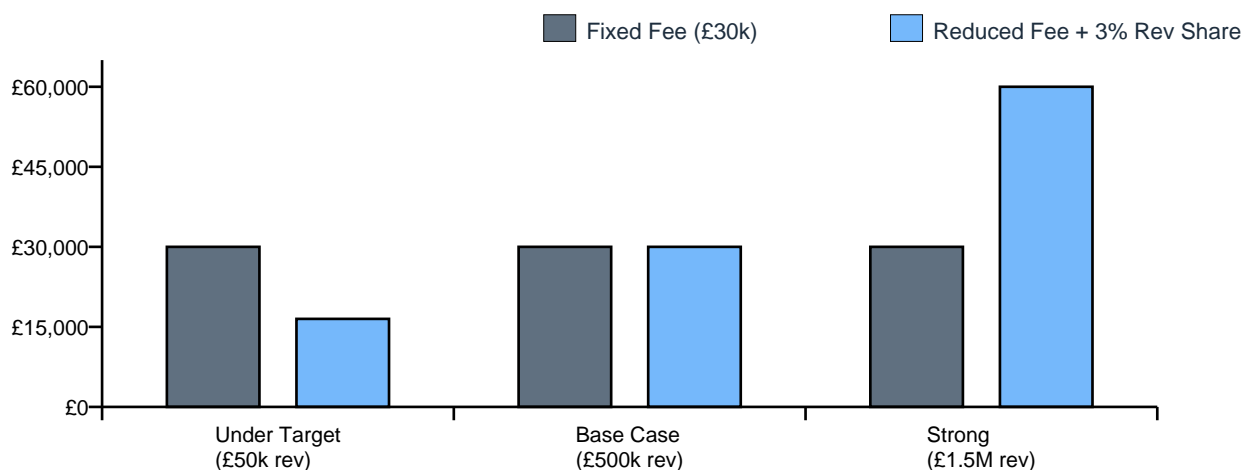
Both parties share in the downside. If revenue is low, the provider earns less. If revenue is high, the payer pays more — but from revenue they would not have had without the provider's contribution. This shared-risk structure creates more honest, more resilient working relationships.

Speed of Implementation

A well-structured revenue-sharing agreement can be negotiated and signed in days. Compare this to an equity grant — which requires board approval, legal documentation, valuation, potential HMRC filings, and shareholder agreement amendments — or a complex profit-sharing scheme. Speed matters for businesses that need to move quickly.

Scenario Comparison: How Different Models Perform

The chart below compares a fixed-fee arrangement with a reduced-fee plus revenue-share structure under three revenue scenarios, using the developer example above (£30k fixed fee vs. £15k fee + 3% of product revenue). At the Base Case the provider earns the same as on a fixed fee; in a strong revenue year they earn twice as much; under target the payer is protected from overpaying.



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Under Target: provider earns £16.5k vs £30k fixed fee — payer saves £13.5k. Base Case: both models return £30k — break-even for the provider. Strong: provider earns £60k — double the fixed fee, funded entirely by incremental revenue.

SECTION 3

Where Is Revenue Sharing Used?

Real-world examples and use cases

Revenue sharing is used wherever one party contributes value to another's commercial success and wants to be compensated based on outcomes rather than time. While it has traditionally been associated with creative industries, franchise structures, and professional advisory services, it is increasingly being adopted by startups, scaleups and SMEs as a tool for engaging talent, structuring partnerships, and closing client deals.

Use Case 1: Engaging Technical Talent

Can you use revenue sharing to hire developers?

Revenue sharing is increasingly used by startups, scaleups and SMEs to engage senior technical talent at below-market cash rates, supplementing the discount with a share of the revenue their work helps generate. By offering potentially uncapped upside, smaller organisations can put together a differentiated, competitive offer that larger employers cannot easily replicate.

- Reduced day rate
- % of product revenue
- Time-limited term (e.g. 24 months from product launch)

Real-world example: A UK HRTech startup used a revenue-sharing arrangement to engage their CTO. Rather than offering equity — which would have required complex legal work and cap table management at a stage when the company was still finding product-market fit — the founders offered a share of product revenue, aligning the CTO's incentives with commercial success while preserving founders' ownership.

Key considerations: Define which product revenue counts. Address what happens if the hire leaves. Establish clear reporting obligations.

Use Case 2: Marketing Agencies — Skin in the Game Pricing

How can a marketing agency use revenue sharing with clients?

A marketing agency that is genuinely confident in its ability to drive client revenue can offer a “skin in the game” pricing model: a reduced retainer supplemented by a share of the incremental revenue their campaigns generate. This is compelling to clients who are cash-constrained or who want to ensure the agency is invested in commercial outcomes rather than just outputs and activity metrics. For the agency, it creates a path to earnings that can significantly exceed a standard retainer when

campaigns perform strongly — and it differentiates them sharply from competitors who only charge time.

- Reduced monthly retainer
- % of incremental revenue attributable to campaigns
- Attribution methodology agreed upfront (e.g. UTM tracking, promo codes, tagged leads, 30-day attribution window)

Real-world example: A digital marketing agency typically charges £8,000/month to manage a client’s paid search and social campaigns. Instead, they offer £4,000/month + 3% of incremental e-commerce revenue attributed to their activity via UTM parameters. In month 1, attributed revenue is £60,000 — the agency earns £4,000 + £1,800 = £5,800. By month 6, attributed revenue has grown to £200,000 — the agency earns £4,000 + £6,000 = £10,000. The client pays more only when the agency delivers more.

Key considerations: Attribution methodology is critical — agree upfront how revenue will be measured (UTM tracking, promo codes, CRM tagging). Define “incremental” carefully: is it all revenue from attributed channels, or only revenue above a baseline? Consider whether the rev-share applies to new customers only or returning customers too.

Use Case 3: Engaging Fractional Specialists

Is revenue sharing suitable for fractional or part-time hires?

Revenue sharing offers a particularly effective model for engaging fractional specialists — part-time CFOs, marketing directors, legal advisors, or sales leaders — whose value is difficult to capture in a fixed monthly retainer. Rewarding fractional specialists with rev-shares lets the organisation access and motivate top-tier talent without committing to very large outlays.

- Modest retainer (or none)
- % of revenue attributable to the specialist's function

Real-world example: A fractional CMO who builds a lead generation engine can be compensated on a rev-share basis: a fixed retainer of £2,000/month + 1% of new customer revenue for 18 months.

Key considerations: Attribution is harder with fractional roles — define carefully what "attributable" means in your agreement.

Use Case 4: International Teams Where Equity is Complicated

Can revenue sharing replace equity for international team members?

For businesses with team members in multiple jurisdictions, revenue sharing can be a simpler alternative to equity grants — which often trigger complex tax, securities, and employment law issues

in each country. Revenue sharing is a commercial contractual payment and largely avoids triggering these concerns, making it often simpler to implement internationally than complex equity arrangements.

Key considerations: Consider withholding tax obligations, transfer pricing if between related entities, and local employment law.

Use Case 5: Traditional Sectors

Where has revenue sharing been used traditionally?

Traditionally, revenue sharing has been seen in sectors such as the creative industries (royalties for music, film, and publishing), franchising, and major professional services relationships. It is also seen in certain platform and marketplace models, such as app stores, though it is sometimes prohibited by "gig economy" platforms.

SECTION 4

When Is Revenue Sharing the Wrong Choice?

When should you not use revenue sharing?

Revenue sharing is not suitable for every business relationship. It works best when both parties can clearly define the revenue base, when there is a reasonable expectation of revenue within a meaningful timeframe, and when both parties have sufficient trust in the accuracy of reporting and operationalisation. When any of these conditions are absent, a different compensation model may be a better fit.

Revenue Is Too Unpredictable or Too Far Away

If the business is pre-revenue with no clear timeline to market, a revenue share offers the provider nothing concrete. Equity (which captures long-term value regardless of revenue timing) or a fixed fee (which provides certainty) may be more appropriate. *Rule of thumb: if you cannot reasonably estimate when meaningful revenue will begin, a revenue share is probably premature.*

Parties Cannot Agree on How to Define “Revenue”

The single most common source of revenue-sharing disputes is disagreement over what counts as “revenue.” If the business has complex, intermingled revenue streams and the parties cannot agree on a clear, auditable definition, the arrangement will likely fail. See Section 5 for how to define revenue properly.

The Administrative Burden Outweighs the Benefit

Revenue sharing requires ongoing tracking, reporting, verification, and payment. For smaller arrangements, the cost of administration may exceed the value it creates. Consider whether a simpler performance bonus or milestone payment would achieve the same alignment with less overhead.

Information Asymmetry Is Too High

Revenue sharing requires the provider to trust the payer's revenue reporting. If the provider has no way to verify the numbers and no audit rights, the arrangement is vulnerable to erosion of trust. This is particularly risky where the provider is remote, part-time, or has limited visibility into the business.

Regulatory or Tax Complications Make It Impractical

In certain jurisdictions or industries, revenue-sharing arrangements may trigger regulatory requirements or create complex tax treatment. If the arrangement resembles a return on investment rather than payment for services, it may constitute a regulated activity. Always take appropriate professional advice.

The Revenue-Share Suitability Test

If you can answer yes to most of the following questions, you are well placed to implement a revenue-sharing arrangement:

- 1 Can you clearly define which revenue streams are included?
- 2 Do you expect meaningful revenue within 12–24 months?
- 3 Are both parties willing to share financial data or grant audit rights?
- 4 Can you attribute the provider's contribution to specific revenue?
- 5 Are both parties in jurisdictions where rev-share payments are straightforward?
- 6 Is the relationship expected to last long enough for the rev-share to have value?
- 7 Are both parties comfortable with variable income / variable cost?

SECTION 5

How to Structure a Revenue-Sharing Agreement

How do you structure a revenue-sharing agreement?

A well-structured revenue sharing agreement must clearly define five things: what revenue is being shared, what percentage the recipient will receive, when and how the revenue share is triggered, how long the arrangement lasts, and how and when payments will be made. Getting these right at the outset prevents the majority of disputes that cause revenue-sharing arrangements to fail.

Defining “Revenue” — The Most Important Clause

How do you define revenue in a revenue-sharing agreement?

The single most important clause in any revenue-sharing agreement is the definition of “revenue” — and the single most common mistake is leaving it vague.

The first decision is between **gross** and **net** revenue. Gross revenue is a more straightforward approach and prevents disputes on calculation. Net revenue involves subtracting some costs from the gross figure — arguably fairer, but it introduces complexity and the potential for manipulation.

Other factors: (i) the level of revenue stream — company-wide or a narrower product/service line; (ii) whether to narrow the revenue to that attributable to the provider's work; (iii) whether customer segmentation forms part of the calculation. Always exclude VAT/sales tax, refunds, returns, and inter-company transfers.

In practice, defining revenue as gross revenue from a specific, named product or service — excluding VAT, refunds, and inter-company transfers — produces the cleanest, most auditable arrangements.

Setting the Percentage

How much revenue share should you offer?

Revenue share percentages typically range from 1% to 10% of the defined revenue base, depending on the scale of the provider's contribution, expected revenue, and whether the rev-share supplements or replaces other compensation.

Worked example: if you would normally pay £50,000 for a piece of work and you're offering £25,000 in cash plus a revenue share, the provider is deferring £25,000. If you expect £500,000 in annual revenue, a 5% share gives them £25,000/year — recovering their deferred income in year one with upside thereafter.

Benchmark ranges: Technical contributors: 1–5% of product revenue · Agency/partnership arrangements: 5–15% of attributable revenue · Fractional specialists: 1–3% of relevant revenue

stream.

Triggering the Rev-Share

How and when will the rev-share be triggered?

Your rev-share will generally be triggered by: (i) the underlying revenue stream hitting a specific threshold, and/or (ii) the occurrence of specific performance events, such as a percentage of closed deals or an increase in users.

A good MRR threshold will be clearly defined on a specific revenue stream at a number reflecting the point at which the stream is generating meaningful, sustainable income. For example, £5k MRR on a SaaS product might indicate that the product has found initial traction.

Duration, Caps, and Termination

How long should a revenue-sharing agreement last?

Revenue-sharing agreements should always have a defined duration, termination provision, or payment cap — and you may want more than one. Open-ended, uncapped arrangements are a common source of disputes once one or both parties lose faith in the relationship.

Typical timeframes are somewhere between 9 and 36 months. A fixed term gives the payer confidence on likely total costs. You should also consider how you will treat the rev-share in the event of an exit or acquisition.

Reporting, Verification, and Audit Rights

How should revenue be reported and verified?

Trust is essential to any revenue-sharing arrangement, but it is not a substitute for proper reporting. Every agreement should specify what financial information will be shared, how often, and what verification rights the recipient has.

Technology platforms or third-party administrators can reduce the reporting burden significantly. Key points to address: reporting frequency (monthly vs quarterly), method of calculation, specified exclusions, and audit rights.

Payment Mechanics

How and when are revenue-share payments made?

Revenue share payments will generally be made on either a monthly or quarterly basis with a defined lag in arrears. Forecasting mechanisms, third-party escrow providers, and post-hoc reconciliation structures may also be used to provide greater confidence to the relationship.

Dispute Resolution

What happens if there's a disagreement about a revenue share?

The rev-share agreement needs clear provisions dealing with disputes — typically around the definition of the revenue stream or the measurement of triggers. Dispute resolution clauses typically provide for mediation first, then arbitration or, as a last resort, litigation.

Governing law and jurisdiction must be specified. A neutral third party or platform can provide additional confidence.

SECTION 6

Tax and Legal Considerations (UK Focus)

How is revenue sharing taxed in the UK?

In the UK, revenue-sharing payments are generally treated as taxable income for the recipient — either as trading income (if the recipient is self-employed or a company) or as employment income (if the arrangement is deemed to constitute employment). The tax treatment depends on the specific structure of the arrangement and the relationship between the parties.

Important: This section identifies areas where you may want to obtain professional guidance. It does not constitute legal or tax advice. The treatment of your specific arrangement will depend on its particular facts and circumstances. Always consult a qualified professional before entering into a revenue-sharing arrangement.

Tax Considerations

- **IR35 and employment status.** If the provider works in a way that resembles employment — under the day-to-day control of the business, integrated into its operations, and unable to send a substitute — the engagement may fall inside IR35. Where IR35 applies, the payer may be required to deduct income tax and National Insurance Contributions from payments, including rev-share payments, as if the provider were an employee. This is particularly relevant for longer-term arrangements with individual contractors. The off-payroll working rules (Chapter 10, ITEPA 2003) impose the primary compliance obligation on the payer where it is a medium or large business. Always assess IR35 status carefully before structuring a rev-share with an individual.
- **Revenue sharing vs investment returns.** If the provider is contributing capital rather than services, or if the rev-share has no meaningful connection to ongoing work, HMRC or the FCA may treat the arrangement as a return on investment — potentially triggering interest withholding obligations or classification as a collective investment scheme requiring FCA authorisation.
- **VAT treatment.** Where the rev-share is consideration for a supply of services (which it usually is), it will generally be subject to VAT at the standard rate. The provider should charge VAT on rev-share payments if VAT-registered; the payer can reclaim that VAT as input tax in the normal way.
- **International withholding tax.** When paying a rev-share to someone based overseas, you may be required to withhold UK income tax at source unless a double tax treaty provides for a reduced rate or exemption. Check the specific treaty and consider obtaining a direction from HMRC.

- **SEIS/EIS implications.** Revenue-sharing arrangements are unlikely to affect SEIS/EIS eligibility on their own, but care is needed if the arrangement could be characterised as a "linked loan" or if HMRC considers the terms non-commercial.

Key Legal Provisions to Include

- **Governing law and jurisdiction.** Specify English law and the English courts (or your preferred jurisdiction) explicitly. Without this, cross-border arrangements can create expensive uncertainty.
- **Confidentiality.** The provider will see detailed revenue data. Include robust confidentiality obligations that survive termination of the arrangement.
- **IP provisions.** Without an explicit clause, a provider who contributes to the creation of IP that generates the shared revenue could argue they have an equitable interest in that IP. A clean assignment or licence clause prevents this.
- **Data protection.** If revenue reporting involves data identifying individual customers, both parties will have obligations under UK GDPR that need to be addressed.
- **Anti-assignment.** Include a clause preventing the recipient from assigning their rev-share rights to a third party without your consent. If you are open to the rev-share being traded or transferred — for example, as part of a secondary market arrangement — this should be expressly permitted and the conditions set out. Enten's platform includes a secondary market for activated rev-shares, enabling compliant transfer of rev-share positions where both parties choose to allow it.

Common Legal Mistakes to Avoid

- **No written agreement.** Verbal revenue-sharing agreements are technically enforceable in English law, but proving the terms in the event of a dispute is expensive and uncertain.
- **Vague revenue definition.** "A share of the revenue" without clearly specifying the stream is a major contractual risk likely to lead to disputes.
- **No termination provisions.** If the agreement does not address what happens when the relationship breaks down, the provider leaves, or the business pivots, you are left relying on implied terms and the court's interpretation.
- **Regulatory implications overlooked.** If the rev-share arrangement resembles a return on investment rather than payment for services, it may constitute a regulated activity under FSMA 2000 — carrying criminal penalties for operating without authorisation.
- **No tax advice taken.** The difference between structuring a rev-share as payment for services versus accidentally structuring it as something resembling interest or an investment return can be significant — and the distinction often turns on details that are easy to get right at drafting but expensive to fix retrospectively.

SECTION 7

Getting Started with Revenue Sharing

How do I get started with revenue sharing in my business?

Getting started with revenue sharing requires three things: a clear understanding of what you're trying to achieve, a counterpart who is willing to share in both the risk and the reward, and a well-structured agreement that protects both parties. The checklist below covers the key questions to work through before proposing a revenue-sharing arrangement.

The Revenue-Share Readiness Checklist

1. What problem are you solving?

Are you trying to attract talent you can't afford at full market rate? Reduce upfront project costs? Align a partner's incentives with your commercial success? Be clear on the objective.

2. Who is the counterparty?

A developer? An agency? A fractional specialist? A strategic partner? The type of counterpart affects how you structure the arrangement.

3. What value are they providing?

Be specific about what the provider will contribute — and how that contribution connects to revenue generation.

4. Which revenue streams are relevant?

Identify the specific revenue that the provider's work will influence. Don't default to “all company revenue” unless that's genuinely appropriate.

5. What would you pay in cash?

Calculate the full cash cost of the alternative. This is your benchmark for determining a fair rev-share percentage.

6. What revenue do you realistically expect?

Model three scenarios: disappointing, expected, and strong. Does the arrangement still make sense for both parties in all three?

7. How will you track and report revenue?

You need a system — even a simple spreadsheet — that you can share with the provider on a regular basis.

8. How long should the arrangement last?

Define a term, a cap, or both. Open-ended arrangements create problems.

9. What happens if things change?

Think through: what if the provider leaves? What if the product pivots? What if the company is acquired?

10. Have you taken appropriate professional advice?

For anything beyond a very simple arrangement, get legal and tax input before signing.

Revenue sharing can be a powerful tool for building aligned, high-performing business relationships — but only if the arrangement is well-structured from the start. If you'd like help designing a revenue-sharing structure for your business, Enten provides the legal frameworks, templates, and platform to make it straightforward.

Frequently Asked Questions

Q: What is the difference between revenue sharing and profit sharing?

Revenue sharing distributes a percentage of gross revenue (total income before expenses are deducted). Profit sharing distributes a percentage of net profit (income after all expenses). Revenue sharing is generally simpler to administer and more transparent, because it does not require the recipient to verify the payer's expense accounting. Profit sharing can be fairer in that it accounts for costs, but it introduces complexity and the potential for manipulation.

Q: Can revenue sharing replace equity in a startup?

Revenue sharing can serve as an alternative to equity in many situations, particularly for engaging contractors, advisors, and fractional specialists. It avoids cap table complexity, shareholder rights, and dilution. However, it does not capture long-term enterprise value in the way equity does — if the company is eventually sold for a large multiple, a revenue-share recipient may not benefit as much as an equity holder would. The best choice depends on the time horizon, the type of contribution, and both parties' risk preferences.

Q: How much revenue share should I offer a developer?

Revenue-share percentages for technical contributors typically range from under 1% to 5% of the relevant product revenue, depending on the scale of the contribution, whether the rev-share supplements or replaces cash compensation, and the expected revenue of the product. A common approach is to calculate the cash value the provider is deferring and then set a percentage that would recover that amount within 12–18 months under a base-case revenue scenario.

Q: Is revenue sharing taxable in the UK?

Yes. Revenue-sharing payments are generally treated as taxable income for the recipient in the UK. The specific treatment depends on whether the recipient is an individual or a company, and on the nature of the underlying arrangement. VAT may also be applicable. Always take professional tax advice for your specific circumstances.

Q: What happens to a revenue share if the company is sold?

This depends on the terms of the agreement. Well-structured agreements should specify what happens on a change of control — common approaches include a buyout of the remaining rev-share at an agreed multiple, acceleration of payments, or continuation with the new owner. If the agreement is silent on this point, it can create significant uncertainty and potential disputes.

Q: What is the biggest risk of revenue sharing?

The biggest risk is a poorly defined revenue base. If the parties disagree about what counts as “revenue,” the arrangement is likely to fail. The second biggest risk is inadequate reporting — if the recipient cannot verify the numbers, trust erodes quickly. Both risks are mitigated by a well-drafted agreement with clear definitions and proper reporting obligations.

Q: How long should a revenue-sharing agreement last?

Most revenue-sharing agreements run for 12 to 36 months, though this varies significantly by use case. Agreements should always have either a defined end date, a payment cap, or both. Open-ended, uncapped arrangements are strongly discouraged as they create long-term liabilities that can become problematic if the business is later acquired or the relationship deteriorates.

Q: Can you use revenue sharing for international team members?

Yes, and it can be simpler than international equity grants, which often trigger complex securities and tax issues in each jurisdiction. However, international rev-share payments may be subject to withholding tax obligations, and the arrangement must comply with local employment and tax law in both the payer's and recipient's jurisdictions.

Q: Do I need a lawyer to set up a revenue-sharing agreement?

You need something — but it doesn't have to be a traditional law firm engagement. A verbal revenue-sharing agreement is technically enforceable in English law, but without a written document you have no reliable way to prove what was agreed if a dispute arises. The question is really about the level of legal support that is right for your situation.

At one end of the spectrum, a completely DIY approach — perhaps using a generic template downloaded from the internet — carries meaningful risk. Revenue-sharing agreements have a number of technically important clauses (the revenue definition, trigger conditions, audit rights, termination provisions) where generic drafting often falls short. At the other end, instructing a specialist law firm for a bespoke agreement is thorough but expensive — often disproportionately so for early-stage businesses and SMEs.

Enten is designed to sit between these two options: providing legally sound frameworks and structured templates built specifically for revenue-sharing arrangements, at a fraction of the cost of traditional legal engagement. For straightforward arrangements, this approach provides a solid legal foundation. For more complex or high-value arrangements — for example, those involving significant revenue streams, international parties, or unusual structures — it is always worth taking professional legal and tax advice in addition.

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The revenue-sharing platform for businesses of all sizes.

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