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Global Employer Services (GES)

Global Rewards Update:
United Kingdom – annual share plan returns for 2014/2015 onwards

May 2014

Background

As discussed in our previous GRUs of February and April 2014, companies will be obliged to file their annual share plan returns (including Form 42) online for the 2014/2015 tax year onwards (due 6 July 2015).

HMRC has recently published the draft templates setting out the information which employers will be required to provide to HMRC as part of the return. These are now available on the HMRC website for companies to download and save on their own systems. The draft templates are found at:

http://www.hmrc.gov.uk/shareschemes/annualreturns-index.htm.

Reportable Information

The changes being introduced will significantly increase the amount of information that companies will need to provide to HMRC. In some cases, the information should already be available but in other cases, new information is being requested.

One particular theme is that companies will need to include additional information in respect of share valuations – for example, whether shares being acquired are listed on a recognised stock exchange, whether valuations were agreed with HMRC and/or providing both the 'actual market value' (AMV) and the 'unrestricted market value' (UMV) of shares when a chargeable event occurs.

The changes are numerous but the key changes as follows.

Other Employment Related Security schemes or arrangements – non-tax advantaged template (currently known as Form 42)

- Companies must report the lapse/cancellation of options. As currently drafted, reporting also appears to be required even where options have lapsed for nil consideration.
- Where restricted securities are reportable, companies will be required not only to identify the nature of the restriction (e.g. a risk of forfeiture, a restriction on sale) but also the period for which the restriction applies. The extent to which the market value of the shares is impacted by the restriction should also be detailed.
- Confirmation should be provided to HMRC in relation to whether any adjustment has been made for non-UK workdays. This would seem to have potentially wide application in the context of internationally mobile employees. However, the guidance indicates that an entry should only be made here where the 'adjustment' applies because the employee pays tax on the remittance basis (and not, for example, because the employee has moved to a country with which the UK has a double tax treaty).
- Disclosure of Tax Avoidance Schemes (DOTAS) – HMRC now require companies to disclose whether

awards are made under a scheme which has a DOTAS reference. Where this question is answered yes, details of the relevant DOTAS reference number must also be provided.

Save As You Earn (SAYE) and Company Share Option Plan (CSOP) templates

- As with non-tax advantaged options, companies must report options which have lapsed during the tax year (even if for nil consideration).
- Where options are exercised, companies must report both the AMV and UMV of the shares. Companies must also indicate whether shares were sold on the day of exercise or in connection with the exercise.
- Companies were previously required to provide a summary of plan activity during the year. This requirement has now been removed.

Share Incentive Plan (SIP) template

- There has been an overall simplification of the format in which SIP information is to be reported. For the 2014/2015 tax year, two schedules will need to be completed, the first covering awards made under the SIP and the second dealing with SIP shares withdrawn. Considerable amounts of information must, however, be provided on each of the schedules.

Enterprise Management Incentive (EMI) template

- As with the SAYE and CSOP returns, companies must indicate whether shares were sold on the day of exercise or in connection with the exercise.
- There is no longer a separate section relating to disqualifying events – such events must, however, be reported elsewhere on the return.

Other points

Although the published templates are not yet final, it is clear that the information needed for the 2014/2015 returns will be different and more substantial than in previous years. In particular, it seems clear that HMRC is keen to make sure that valuations do not fall under the radar.

HMRC has also made it clear that where the returns do not provide the requisite information in the appropriate format, the returns may/will be rejected and this could lead to penalties being levied. For example:

- the dates must be entered in an exact format (yyyy-mm-dd); and
- monetary values must be entered in pound sterling up to 4 decimal places.

Action

- Companies should review the draft templates and consider whether they are able to capture all the necessary data. In certain cases, making amendments to the company’s systems now should help them to remain fully compliant as they move forward. Companies should also ensure that dates and values are collected in the correct format.
- Companies should ensure that they are comfortable with the fiscal valuations reported. In particular, companies should consider what is the best time for them to negotiate values with HMRC – following acquisition of shares or filing of self-assessment returns.
- Companies should watch out for the publication of the final templates (expected Autumn 2014) and any further guidance.

People to contact

For assistance with this matter, or any other issue related to the operation of your global rewards plans, please contact your local Deloitte global rewards consulting services adviser or email us at **globalequity@deloitte.com**, and a global rewards consultant will contact you.

This Global Rewards Update information is also included in our biweekly GES newsletter, *Global InSight*, which you will receive directly if you are on the central distribution list.

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