

Global Rewards Update

United Kingdom – New share plan reporting – are you ready for the change?

March 2015

Background

On 3 March 2015, HM Revenue and Customs (HMRC) published the final share plan reporting templates for the 2014/15 tax year. These templates replace the paper annual returns (Forms 34, 35, 39, 40, and 42) and must be filed by companies that operate share plans in the UK by 6 July 2015.

In order to file the new annual returns, companies must have firstly pre-registered with HMRC via the PAYE Online Service, and where a tax advantaged plan is operated (such as a CSOP, SAYE or SIP), companies must also have self-certified that the plan meets the requirements of the relevant legislation. The registration (and self-certification) requirement must be completed well in advance of 6 July 2015 to ensure the annual returns can be filed successfully before the deadline.

Automatic penalties will apply for the late submission of the annual returns. It is therefore important to ensure that companies are fully prepared for submitting the annual returns correctly and on time.

The final templates are broadly similar to the draft templates published last year, however some questions have been clarified and some guidance is provided on which questions are mandatory. It is likely that HMRC will provide some fuller guidance on completing the templates in the coming weeks. In the meantime companies can now download, populate and test the template annual returns.

The templates can be found at:

<https://www.gov.uk/government/collections/employment-related-securities#forms>

The new templates

The format of the new templates is significantly different from the old paper annual returns. HMRC's systems have been designed to only accept completed returns within the set format. Companies will have to preserve the formatting when populating the new templates. This includes:

- Not making changes to the name of the files or the format of the template (such as adding, hiding or removing columns).
- Not adding data to cells outside the template area.
- Ensuring that dates are in the correct format (YYYY-MM-DD), monetary values are in pound sterling up to 4 decimal places, and other numbers only have up to 2 decimal places.
- Ensuring that there are no formulas in the template when it is uploaded for submission.

The new templates also contain a number of changes to the questions asked when compared to the paper returns. Some of these changes seek to clarify what information is reportable, or split existing reportable information into multiple columns. However, there are also a number of entirely new questions asked. Whilst we

would expect that most of the new reportable information is readily available, companies should identify where this information is stored. Some of the key changes are highlighted below.

Changes affecting all templates

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* (which does not include, for example, the UK Alternative Investment Market).
- Whether valuations were agreed with HMRC.
- Potentially providing both the ‘actual market value’ (AMV) and the ‘unrestricted market value’ (UMV) of shares when a chargeable event occurs.

Other schemes and arrangements template (formerly Form 42 – used to report non-tax advantaged share plans)

- HMRC now require companies to report conditional rights and RSUs in the same way as options are reported. Therefore both the grant and the subsequent vest of the awards must be reported. Previously some companies would not have reported the grant of these awards but only the acquisition of the shares at vesting.
- When HMRC published the draft templates last year it appeared that companies would need to report options that lapsed for nil-consideration. HMRC have now clarified that this is not the case.
- Information such as addresses and company reference numbers are required for the entity that granted the awards as well as the employer and company whose securities are acquired.
- Where restricted securities are reportable, companies are 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.
- Where a NIC agreement or election is entered into, employers are no longer required to declare the amount of employer NICs paid by the employee and when the payment was made.
- 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, the relevant DOTAS reference number must also be provided.

SAYE and CSOP template (formerly Form 34 and Form 35)

- Where options are exercised, companies must report both the AMV and UMV of the shares.
- Companies must state whether an employee sold all their shares under option at exercise.
- Companies were previously required to provide a summary of the share plan activity during the year on the paper returns. This requirement has now been removed.

SIP template (formerly Form 39)

- There has been an overall simplification of the format in which SIP information is to be reported when compared with the paper returns. For the 2014/15 tax year, two schedules will need to be completed, the first covering awards made under the SIP and the second dealing with shares withdrawn from the SIP. Considerable amounts of information must, however, be provided on each of the schedules.

EMI template (formerly Form 40)

- As with the SAYE and CSOP templates, companies must state whether an employee sold all their shares under option at exercise.
- There is no longer a separate section relating to disqualifying events. Such events must, however, be reported elsewhere on the template.

File Check Service

HMRC have developed a File Check Service as part of the online reporting changes. Using the File Check Service, companies can upload their template or annual returns and get an error report detailing any formatting issues with the template or return.

As the successful submission of the annual returns is dependent on their format, this service will be useful to test

and fix any issues before submission.

Access to the File Check Service is only available once the plans have been registered with HMRC, and can be accessed at the following link:

<https://www.gov.uk/spreadsheet-checking-service-employment-related-securities-ers>

Action

These are the most substantial changes to the UK reporting regime around share plans for a number of years. Companies will need to invest additional time and potentially resource to meet these obligations. We therefore advise companies to start the process of completing their share plan annual returns earlier than in previous years, and seek early assistance where needed.

In particular companies should:

- Ensure they have registered their share plans online with HMRC (and if necessary self-certified tax advantaged plans).
- Review the templates and consider whether they have captured all the necessary data in the correct format. This may require a discussion with share plan administrators to ensure all the necessary information can be provided, and that this information can be manipulated into the correct format for submission.
- Ensure that they are comfortable with the fiscal valuations reported.
- Check their returns prior to submission using the File Check Service, and ensure that a copy of the final return is saved as it will not be available to download from HMRC after submission.

People to contact

For assistance with these issues, or any other issue related to the operation of your global equity plans, please contact your usual Deloitte adviser or email us at globalshareplans@deloitte.co.uk, and an adviser will contact you.

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