

Although many of the changes in the area of share schemes had been trailed in advance, the unexpected and long overdue re-basing of limits on broad-based employee share schemes can only be welcomed.

Approved Share Schemes

At long last, the maximum monthly contribution that can be made by a participant in an SAYE scheme has been doubled from £250 to £500. This almost completely restores the real value of the benefit when the limit was set in 1991.

The maximum value of free shares that a participant in a Share Incentive Plan can receive per year is to increase from £1,500 to £1,800 and the maximum for annual deductions for partnership shares from £3,000 to £3,600. These are the first increases since SIPs were introduced in 2000 and only go part of the way in countering inflation since then.

These increases will take effect from April 2014.

Employee Ownership

The Government is pressing ahead with measures to foster an expansion of the employee-owned business sector. Both of the main measures only apply to "indirect employee ownership structures" – that is, where the business is controlled by an employee trust, rather than owned directly by the employees themselves.

- There is a new CGT exemption for share sales that give control of a company to an employee trust. Potentially, this somewhat misses the point that the major barrier to the sale of controlling interests to employee trusts relates to financing rather than taxation. A more gradual transition to employee ownership that is easier to finance is not only excluded from the new relief but remains subject to higher-than-normal tax rates.
- There is also an income tax exemption for payments of up to £3,600 a year per employee from indirect employee ownership structures. We await the detail on how this will work.

The funding of these tax reliefs has been increased from £50 million to £75 million. However, this funding now has to also cover the increases in limits for SIPs and SAYE, so it isn't at all clear whether this represents a real increase.

Unapproved Share Schemes

The Government has confirmed that the recommendations of the Office of Tax Simplification that it has chosen to adopt so far will be implemented in the Finance Bill 2014. These are:

- Extending the exchange and roll-over provisions for share options also to restricted and nil- or partly-paid shares.
- Allowing a corporation tax deduction where the buyer in a takeover is an unlisted company.
- Making the corporation tax treatment of all share awards to internationally-mobile employees consistent.
- Extending the period in which an employee can reimburse his employer for any tax arising on share awards from 90 days to the 6 July after the end of the relevant tax year.
- Changing the rules as to valuing quoted shares from the "quarter-up" formula to the closing price.

Contacts

Lawrence Green

Consultant

T +44 121 222 3394

E lawrence.green@squiresanders.com

Sarah Nicholson

Senior Associate

T +44 121 222 3688

E sarah.nicholson@squiresanders.com

Patrick Ford

Partner

T +44 161 830 5014

E patrick.ford@squiresanders.com