

Table of contents

Other titles from Claritax Books	iv
About the author	v
Preface	vii
Abbreviations	viii

PART 1: BACKGROUND AND FIRST PRINCIPLES

1. The legislative background

1.1 Finance Act 2003	3
1.2 Underlying principles	4
1.3 Scope of the legislation	5
1.4 Retrospective effect	11
1.5 Founders' shares	11
1.6 Slaying myths about elections	11

2. Valuation

2.1 Background	13
2.2 Information standards	15
2.3 Valuation approaches	17
2.4 Minority shareholdings	21
2.5 Share rights v personal rights	22
2.6 Key valuation terms used in ITEPA 2003	25

PART 2: TAXATION OF EMPLOYEE SECURITIES

3. Acquisition of securities

3.1 Introduction to share awards	29
3.2 Acquiring securities – looking at the deal	30
3.3 Restricted securities	31
3.4 Chapter 3C – securities acquired for less than market value	43
3.5 Share options	47

4. Post-acquisition changes

4.1 The legislative objective	52
4.2 Chapters 3A and 3B – non-commercial changes in Value	52
4.3 Convertible securities	57
4.4 Chapter 4 – post acquisition benefits	62
4.5 Chapter 4A – shares in spin-out companies	63

5. Disposal of shares

5.1 Expectations as to treatment	68
5.2 Restricted securities	68
5.3 Convertible securities	74
5.4 Chapter 3C – securities acquired at less than market value	79
5.5 Chapter 3D – disposal of securities for more than market value	80
5.6 CGT on disposing of securities	85
5.7 Entrepreneurs' relief	88

PART 3: COMPANY CONSIDERATIONS

6. Corporation tax

6.1	CTA 2009, Part 12 – introduction	93
6.2	Basic qualification conditions	93
6.3	Relief on acquisition of shares (Chapter 2)	96
6.4	Relief for share options (Chapter 3)	96
6.5	Restricted securities (Chapter 4)	98
6.6	Convertible securities (Chapter 5)	99
6.7	Mobile employees	99
6.8	Other corporation tax reliefs	100
6.9	Relief for the costs of establishing a share scheme ...	100

7. Operation of PAYE and NIC

7.1	Basic principles	102
7.2	PAYE on acquisition of securities	102
7.3	PAYE on post-acquisition charges	102
7.4	Readily convertible assets	104
7.5	Section 222	106
7.6	Transferring NIC liabilities	108

8. Reporting and accounting

8.1	The reporting regime	110
8.2	Accounting for employee share awards	114

PART 4: IMPLEMENTING SHARE SCHEMES

9. Designing an employee share scheme

9.1	The basic elements of a share scheme	119
9.2	Immediate ownership v options	120
9.3	“Vesting” and performance conditions	123
9.4	Treatment of leavers	124
9.5	Exit strategy	129
9.6	Dilution	130
9.7	Communication	133

10. What shares to use in the plan

10.1	The basics	134
10.2	Employee classes	135
10.3	Growth shares	136
10.4	Company law considerations	140

11. Employee share schemes and employee trusts

11.1	Employee trusts and share schemes in general	145
11.2	Establishing an employee trust	147
11.3	Funding an employee trust	149
11.4	Acquiring shares from employees or other Shareholders	150
11.5	Using EBT assets to satisfy share awards – CGT	151
11.6	Using EBT assets to satisfy share awards – disguised remuneration	154
11.7	Using EBT assets to satisfy share awards – CT relief	158
11.8	Transactions	158

PART 5: STATUTORY SHARE SCHEMES

12. Introduction to the statutory schemes

12.1	An overview	163
12.2	Enterprise management incentives	164
12.3	Company share option plans	166
12.4	SAYE	169
12.5	Share incentive plans	171
12.6	The statutory schemes in an OMB context	176
12.7	Comparison between statutory and non-statutory remuneration – example	178

13. Enterprise management incentives (EMI)

13.1	Eligibility for qualifying EMI options – company	181
13.2	Eligibility – shares	192
13.3	Eligibility – employees	193
13.4	Establishing the scheme	197
13.5	Employee tax treatment	203
13.6	Company tax position	213
13.7	Company transactions	213
13.8	Amending options	221
13.9	Leavers	222
13.10	Reporting	223

14. Company share option plans (CSOP)

14.1	Eligibility for a Schedule 4 CSOP	225
14.2	Establishing the scheme	227
14.3	Employee tax treatment	231
14.4	Company tax treatment	232
14.5	Transactions	233
14.6	Leavers	235
14.7	Amending options	237
14.8	Reporting	238

15. Share incentive plans (SIP)

15.1	Eligibility for a Schedule 2 SIP	239
15.2	Establishing the scheme	241
15.3	SIP awards	242
15.4	Employee tax treatment	248
15.5	Company tax position	252
15.6	Employee share trust taxation	255
15.7	Disqualifying events	255
15.8	Company transactions	256
15.9	Reporting	257

Table of legislation	259
Index of cases	267
General index	269