

Paula Lovitt MBE
Department for Business, Innovation and Skills (BIS)
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London SW1H 0ET

implementing.employee@bis.gsi.gov.uk

12 November 2012

Dear Ms Lovitt,

BIS - Consultation on implementing employee owner status

Introduction

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of European **Issuers**, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Tax and Share Schemes Expert Groups has examined your proposals and advised on this response. A list of members of the Expert Group is at Appendix A.

Response

We welcome the opportunity to respond to this consultation. Overall, we would prefer not to see employee share ownership linked to changes in employment law.

We believe that the introduction of this new category of employee owner could add an additional layer of complexity – with businesses having to manage and work out which category each employee falls within and the rights attached to it – without much added benefit to the company or employee.

While this consultation does not focus on tax issues specifically, it seems that employee owners would still have to be able to pay the tax on the original gift of the shares or pay the market value, neither of which may be attractive to the majority of employees. As such, the tax benefit of having capital gains tax waived will most likely be outweighed by having to pay national insurance contributions at the outset and by having to give up a number of employment rights.

We believe that it would be more beneficial for businesses and employees if HM Treasury and BIS explore reforming capital gains tax (CGT) reliefs, such as Entrepreneurs' Relief, as a way to encourage employee share ownership, and have included suggestions of how to do this in our response.

If you would like to discuss our submission, we would be happy to attend a meeting.

Yours sincerely,



Tim Ward
Chief Executive

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies.

MEMBERS OF THE QUOTED COMPANIES ALLIANCE TAX EXPERT GROUP

Neil Pamplin (Chairman)	Grant Thornton UK LLP
Chris Bond	PKF (UK) LLP
David Boyd	Mazars LLP
Nick Burt	Nabarro LLP
Thomas Byng	Deloitte LLP
Jason Collins	Pinsent Masons LLP
Tim Crosley	Memery Crystal LLP
Sam Dames	CMS Cameron McKenna LLP
Paul Fay	Crowe Clark Whitehill LLP
Natasha Kaye	Olswang
Lindsey Kutten	PricewaterhouseCoopers LLP
Joseph Litten	Ernst & Young LLP
Amanda Solomon	Charles Russell LLP
Vijay Thakrar	Deloitte LLP

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Ian Brown	Hewitt New Bridge Street
Stephen Chater/ Robert Postlethwaite	Postlethwaite & Co
Christopher Connors	Charles Russell LLP
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Jared Cranney	Interior Services Group plc
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David Fuller	CLS Holdings PLC
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Nick Wallis	Smith & Williamson Limited