

Andrew Ellis
HM Revenue & Customs
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11 February 2014

Dear Mr Ellis,

Draft Finance Bill 2014: Employee share schemes: Office of Tax Simplification recommendations

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 **EuropeanIssuers**, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Share Schemes Expert Group 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 comment on the legislation.

Our members are small and mid-size quoted companies with limited company secretarial and other internal functions which can deal with employee share schemes. Accordingly, proposals which streamline the tax-advantaged schemes and remove the cost and time delay of approval and having to agree each scheme with a particular inspector are all welcome. However, there are a few points of concern with the new proposals:

- We are concerned at the fact that share schemes which were previously approved will not be grandfathered under the new regime and so companies will have to revisit their schemes again and see if they comply. This is unnecessary – any scheme which is currently approved should automatically be in the new system.
- We are concerned at the size of potential penalties, which could be payable for breaches, and the fact that the legislation does not distinguish between serious default and other breaches, which leaves the consequences of failing to operate what remain highly technical arrangements highly susceptible to HMRC discretion. As many of our members operate share schemes without full-time

share scheme managers, we are concerned that these members may be penalised for inadvertent, but ultimately minor mistakes.

- New rules are being introduced on company discretion on the operation of CSOPs. These seem overly technical and should be reduced. We see no good reason why companies should not be able to exercise their discretion in a way that most benefits the business, for example in relation to early leavers, company events and judgements about performance conditions.
- We do not find the new “purpose tests” any more helpful than the ones which they replaced. It will still be difficult for companies to judge whether or not all scheme features are otherwise than in accordance with the relevant schedule.
- The rules are being introduced from 6 April 2014 – less than 2 months from now. It is disappointing that the legislation for this change was not released sooner, and it should be made very clear to companies what changes they need to make to comply with the new arrangements (which should be minimally disruptive). Companies should also be given a reasonable time to do so.
- We hope proper guidance is made available on all aspects of these new changes.

If you would like to discuss our response in more detail, we would be happy to attend a meeting.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'TW', with a horizontal line underneath.

Tim Ward
Chief Executive

Quoted Companies Alliance Share Schemes Expert Group

Fiona Bell (Chairman)	RM2 Partnership Limited
Michael Landon (Deputy Chairman)	MM & K Limited
Jared Cranney (Deputy Chairman)	ISG plc
Barbara Allen/Anika Chandra	Stephenson Harwood
Emma Bailey	Fox Williams LLP
Martin Benson	Baker Tilly
Danny Blum	Eversheds LLP
Stephen Chater /Robert Postlethwaite	Postlethwaite & Co
Sara Cohen	Lewis Silkin
Karen Cooper	Osborne Clarke
Rory Cray	FIT Remuneration Consultants
John Daughtrey	Equiniti
Matthew Findley	Pinsent Masons LLP
David Firth	Penna Consulting PLC
Philip Fisher	BDO LLP
Amanda Flint/Richard Sharman/	Grant Thornton UK LLP
Amanda Stapleton	
David Fuller	CLS Holdings PLC
Mark Gearing	Field Fisher Waterhouse
Andy Goodman	BDO LLP
Paula Hargaden	Burges Salmon
Colin Kendon	Bird & Bird LLP
Isabel Pooley/Nicholas Stretch	CMS Cameron McKenna LLP
Andrew Quayle	Olswang
Mia Thursby-Pelham	PricewaterhouseCoopers LLP
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