



Meeting of the QCA Share Scheme Committee
Thursday 9 February 2012 at 5:30pm
Held at CMS Cameron McKenna LLP, Mitre House, 160 Aldersgate Street, London

Present:

Nicholas Stretch (Chairman) (Minutes)	NS
Fiona Bell (Deputy Chairman)	FB
Martin Benson	MB
Danny Blum	DB
Jared Cranney	JC
Stephen Goldstraw	SG
Colin Kendon	CK
Michael Landon	ML
Nick Wallis	NW
Kate Jalbert	KJ
Jacques Sultan	JS

In Attendance:

Tim Crosley	TC
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1. Apologies

Apologies were received from Christopher Connors, Karen Cooper, John Daughtrey, Phillip Fisher, Paula Hargaden, Colum Spillane, Robert Poslethwaite, Stephen Chater Amanda Stapelton, Tim Ward and Paul Twist.

2. Minutes of last meeting (1 December 2011)

The minutes of the last meeting were approved.

3. Current Issues

TC introduced himself as the new chairman of the Tax Committee. There was a short discussion on the QCA's proposal of shareholder relief, which involved a more generous form of entrepreneur's relief for larger individual investors (without the requirement to be an employee or director) and allowed all employees to receive a 10% rate of tax, with any level of shareholding, provided they had held their shares for at least 3 years. There had been indications of Treasury support for this proposal, and so the QCA was hopeful it would be implemented.

- **OTS Project on Share Schemes (FB)**

FB said that a report with recommendations for approved schemes should be issued at the end of February. She and Mike Landon (who was also on the adviser steering group) were not able to relay their discussions but she expected that there would be changes to approved schemes, which would be broadly welcomed, although it would not be until Finance Bill 2013 that Government drafting would emerge. The next project was unapproved share plans, where the committee agreed a priority should be a discussion on disguised remuneration. DB noted that there is no consistency in HMRC's approach. There should be more discretion offered.

- **ERS Forum Update (NS)**

NS added that the Revenue's own simplification of process project was proceeding with the next full forum on 27th February and a sub-group on approved scheme processes on 13th February where extra places were still available.

- **Inside Aim 35 – Closed Period Rule**

A further discussion on this topic took place following discussion at several previous meetings. The core of the issue is that AIM do not believe that their rules allow a close period automatically to end on the issue of prelims and nor would it be desirable as a matter of policy to do so. NS said that AIM felt raw on this issue, as there was a lot of adverse comment on AIM's position. There was not much point in focusing on this issue head on, although the corporate finance committee was aware of it.

- **Prospectus Directive update**

KJ said that a delay in European technical advice and consultation had cast some doubt about whether key changes could be implemented by July 2012. This could potentially be an issue with the extension of the share plan exemption to all EU companies, but this certainly threatened proportionate prospectuses for rights issues of smaller companies from taking effect in July this year and also elongated the timetable for allowing companies with third country listings to offer shares without a prospectus (though a delay for this has long been accepted).

4. **Current Consultations**

- **HMRC Draft Legislation – Payments of share based earnings made after an employment has ceased that have not been included in form P45 (RD: 16 February 2012)**

This change was noted although not generally favourably, but it was considered that there was little which could now be done. A particular issue was the Revenue's refusal in approved share plans to let employees agree, in advance of deciding to leave, to sell shares to meet tax. The need to contact employees and give them the opportunity to sell was the cause of much administrative pressure and late accounting for proper tax.

- **BIS – Red Tape Challenge: Company and Commercial Law (RD: 16 February 2012)(jointly with Legal Committee)**

It was noted that a recent BIS paper invited comments on what changes to company law could be made to facilitate employee share schemes. FB agreed to co-ordinate the QCA's response in this area, focusing on extending the definition of employees' share scheme in the legislation and making buy-backs of shares from employees easier. KJ said she would contact BIS ahead of any response to see if they had any more specific ideas (eg NHS mutuals etc) in mind. **FB**

- **CP12/2: Amendments to the Listing Rules, Prospectus Rules, Disclosure Rules and Transparency Rules (RD: 26 April 2012) (joint with other QCA Committees)**

DTR changes – Treasury Shares. The proposed relaxation of the need to report <0.5% dealings of treasury shares was welcomed, although some clarification of whether this is an individual or cumulative level (and if cumulative, over what period) level was needed. It was noted that the main difficulties remain with company law and the ABI treatment of treasury shares as new issue not market purchase shares.

5. **Communications/Future Meetings**

- **Remuneration Committee Guide for Smaller Quoted Companies**

KJ reported this was being signed off imminently and would be discussed at a reception in mid-March, which would be more of a workshop following the earlier release of the booklet to members.

- **Invitations to Future Meeting**

It was suggested that the tax and share scheme committee have a joint meeting with John Whiting (Office for Tax Simplification) at some point in the near future and that HMRC technical share scheme officers be invited to our next committee meeting on 24 May.

KJ/Chris Stapeley

6. AOB:

BIS Remuneration proposals. KJ reported that these would be issued in the form of a further consultation in late February or early March. All the indications the QCA had been given were that AIM companies would not be affected. BIS was still having real problems devising legally workable solutions to the requirement to have binding votes, and there were still plenty of internal debates going on.

7. Date of next meeting:

Thursday 24 May 2012 (venue: CMS Cameron McKenna)

8. Actions

BIS – Red Tape Challenge: Company and Commercial Law – Response	FB	ASAP (before 16 February 2012)
Organise meeting with John Whiting from the Office for Tax Simplification for the Committee	CS/KJ	ASAP
HMRC technical Share Scheme officers invitation to the next meeting 24 May 2012	CS/KJ	ASAP