



**EMPLOYERS'
YEAR-END
REPORTING
SHARE PLAN**

2023/24

EXECUTIVE SUMMARY

This guide summarises the way employee or director share activity must be registered and reported in the UK. No formal ‘share plan’ does not mean no reporting obligations.

If you have any share plans or have had any share transactions involving UK employees or directors you will need to take action to ensure the 6 July deadline is met.

Non-compliance can lead to automatic penalties plus the loss of tax benefits for tax advantaged share plans. Our experience from thousands of clients can help you.

International equity - if you operate international share plans additional complexity arises, particularly where you have internationally mobile employees, so more time is needed to check and report these correctly..

Please note additional HMRC scrutiny arising and the changes that were made to reporting last year. See page 4.

Scheme and plan are used interchangeably. We tend to use plan but HMRC refer to scheme.



TIMELINE - REGISTRATION AND FILING

ANNUAL SHARE PLAN REPORTING

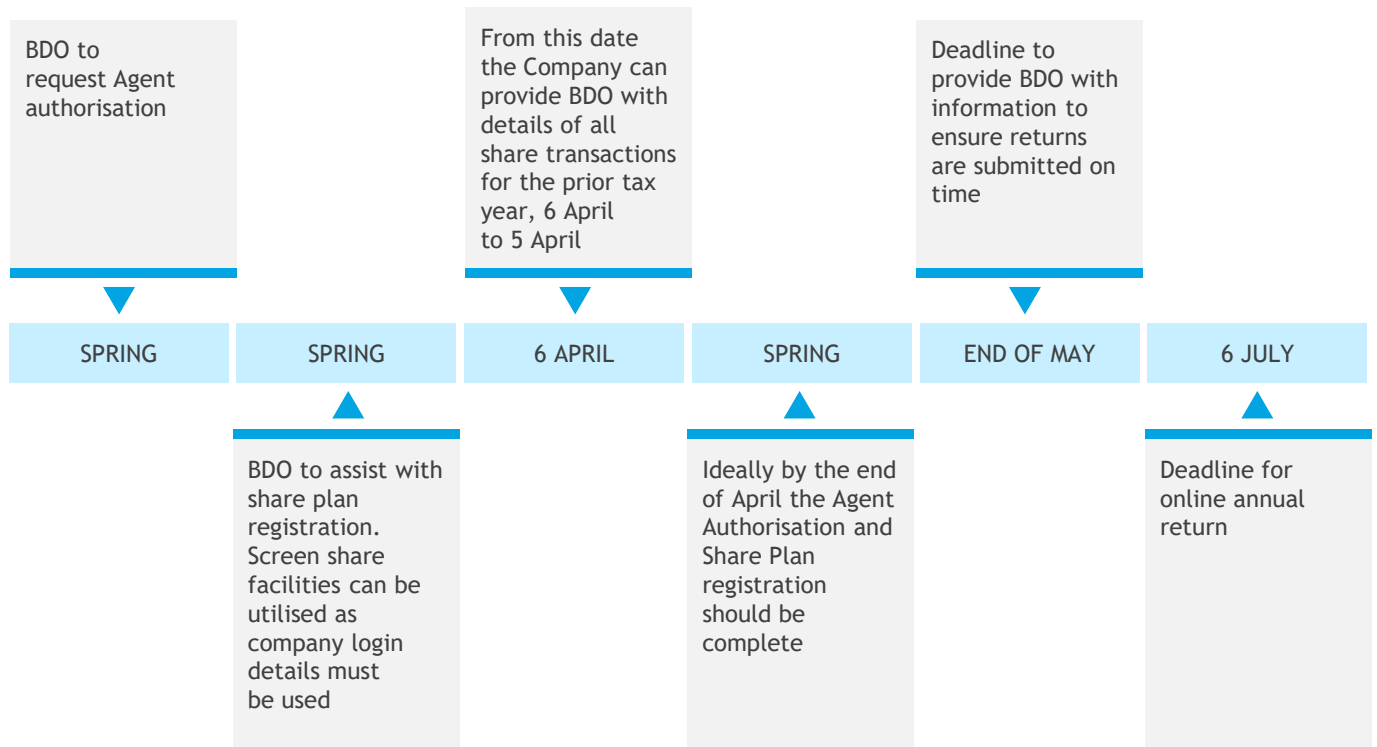
- ▶ All share plans, schemes or arrangements must be registered on the HMRC online platform. This means all new plans and all ‘one off’ arrangements
- ▶ It may be necessary to register multiple plans and a ‘one off’ arrangement may lead to separate plan registration
- ▶ An annual, online return must be submitted for each plan registered until ceased on the HMRC system
- ▶ HMRC will issue automatic penalties for late returns
- ▶ Tax benefits of tax advantaged share plans will be lost if they are not correctly registered and self-certified
- ▶ BDO can be your agent for filing but registration of plans must be completed by the Company (although we can assist!)
- ▶ Please be aware of international reporting requirements in jurisdiction such as Australia, Ireland and Japan.

The submission deadline for annual returns is 6 July

There are a number of processes and decisions that must take place before that date. We recommend that you **take action now** and complete registration as soon as possible.

Since online filing was introduced, **we have filed tens of thousands of annual returns** and suggest that companies obtain specialist advice for the online registration and filing process.

HMRC released updated guidance for the 22/23 reporting year and request further mandatory information. This is currently **an area of high risk** as HMRC are engaged in checking payroll and corporation tax records against reported share plan activity in an effort to **find and penalise mismatches** between the various reporting streams.



This is a complex area.

HMRC guidance is useful but does not contain all the answers. Annual return templates change annually and this guide contains helpful information for each step of the process. We have created a FAQ section at Appendix II.

INCREASED HMRC SCRUTINY OF SHARE PLANS

We are seeing additional HMRC scrutiny in relation to the operation of share plans and the interaction between the share plan returns, payroll and corporation tax deductions.

CHANGES IN 22/23

Last year saw the biggest change in the annual return data required since the online reporting system launched. With the additional data HMRC have available, they can now perform more rigorous cross checking of data, and we have **seen more compliance checks focusing on share plans.**

VERMILLION TAX CASE

This case covered the meaning of “employment related” securities and options. It could mean that companies need to report and tax awards made to some service companies and third parties - for example, if a non-executive director is paid via a personal service company and awards are granted to that company. In short, **any awards to non-employees should also be considered.**

CORPORATION TAX

In the UK corporate tax relief is typically available for the gains that are made by employees when they acquire shares, but businesses should take expert advice on this. Unlike many jurisdictions, corporation tax relief is available on a statutory basis with no recharge agreement.

Companies that help their employees by choosing to ‘net settle’ the share awards, i.e. the Company uses its own funds to settle tax and delivers the remaining shares, **can potentially lose out on corporate tax relief.** The alternative to net settle is sell to cover where a number of shares are immediately sold to help settle the PAYE and NIC due on the exercise of options or vest of RSUs.

Under a net settlement arrangement, employees do not acquire their full allotment of shares. This causes an issue as employees must acquire ownership of shares (even if they are immediately then sold) for the company to qualify for a statutory deduction.

HMRC are increasingly comparing share plan returns with payroll data and corporation tax returns in an effort to identify discrepancies. We are seeing companies lose out on various forms of tax relief through a failure to properly organise and report their employment-related securities, particularly when net settlement arrangements are involved.

Are you comfortable with your share plan reporting?

Find out if your business could be risking investigation by HMRC. [Speak to our expert team and ensure you report right first time.](#)

ACTIONS TO ENSURE YOU CLAIM THE RIGHT TAX DEDUCTIONS

The first action should always be to ensure that you fully understand the process for settlement. This is sometimes more difficult than first thought, and to the employee the result is the same.

Companies that help their employees by choosing to ‘net settle’ the share awards to resolve the PAYE and NIC liabilities can potentially lose out on corporate tax relief.

Once you understand the process for settlement of your employees’ liabilities it is also important to check what corporation tax deductions have been claimed historically. If net settlement has been used, have you examined the accounting charges and identified any alternative deduction basis that can be used? Are you comfortable with the position of your international mobile employees?

When you have the answers to these questions you can decide on actions and process going forward. It may be decided that net settlement should not be used for the UK employees of a global group and this may require processes to change for companies.

Would a full review of your company corporation tax deductions be valuable?

We can review your share transactions at source - from broker statements, payroll, share plan reporting through to the corporation tax deduction. Corporation tax deductions for share plans, particularly around net settle is a complex area of tax and accounting law, and our experts can help get your position right.



NEW SHARE PLANS

Authorisation and registration

The actions set out below should be taken as quickly as possible if you have implemented a new share plan or been through a corporate transaction that involved the issue of new equity, rolled equity or loan notes. You cannot submit an annual return without first registering the share plan.

If you have already registered your share plans and only need to file the return please see page 7.

STEP 01 | AGENT AUTHORISATION

If you intend to use an agent to help with your share plan registration and filing you should complete the agent authorisation process. An ERS agent can operate alongside an existing payroll agent.

Most importantly, agents like BDO should also provide a sense check on your reportable events. Are your transactions being run through payroll? Was the market value agreed for transactions? Is your corporation tax deduction based on the correct number if using net settlement? An agent can assist where errors have been made with any disclosures to HMRC.

STEP 02 | PLAN REGISTRATION

The process to register a share plan on the HMRC system is relatively straightforward, and we can talk you through this process if you need assistance, although agents cannot complete this stage on behalf of companies.

Registration triggers a unique reference number which is used to submit an annual return.

It is possible to use any active PAYE reference, typically the parent or employing company to register a plan. **Companies will need to consider internal confidential issues as anyone with access to PAYE online will be able to view ERS plans registered.**

The only compulsory input fields for plan registration are the tax year of the plan set up and the name of the plan. We would recommend using the plan name as on the plan rules or if the registration is covering multiple plans use something that is logical for anyone else to follow. We have seen changes of personnel within companies causing confusion in this area.

Previously called Form 42, the HMRC system now uses the term 'Other'. Please be careful in selecting the plan type.

When you register a plan, you will receive an acknowledgment reference. Within 'View Schemes and Arrangements' under your HMRC account you should see the plan appear almost immediately although it takes up to 48 hours for a reference to appear and therefore there is a delay in being able to file.

01 | NON-TAX ADVANTAGED SHARE PLANS

The 'Other' annual return collectively reports any share transaction that does not fall within a tax advantaged share plan. The spreadsheet for the 'Other' annual return consists of nine tabs, which is three times more than all other annual returns (except EMI). **The following activity should be reported, however this list is not exhaustive:**

- ▶ Non-tax advantaged options (both grants and exercises) Restricted Stock Units (both award and vest)
- ▶ Employee Share Purchase Plans Employee Shareholder Shares
- ▶ Sale of shares above market value
- ▶ Acquisition or gift of shares and associated charges
- ▶ Ad hoc employee or director share purchases
- ▶ Loan notes.

Transactions involving non-executive directors are probably reportable in the same way as for employees and executive directors.

The scope of the reporting obligation is wider than simply for formal share plans.

There may be some confusion over whether a transaction is reportable i.e. HMRC view phantom share plans as cash plans and therefore are not reportable. **Your company should check if their transactions are reportable with professional advisors.**

MULTIPLE 'OTHER' PLANS

Where you have a number of different 'Other' plans, one registration per plan may be appropriate and help track share plan movements. Each company needs to consider this fully taking into account its own circumstances. If you decide to register all 'Other' plans together you should register the plan choosing a generic name for all plans. Be careful in naming a plan as errors cannot be corrected. **An error at this stage will mean you have to cancel the plan which creates an additional filing obligation.**

We have seen examples, particularly in overseas parented companies, where the UK team dealing with share plan reporting is unaware of some of the share plans that the company may have in place or of all awards. **Whoever oversees your share plan reporting must be sure that they have an overview of all relevant data.**

02 | EMPLOYEE SHAREHOLDER SHARES

The award of ESS should be reported using the 'Other' annual return. ESS is not treated as a tax advantaged plan with a specific annual return and since December 2016 there are no tax benefits - although we are aware some companies still use this. We expect the government may legislate and close the status altogether, however for now ESS awards are on tab 3. There are only 2 specific ESS questions:

- ▶ Were shares acquired under an employee shareholder arrangement?
- ▶ If shares were acquired under an employee shareholder arrangement, was total market value of shares £2,000 or more?

03 | TAX ADVANTAGED SHARE PLANS

All new tax advantaged plans implemented in 2023/24 must be registered by 6 July 2024. Tax advantages will be lost if the plan is not registered and self-certified by 6 July 2024. **The deadline for tax advantaged share plans to be registered is absolute.**

In summary, for SAYE, SIP and CSOP the tax benefits are lost for awards made in the 2023/24 tax year if the deadline is missed. There is no automatic withdrawal of EMI tax benefits where plans are not registered, however failure to submit returns could result in the loss of tax benefits. See section on EMI notifications for upcoming changes.

When registering tax advantaged share plans (except EMI) the Company Secretary will be asked to self-certify that the plan meets the legislative requirements in the relevant schedule of ITEPA 2003. This cannot be completed by an agent.

Previously, plans received formal approval from HMRC however this is no longer granted and companies are now required to self-certify the plans. This places the burden of getting things right with the Company Secretary or director acting in that capacity.

If a plan is self-certified HMRC can conduct a review. **If HMRC decides that the plan does not meet the legislative requirements, the tax advantaged status of the plan can be withdrawn** (see Penalties on page 8 for more information). Given the importance of this, it is imperative that you are comfortable that your plans continue to meet all legislative requirements.

A company may also be obliged to report changes to key features of plans or variations in share capital.

If you have tax advantaged share plans that were not registered last year urgent action must be taken.

04 | EMI SPECIFIC OPTION NOTIFICATION

EMI is unique due to the online reporting requirement to notify HMRC of a grant of options within 92 days. While this is changing from April 2024 to fall in line with annual reporting, we would still recommend that companies notify in good time.

If an EMI grant is not notified within the appropriate timeframe the EMI tax benefits are lost unless the company can obtain a reasonable excuse code from HMRC. We have seen several examples of lost EMI status due to starting the EMI registration process late and encountering time delays and problems with the HMRC system.

Companies must also be sure to keep good records and screen shots of all online notifications for its own records and to satisfy HMRC and due diligence as HMRC will no longer keep records of all EMI grants made.

Your specialist advisors should be aware of the EMI notification and legislation changes and your business should seek advice for new awards.

FILING THE ANNUAL RETURN

The template for annual returns can be found on HMRC's website at:

<https://www.gov.uk/government/collections/employment-related-securities>

Be sure to select current year templates:

End of year return templates and guidance notes

[Company Share Option Plan: end of year return template, technical note and guidance notes](#)

6 February 2024 Guidance

[EMI: end of year return template and guidance notes](#)

5 April 2023 Guidance

[Other ERS schemes and arrangements: end of year return template, technical note and guidance notes](#)

5 April 2023 Guidance

[Save As You Earn: end of year return template and guidance notes](#)

5 April 2023 Guidance

[Share Incentive Plan: end of year template, technical note and guidance notes](#)

5 April 2023 Guidance

[Enterprise Management Incentives \(EMI\) notification template](#)

6 February 2024 Form

The latest template should always be used. You will note that all returns have been updated in 2023 or 2024.

Particular care is needed if your company has internationally mobile employees. This area is complex, and we suggest [you contact a specialist adviser for assistance](#).

Wherever possible, returns should be prepared and submitted early, and electronic copies retained. **Annual returns are still due if there has been no activity in the year, but a plan has already been registered.** This is especially relevant to CSOP and EMI plans which can often be implemented on an exit only basis and forgotten about.

01

SPRING - AGENT AUTHORISATION AND NEW SHARE PLAN REGISTRATION

All share returns must be filed by 6 July. This means that there are three months following the end of the tax year to file returns. We recommend that the registration of share plans and agent authorisation is completed in good time.

02

6 APRIL - END OF TAX YEAR

The annual returns cover all share and option activity in the tax year.

6 April is the first date that annual returns can be submitted online. Few companies will be able to submit their returns on 6 April. For larger companies in particular the information required for the annual return will need to be collated and entered onto the HMRC annual return templates or sent to authorised agents to complete. This may entail **substantial work formatting data and ensuring that copied data is accepted by the HMRC system.** Experience suggests that the complexities at this stage of the process should not be overlooked.

Care needs to be taken to ensure transactions between late March and 5 April are included in the annual return. A problem can arise where a company has shares that are readily convertible assets and the gain is run through payroll. For late March/early April transactions, gains may only be processed in the April or even May payrolls. The HMRC system automatically checks data entered and a date that is not within the correct range is flagged as an error.

The HMRC system includes an optional checking service which will check for formatting errors. We recommend that time is allocated to use this before any annual return is submitted. We find the checking tool valuable as information must be entered in prescribed HMRC formats and the system will reject an annual return if the format deviates from this. If there are any formatting errors in a return it will fail to upload. **Employers who leave the upload process until late June or early July may discover that data has errors.** The corrections may put a company in danger of missing the filing deadline and incurring penalties.

As the templates are regularly updated you may find that you need additional data to complete the returns and therefore making use of the checking system early is useful.

GET EXPERT ADVICE

Share Plan Reporting can be a complex process - get support from our team of specialists today. [Get in touch](#)

03 | END OF MAY - BDO DEADLINE FOR ANNUAL RETURN INFORMATION

We have set a deadline of the end of May for information to be provided to us in order to guarantee that the submission can be made on time (assuming we are your agents). We have built a six week period into the process because we know from experience that the reporting season will be difficult with scope for last minute technology issues leading to delays. There will also be a large volume of returns being submitted and we want to ensure that returns are all submitted in good time. If data is sent to us after this date we will aim to file the return on time however we will not be able to guarantee this and may need to agree increased fees.

EXISTING PLANS NOT REGISTERED?

- ▶ If you have any existing plans implemented in years prior to the current tax year that have not yet been registered urgent action must be taken as the tax benefits of any approved plans will be under threat
- ▶ No activity in a tax year still results in an obligation to file a nil return until a closure notice is filed.

04 | 6 JULY - DEADLINE FOR HMRC ANNUAL RETURNS

The 6 July deadline is strict. Automatic penalties will apply for late returns.

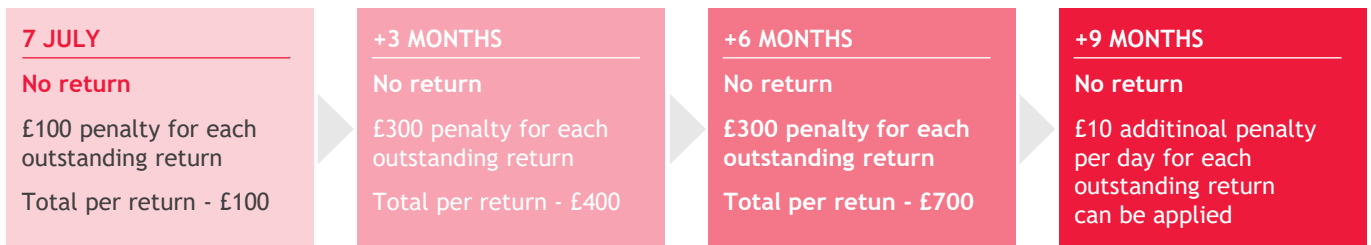
PENALTIES FOR LATE FILING

The penalties for late filing are cumulative and apply for each late return. For example, the penalty for a return which is six months late will be £700. Previously there was a degree of flexibility with the annual return deadline and penalties were rare, but this is no longer the case.

Daily penalties can be applied for returns which are 9 months late, but we have not seen these used in practice so far, and HMRC have indicated they will send a warning notice before applying these penalties.

Returns submitted with material inaccuracies can also be subject to penalties of up to £5,000.

Significant penalties can apply in relation to tax advantaged share plans.



SUMMARY OF KEY ACTION POINTS

If new share plans have been implemented in the tax year, then all of the steps below must be completed, if not skip to point 4.

01 | IS AN AGENT TO BE APPOINTED? IF SO AGENT AUTHORISATION PROCESS

02 | CONSIDER PLAN REGISTRATION AND OBLIGATIONS FOR TAX ADVANTAGED PLANS

03 | IDENTIFY AND REGISTER ALL (NEW) SHARE PLANS ONLINE WITH HMRC

04 | PREPARE ANNUAL RETURN CONSIDERING HMRC FORMAT OF DATA REQUIRED

05 | SUBMIT ANNUAL RETURN BY 6 JULY



OUR SERVICE

The BDO team can help with the HMRC on-line registration and filing process.

We have filed tens of thousands of annual returns online and have worked with HMRC on the developments of the system and continue to act on the panel for further feedback. We are therefore well placed to advise on the practical issues and solutions.

The annual return process must still be started early to ensure that all plans are registered and returns filed on time. Our objective is to ensure that companies do not lose their tax advantaged share plan status or incur penalties.

With us as your agent we can provide the following:

- ▶ Practical, jargon free advice and assistance
- ▶ Help in relation to registration including acting as your agent for online filing
- ▶ Whilst we prefer to meet clients face to face, where needed we can provide a webinar session where we can share screens to guide you through the registration process in real time, this is especially useful where share plans are administered in an overseas company
- ▶ Help with self-certification of tax advantaged share plans
- ▶ A review of how your data for annual returns is currently set up and advice on how to amend this to ensure you are compliant with the HMRC system
- ▶ Preparation and filing of all returns
- ▶ Advice on tax treatment and administration of all types of share plans as your share plan returns are completed by share plan experts
- ▶ Assistance with international equity advice where required
- ▶ Reminders and project management for future years.

We are a **Local** firm with a




GLOBAL reach

We have **6 partners**

& over **150 staff**



 **4** of our partners started with us as trainees

We advise **MANY TOP 100** businesses in Northern Ireland

Got a question? Speak to our team.

Late returns trigger automatic penalties and late certification for tax advantaged share plans can be even more expensive. We can help with all aspects of your reporting so that you are fully compliant.

[GET IN TOUCH](#)



FREQUENTLY ASKED QUESTIONS

Below is a sample of FAQs - if your question isn't answered here, please do [get in touch](#) - we will be happy to help.

QUESTION	ANSWER
No one in the company has access to the online HMRC payroll services. How do we set this up?	This is a common problem where an external payroll agent is used however it is worth double checking if the company has access before going through the registration process. You can register using this link: https://online.hmrc.gov.uk/registration/options
Is an acknowledgement reference the scheme reference number?	No. To see the unique scheme reference number select 'view schemes and arrangements' option. You may need to wait up to a week from registration for the unique reference number to appear.
I have requested an agent authorisation code but nothing has been received in the post.	Check which postal address has been registered for correspondence. The code may have been sent to an old address or to your payroll agent. Someone from the company must call HMRC to change this on 0300 200 3600.
Can an ERS Agent see the contents of returns made?	No. Agents will be able to see that a return has been made, but no one will be able to see the content, even the company. So remember to keep a copy of the return and take screen shots to prove submission.
Which PAYE reference should we register under?	You can use any active PAYE reference number but there are implications to consider. Please contact us for more information.
How do we correct an error made when registering a scheme/plan?	You cannot correct the error. You will either need to live with the error, i.e. a mistake in the scheme name, or you will need to cancel the incorrectly-registered plan (see the HMRC system question on ceasing a plan). The date of final event will be the same date the plan was registered. You will also need to remember to submit a nil annual return for the incorrectly registered plan and then register a new plan with the correct information.
We have several unapproved plans. Should we register them all as one plan or individually?	Either method can be used; this will depend on your circumstances and issues such as confidentiality and BDO can assist with determining the right answer for your company.
Can I submit returns in year?	No, returns can only be submitted after the end of the tax year (although historical returns can be submitted at any time).

GLOSSARY

Agent authorisation	Providing an advisor with access to your online HMRC system
Approved	Previous term for tax advantaged share plans
CSOP	Company Share Option Plan
EMI	Enterprise Management Incentive
ERS	Employment Related Securities
ESS	Employee Shareholder Status
Form 42	Annual share scheme paper return for all 'Other' registered share plans and reports all non-tax advantaged share plans
Non-tax advantaged share plans	Any plan that is reportable on the 'other' annual return
'Other' return	The name for the Form 42 that covers the reporting of all non-tax advantaged share plans and transactions
SAYE	Save As You Earn
SIP	Share Incentive Plan
Tax advantaged share plans	Plans that have legislative tax advantages i.e. CSOP, SIP and SAYE
Unapproved	Previous name for non-tax advantaged share plans



HOW CAN WE HELP?

BDO's Global Employer Services team provides a full range of expertise, covering employment tax, reward planning, expatriate tax and pensions.

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The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice.

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Published by BDO LLP.

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