

Budget 2007

It was a case of "blink and you missed it"! There were no major changes to employee share plans in last month's budget other than a minor change to EMI options and the closure of a loophole allowing employers to claim tax relief on Employee Benefit Trusts before employees receive the benefits and pay tax and NI. See Martin Osborne-Shaw's more detailed review below.

ifs ProShare is lobbying for a reduction in the SIP holding period so that employees can receive full tax relief after three years instead of the current five years. We believe that this will encourage more employees to participate and more companies to implement SIPs. We made this point during an ESO presentation to the All Party Parliamentary Group (APPG) for Insurance and Financial Services last month (see article on page 2). In order to back this up we will be undertaking an online survey to assess employers' thoughts on this proposal. If you have any evidence from your own surveys of employees please get in touch.

A review of the 2007 budget

This is likely to be the Chancellor's final budget and as such provided few highlights for the share plan world. No new initiatives, no surprise announcements, which means no real change.

That said there are a few points worth mentioning, like Gordon Brown managed to exceed his previous record for the number of Budget Notes, which ran to some 189 pages – arguably not one of his most environmentally conscious initiatives !!!

There are of course a couple of headline grabbers and some less obvious changes tucked away in the volumes that anyone who takes delight in the nitty gritty of share plan administration and some of the complimentary tax advantaged products like ourselves will find of some interest.

1. Personal Tax Harmonisation

This was the flagship initiative although it does not impact us until the 2008/09 tax year – so there is no immediate action required.

2. National Insurance Limits

National Insurance as an employee deduction features in the administration of most share plans – the Share Incentive Plan and unapproved option/shares plans in particular – so this is one of the annual limit changes that does have an administrative impact in calculating tax for leavers of the plans. Therefore we should all make ourselves aware of the new rates applicable for 2007/2008.

3. Tax avoidance using Employee Benefit Trusts (EBTs)

This is a fairly well trodden path, where the Chancellor is further attempting to enforce a rule of "fiscal symmetry", which essentially means that employers must demonstrate that the employee has actually received taxable remuneration before they can receive a tax deduction for payments for employees' remuneration.

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Financial education

ifs ProShare's Workplace Financial Education project group (known as Wofed for short!) is up and running. It has a remit to consider a programme for employees to communicate the wider benefits of share plans and to demonstrate specifically how they can be used for financial and retirement planning.

As part of that process, the University of York is undertaking research into employers' attitudes to financial education. Andrew Pendleton, Professor of Human Resource Management at the University, will present his findings at a seminar exclusively for members of *ifs ProShare*. We will also be hearing from Juliet Edmonds from Orange Limited about their financial education workplace offered to their employees.

The seminar will be hosted by SJ Berwin on Tuesday 15 May. Attendance is restricted to members of *ifs ProShare* and is free of charge but places are limited and restricted to two representatives per organisation (three for gold members) on a first-come first-served basis.

Invitations have been sent to all members but if you have not received one and would like to attend please contact Kylie Hinge on 020 7444 7141 to check if any places are available. If you are not able to attend this seminar make sure you register for our 2007 Conference as Professor Pendleton will be presenting his research findings again on 27 September. See www.ifsproshare.org/events/conference_exhibition.cfm for further details.

You will probably have seen the Treasury's announcement that Otto Thoresen has been appointed to conduct an independent review to examine the feasibility of delivering high quality affordable generic financial advice to avoid the consequences of poor financial decision-making.

ifs ProShare will be responding to the Thoresen Review call for evidence to make the point that share plan participation requires employees to make significant financial choices and that workplace financial education should be considered to help employees with informed decision-making.

4. Individual Savings Account (ISA)

Again this change will not come into effect until 2008, but there will be some simplification of ISAs with the removal of the distinction between Mini and Maxi ISAs and the first raising in the level of subscription since they were introduced in 1999.

5. Recognition of Stock Exchanges

Legislation will be introduced, which will be effective from the date that the Finance Bill 2007 receives Royal Assent, to allow HMRC to designate certain investment exchanges as recognised stock exchanges for tax purposes, until then it has been the role of the FSA to designate an exchange. A beneficial consequence of a change in recognition of a stock exchange is that shares of subsidiary companies, which previously did not qualify for approved share schemes purposes, may now do so. In addition, such shares may separately qualify for the statutory corporation tax deduction available for most kinds of employee share awards including unapproved ones. For the Share Incentive Plan, CSOPs and SAYE, qualifying shares must be shares in a company not under the control of another company or, if the company is under the control of another company, either themselves be listed on a recognised exchange or the controlling company's shares must be similarly quoted.

It will be quickly seen that companies that are unquoted subsidiaries of unquoted parent companies do not qualify for these approved schemes.

Martin Osborne-Shaw, Killik Employee Share Services

ifs ProShare training courses and workshops

Our workshops and training courses are proving to be very popular with several being sold out and requiring additional dates to be offered. For our detailed events programme please visit our website at: <http://www.ifsproshare.org/events/events.html>.

If you would like to present at one of our events, host one of our events or suggest a topic for an event, please contact Sally Russell at: rsrussell@ifslearning.com.

Forthcoming Events

Wednesday 18 April 10am - 1pm	Workshop	Internationally Mobile Employees	<i>ifs ProShare</i> 100 Cannon Street, London EC4N 6EU
Tuesday 24 April 10am - 1pm	Workshop	Financial Education in the Workplace	Killik & Co 46 Grosvenor Street, Mayfair, London, W1K 3HN
Wednesday 25 April 10am - 4pm	Training Course	An Introduction to Employee Share Plans	<i>ifs ProShare</i> 100 Cannon Street, London EC4N 6EU
Tuesday 15 May 10am - 1pm (approx.)	Seminar	Research Findings: Financial Education in the Workplace	SJ Berwin 10 Queen Street Place, London EC4R 1BE
Monday 21 May 10am - 1pm	Workshop	The Companies Bill and its Impact on Share Plans	Baker & McKenzie 100 New Bridge Street, London, EC4V 6JA
Thursday 24 May 10am - 1pm	Workshop	An Introduction to the Stock Market	Killik & Co 46 Grosvenor Street, Mayfair, London, W1K 3HN

All Party Parliamentary Group on Insurance and Financial Services

Last month *ifs ProShare* gave a presentation on the benefits of Employee Share Ownership (ESO) to the All Party Parliamentary Group (APPG) for Insurance and Financial Services.

The event, which took place in the House of Commons, saw Fiona Downes, Head of Employee Share Ownership at *ifs ProShare*, provide Peers and MPs with key facts about ESO, the views of *ifs ProShare* members and proposals for improvements.

Tiffany Brill (Share Plan Services Manager for BP) also made an informative presentation, setting out the reasons why BP offers share plans as well as detailing which plans are available to employees. She also outlined the actions taken to educate BP staff about the benefits of participation.

Fiona Downes said:

"The meeting was a useful event. We are pleased that we were able to arrange this and give an opportunity for Gold Members to attend and participate.

"By providing a broad picture of ESO backed up by a major company perspective, I think we were able to give policymakers a good overview of ESO in the UK today. It was also helpful to have the support of Gold Members, who made a valuable contribution.

"We will certainly be looking to build on the interest that policymakers have shown by seeking further improvements for the operation of ESO plans."

Membership renewal time

It's that time of year again – time to renew your *ifs ProShare* membership and you will be pleased to hear that there has been no increase in subscription rates. All members should have received an invoice for the 2007-08 subscription year, which runs from 1 April 2007 to 31 March 2008. If you have any queries or have not received your invoice please contact Kylie Hinge on 020 7444 7141 or email khinge@ifslearning.com. Thank you to those who have already made payment and thank you to all members for your continued support.

To contact us

If you would like more information about *ifs ProShare* and the benefits of membership, please contact Fiona Downes, Head of Employee Share Ownership on 020 7444 7104 or email her at fdownes@ifslearning.com.