

## Capital Gains Tax

Changes to Capital Gains Tax (CGT), originally announced in October 2007, were finally confirmed by the Chancellor last month. Whilst the changes will not affect SIP participants, a significant minority of Save As You Earn (SAYE) employee shareholders could be affected.

Our research suggests that 272,000 of the 1.7 million employees participating in SAYE schemes are likely to face increased CGT liabilities as a result of the changes.

The current CGT regime means that basic rate taxpayers who have held shares in their employer for at least two years are only subject to a 5 per cent CGT charge, and most participants do hold on to their shares.

The Chancellor's changes mean that these employee shareholders will have to pay an additional 13 per cent tax on any gain above £9,200 from April 2008.

Perversely, this means that employees who have contributed to the success of their employers are now going to be worse off than under existing legislation, whilst non-employee shareholders who have not done so are to have their CGT liabilities substantially reduced.

*ifs ProShare* informed the Chancellor of the fact that more than 270,000 employees could be worse off following his proposals and we met with HMRC and Treasury officials to further highlight industry concerns. We are naturally disappointed that this evidence appears to have been ignored.

This move has subsequently been defended on the assumption that anyone amassing a gain in excess of £9,200 should be subject to CGT at 18 per cent because they "must be doing alright." However, in relation to all-employee share plan participants, we have argued this one-size-fits-all approach completely ignores the manner in which the gain is amassed, the purposes for which the employees began participating in such a scheme or the individuals' level of earnings.

As readers will know, SAYE participants cannot save more than £250 a month in such a scheme, and many have realised gains in excess of the CGT threshold by saving less than the average SAYE monthly savings contribution of £68. So, we are not talking about employees with huge incomes or enormous reserves of cash.

As Fiona Downes said in her comments to the press, as well as there being no changes to mitigate the effects on employee shareholders, the uncertainty and repeated delays in confirming this decision mean many employee shareholders will have to make relatively quick decisions about whether or not to sell or hold some of their shares. Employers will face a real challenge in communicating these implications to their employees within a very short period of time and similarly advisers will have their work cut out in seeking to advise on the best possible course of action.

*ifs ProShare* is grateful to all those members who helped formulate our response. We will continue to highlight industry concerns in this area for our members and for the thousands of employees who will be affected.

Whilst our lobbying campaign has ultimately proved unsuccessful in securing our ultimate aim, it has been far from fruitless. We have raised the profile not only of *ifs ProShare*, but of the employee share ownership sector in general. Government will in future have to think far more carefully about policies that may impact upon ESO. In addition, a number of important contacts have been developed and we will build on and utilise these for the benefit of ESO in the months and years ahead.

## Happy New Year!

Happy New Year to all our readers. 2008 has started with the Chancellor, Alistair Darling, confirming changes to Capital Gains Tax that could negatively impact many SAYE employee shareholders. See our article on Capital Gains Tax.

Our 2008 Budget Submission is available on the website:

[www.ifsproshare.org/lobbying/submissions\\_&\\_consultations.cfm](http://www.ifsproshare.org/lobbying/submissions_&_consultations.cfm).

Our 2009 Budget submission will be formulated through discussion with the Focus Groups and will be submitted to the Treasury by mid-2008. If you have any comments or other items to be considered for inclusion, please email them to: [ifsproshare@ifslearning.ac.uk](mailto:ifsproshare@ifslearning.ac.uk).

## Celebrating Excellence

Nearly 100 people met at Linklaters' offices to see the 2007 Award winners present their case studies and to hear feedback from Paul Jackson, HSBC, Chairman of the Judges. As usual this was an excellent networking event giving people the opportunity to catch up with colleagues from the world of share plans, to exchange experiences and share best practice.

2007 saw a record number of entries and the newly introduced category "Most innovative use of technology" was very well supported. Information about the 2008 Awards will be available online when finalised and details will be published in the April Newsletter.

## 2007 SIP/SAYE surveys

The administrators are working hard to compile the data for the *ifs ProShare* 2007 Annual SIP and SAYE surveys. The results will be sent free to all members in the spring. We will present the results at a seminar that will be free for members to attend. Full details will be sent to all members when they have been finalised.

# Workplace Financial Education

*ifs ProShare* is planning to establish a solution for financial education within the workplace with a specific emphasis on employee share plans and the link with pensions, retirement and other domestic financial planning. The solution will include a web-based platform. A number of employing companies have already expressed an interest in delivering the programme and being involved in the programme development. Other interested companies should get in touch with Anne Kiem on 020 7444 7102 or email: [akiem@ifslearning.ac.uk](mailto:akiem@ifslearning.ac.uk).

## Blue Sky Thinking project

As reported last year, we have established a "Blue Sky" project to discuss ESO simplification and how the ESO landscape in the UK might be changed in the medium term to encourage wider participation. Following the first couple of meetings, a framework and project timetable is being drafted. The next Blue Sky meeting will take place on Tuesday 6 May at BDO Chiltern's offices as part of the Companies Issues Focus Group meeting. If you are keen to participate in this project, please register your interest by sending an email to: [ifsproshare@ifslearning.ac.uk](mailto:ifsproshare@ifslearning.ac.uk).

## Research

*ifs ProShare* has commissioned Loughborough University to undertake research into the impact of employee share plans on employees' productiveness and financial capability, employee retention and also on the productivity and profitability of companies. The research, part-sponsored by BT and PwC, is a two-year longitudinal study that will be undertaken by a PhD student, David McConville, who will begin his research next month. The research will entail face-to-face interviews with employees and consultation with companies that do not currently offer any form of employee share ownership.

David will be presenting details of how he plans to conduct his research at the *ifs ProShare* conference on 23 September, so mark the date in your diary. Further details about this year's conference and exhibition will be sent to members in due course.

We will keep you updated on progress of this research as it develops. If you are interested in co-sponsoring this research please contact Anne Kiem on 020 7444 7102 or email: [akiem@ifslearning.ac.uk](mailto:akiem@ifslearning.ac.uk).

## Training Courses and Workshops 2008

Date and Time	Event	Hosted by
3 March 1000–1600	An Introduction to Employee Share Plans – Technical course	SOLD OUT
17 March 1000–1200 1400–1600	Capital Gains Tax and Share Plans	<i>ifs ProShare</i> 6th Floor, 100 Cannon St London EC4N 6EU
18 March 1000–1600	An Introduction to Employee Share Plans – Practical Course	<i>ifs ProShare</i> 6th Floor, 100 Cannon St London EC4N 6EU
9 April 1030–1630	International Share Plans	<b>UBS</b> , 1 Curzon Street London W1J 5UB
16 April 1030–1300	Internationally Mobile Employees	<i>ifs ProShare</i> 6th Floor, 100 Cannon St London EC4N 6EU
28 April 1030–1300	Tax and Share Plans	<i>ifs ProShare</i> 6th Floor, 100 Cannon St London EC4N 6EU
7 May 1030–1300	Share Plans for Smaller Companies	<i>ifs ProShare</i> 6th Floor, 100 Cannon St London EC4N 6EU
27 May 1000–1600	An Introduction to Employee Share Plans – Technical Course	<i>ifs ProShare</i> 6th Floor, 100 Cannon St London EC4N 6EU
4 June 1000–1600	An Introduction to Employee Share Plans – Practical Course	<i>ifs ProShare</i> 6th Floor, 100 Cannon St London EC4N 6EU

For more information about the courses and details of how to book, please visit our website:  
[www.ifsproshare.org/events/training\\_courses,\\_workshops\\_&\\_seminars/index.cfm](http://www.ifsproshare.org/events/training_courses,_workshops_&_seminars/index.cfm).