ifs ProShare NEWS

The voice of employee share ownership

October 2011

SAYE Bonus Rates

It has been a busy couple of months for myself and Rachel since we joined ***ifs*** *Proshare* on 1 August. Already we have seen two changes to the SAYE Bonus rates with the triggers being breached on 13 July and again on 24 August.

As a result a new Prospectus became effective from 12 August and will shortly be replaced by the most recent change on 23 September.

The new SAYE Bonus Rates are as follows

Contract Type	Bonus Rate	Annual Equivalent Rate
3 year	0.0 x monthly payments	0.00%
5 year	0.0 x monthly payments	0.00%
7 year	1.6 x monthly payments	0.58%

The Early Leavers' Rate will remain unchanged at 0%.

Employee Share Plans Conference 12 October

The planning for our Annual Conference is almost complete and once again we look forward to meeting new people and renewing old acquaintances at the British Museum.

The ***ifs*** *Proshare* Employee Share Plans Conference is a premier event on the employee share plans calendar. It provides companies, share plan administrators, advisers, consultants and service providers with the perfect opportunity to meet at the largest events of its kind in the UK.

Once again we have a mix of high-quality speakers, panel sessions, case studies and exhibitors, creating an excellent environment for knowledge sharing and networking.

Our Keynote address will be delivered by Dr Tim May, Chief Executive, The Association of Private Client Investment Managers and Stockbrokers (APCIMS).

Our thanks go to Computershare Plan Managers as our major sponsor. To Capita, Equiniti and All2getherBetter as supporting sponsors and to Baker & McKenzie, Capita, Barclays Wealth and Global Shares as exhibiting sponsors.

If you wish to attend please visit the our website www.ifsproshare.org/events/esp_annual_conference_2011/index.cfm or email rsamuel@ifslearning.ac.uk.

Annual Awards Dinner 30 November

The closing date for submitting entries for this year's Awards has now passed and the Judges under the watchful eye of Sally Russell will shortly be reviewing all entries.

As always, we are very appreciative of the commitment and effort of all companies, advisers, and administrators who took the time to enter this year's Awards.

If you would like to attend the dinner and have not yet booked your table please ensure that you book very soon as only a limited number of tables remain available. visit www.ifsproshareawards.org

We would like to thank all our Sponsors without whom we could not ensure such a successful evening. Killik Employee Services as our Awards Dinner Partner, ShareGift, the share donation charity for once again donating £10,000 to a charity to be selected by the winner of the Award "Best employee share plan outcome following a corporate transaction". Our Guest Book sponsor Global Shares, our Prize Draw Sponsor RBC cees and our Winners Book Sponsors Equiniti, Yorkshire Building Society and PWC.

ifs ProShare NEWS

Training Courses and Workshops Programme

Dates for your Diary

3 November 2011 • 10.00am – 13.00pm • Workshop

Tax and Share Plans

This workshop, kindly facilitated by Pinsent Masons, will cover the tax/NI liabilities for Unapproved Share Plans as well as Approved Share plans. The course has been designed for those with a sound understanding of the various types of plans available to Companies but who wish to know more about the tax liabilities that are associated with share plans.

Hosted by:

Pinsent Masons

30 Crown Place
London, EC2A 4ES

16 November 2011 • 10.00am – 13.00pm • Workshop

Who is doing What?

This workshop is designed to give you an overview of the types of employee share plans that leading UK listed companies are operating and how companies can react to the economic climate in 2011.

Based on extensive research undertaken by Baker & McKenzie LLP and ***ifs*** *ProShare* surveys, Baker & McKenzie LLP will facilitate this workshop by sharing the results of the surveys and giving an overview of the types of share plans currently being offered by FTSE 100 companies.

The workshop will then explore how companies can react to the unique issues caused by the economic climate in 2011. Included in this will be a short review of the latest developments affecting the Banking industry, a review of the ABI's current thinking on share incentives and the challenges posed to companies by increasing income tax and national insurance rates.

This workshop is intended to offer you an interactive platform to share ideas on how best to deal with issues affecting your company.

Hosted by:

ifs ProShare

8th Floor, Peninsular House
36 Monument Street
London, EC3R 8LJ

29 November 2011 • 10.00am – 13.00pm • Workshop

US Share Plans

This workshop has been designed to give you an insight into the issues you need to consider when launching share plans into the USA. Experts from Morgan Stanley Smith Barney will give attendees the opportunity to learn of current best practice.

The workshop will include:

• a general overview of the plans available • legal and regulatory issues to consider • tax issues associated with setting up employee share plans in the US.

Hosted by:

ifs ProShare

8th Floor, Peninsular House
36 Monument Street
London, EC3R 8LJ

25 January 2012 • 10.00am – 16.00pm • Training course

An Introduction to Employee Share Plans – Technical Course

This course covers three areas: the jargon associated with employee share plans, the HMRC approved plans (SAYE, SIP, CSOP, EMI) and the most commonly used unapproved plans (LTIPs, unapproved options, etc).

Course presenters will explain the design features of each plan and tax charges/concessions linked to each plan type.

Hosted by:

ifs ProShare

8th Floor, Peninsular House
36 Monument Street
London, EC3R 8LJ

Book now on 0207 444 7141 or email: ifsprohare@ifslearning.ac.uk

Global Share Plans- Hot Topics

John Collison questions Jeremy Edwards, the partner who heads up the London share plan team of Baker & McKenzie LLP on the issues that companies are facing this year when launching global share plans.

What are the hot topics this year?

Jeremy Edwards says "companies are continuing to put a lot of effort into the implementation of global share plans. There is a heightened focus on tax considerations, as different countries struggle to raise more tax revenues. Revenue authorities in a number of jurisdictions are generally more aware of this area and know that there could be some easy extra tax pickings. This is particularly the case where internationally mobile executives are involved.

Are there any examples of the heightened focus on internationally mobile executives?

There are a number of examples that spring to mind. For instance, the French authorities have recently imposed a withholding tax on internationally mobile employees, where the executive was resident at the time of grant, but is no longer French resident at the time of exercise. There is also a new Exit Tax for longer term French residents.

Another example is the USA, where the Internal Revenue Service has announced an increased focus on the taxation of US citizens living abroad. US citizens should pay tax on their worldwide income, but the IRS has noted a big difference in the numbers of US citizens living abroad and those declaring tax.

In other jurisdictions, we have seen focussed taxes imposed. For instance, in Italy, there is a new 10% additional tax on the remuneration of executives in the financial sector.

Are there any developments in particular jurisdictions over the summer that companies must be aware of?

Yes. A new French wealth tax law came into effect on 31 July 2011 in France, which could affect the operation of share plans where shares are delivered through trusts. There is a risk that a share scheme participant in France, as a beneficiary of a trust, will be taxed on income received from the trust at higher rates than normal. Under new law, a gift tax of up to 60% could apply when shares are delivered to participants on vesting of awards. The new tax rate could even apply to qualified plans thus potentially losing some of the advantages of having a qualified plan in place.

The new law also imposes wide disclosure obligations as from 1 January 2012 for the trustee, where the trust includes French tax residents. Non-compliance with the disclosure obligations could trigger a penalty of up to 5% of the value of the assets held in the trust, with a minimum penalty of €10,000.

Our Paris office, supported by us, is in urgent discussions with the French tax authorities on the impact of the new law on share plans. We are talking to our clients on what they should be doing next.

Are there any particularly hot jurisdictions outside Europe?

Yes. We have seen a huge range of enquiries about launching share plans into China. The big issue in China is that all forms of share awards require prior exchange control approval from the local "SAFE" administration. The process is still cumbersome and requires a lot of effort to obtain and so I always ask clients upfront the commercial threshold question as to whether the effort is worth it. It will not be if your company only has a small number of executives. We are, however, seeing companies grow their presence in China and so we are expecting the threshold question to be passed by more companies.

Is there any good news out there?

Yes, thanks to the lobbying efforts of the ***ifs** ProShare* EU Focus Group (which I now chair), the EU Prospectus Directive has been amended to provide a wider share exemption (and other exemptions) from prospectus requirements, which should allow a wider range of companies to launch share plans in Europe. Individual jurisdictions have been slow to implement the changes, but they should be implemented by July 2012.

If you would like to know more about the developments highlighted in this article please contact jeremy.edwards@bakermckenzie.com.

Public Policy Round Up by Phil Hall

Tax simplification & employee share plans

The Chancellor launched the Office of Tax Simplification (OTS) in July 2010 to provide the Government with independent advice on simplifying the UK tax system. They have already reviewed all tax reliefs, allowances and exemptions (for businesses and individuals) across all the taxes administered by HM Revenue & Customs as well as undertaking a Small Business Tax Simplification Review.

This summer the OTS wrote to David Gauke, the Exchequer Secretary to the Treasury, proposing three simplification reviews for this year - pensioner taxation, employee share plans, and a project identifying complexity across the tax system.

With specific regard to the employee share schemes project, the OTS will initially examine the four tax-advantaged, HMRC approved, plans to identify where they are complex and place unnecessary administrative burdens on their users, and to suggest ways they could be simplified. The OTS will go on to look at unapproved share schemes later in 2012.

In relation to approved plans, the current Exchequer Secretary to the Treasury (David Gauke MP), has specifically asked the OTS to, "…look at where the four Government schemes are complex and place unnecessary administrative burdens on their users and suggest ways they could be simplified."

The OTS is required to report back to the Treasury by Budget 2012 so time is of the essence! We have already worked hard to ensure the voice of ***ifs*** *ProShare* and our members are heard by pushing for representation on the OTS Consultative Committee looking into this. As most readers will already know, we have secured this place and John Collison represented member's views at their first meeting last month. There will be several more meetings, e-mail exchanges and discussions before the review is completed so if you have any suggestions, now is your chance to get them into John to make sure they are given due consideration by the Committee…. an opportunity not to be missed.

Royal Mail – share plans yet to be delivered

The Department for Business Innovation & Skills recently published their 2010 impact assessment into the possible privatisation of Royal Mail. This included the statement that the introduction of share plans should lead to better levels of productivity and that, "…employee shares should offer the chance of a step change in the relationship between the company and its employees, bringing a real sense of ownership for employees and aligning their interests with the company."

However, the European Commission's decision to investigate the Government's plan to relieve the Royal Mail Group of its £10bn pension deficit has thrown the service's privatisation into doubt. Opponents of privatisation, such as the Commercial Workers Union, are banking on the EC deeming this to be illegal state aid but such a decision remains a long way off. As with Royal Mail post, delay is inevitable but we suspect the privatisation will progress providing the Coalition Government make a few concessions to the Commission.

When - or perhaps we should use the word "if" - privatisation does take place we will be repeating our often stated view that the Government (as well as any potential buyer of Royal Mail) should ensure that all employees have access to HMRC approved all-employee share plans instead of wasting time and money constructing a new share plan specifically for Royal Mail.

We believe that doing so would be in the best interests of the company, their employees, consumers and the taxpayer.