

Colin Strudwick
HM Revenue and Customs
Savings and Share Schemes Team
Room G53, 100 Parliament Street
London SW1A 2BQ

shareschemes@hmrc.gsi.gov.uk

7 October 2014

Dear Mr Strudwick,

Consultation: Office of Tax Simplification review of unapproved share schemes: Marketable Security

Introduction

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of European **Issuers**, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Share Schemes Expert Group has examined your proposals and advised on this response. A list of members of the Expert Group is at Appendix A.

Response

We welcome the opportunity to respond to this consultation. We support the principles of Tax Simplification and recognise the problems caused by a 'dry tax charge' – when an employment related security attracts an income tax and potentially a national insurance liability, but there is no realistic opportunity to realise an actual gain out of which to pay the tax liability.

On that basis, we support the concept of deferring the liability until a time when the participating employee receiving the employment related security (and potentially the employing company) is better able to meet the cost as proposed by the Office of Tax Simplification.

However, we feel that the proposals, as described in the consultation, add complexity – not simplification – and require more detailed review and amendment to make them effective.

Regardless, should the principle be taken forward as outlined in the consultation, we should like to add that shares in 'fully listed' quoted companies should not be treated as automatically marketable securities (paragraph 2.9). The reference to fully listed securities may be intended to exclude AIM and ISDX traded securities.

Please note that the dry tax charge and also the dry national insurance liability can frequently arise for companies with shares traded on markets in the following situations:

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies.

- Where there is a contractual lock-in period for directors and other senior employees following an IPO or an acquisition – typically such individuals will be able to receive share awards as a result of such corporate events, but, whether to manage an orderly market or to show confidence in the company's shares, no disposals are permitted, normally for 18-24 months.
- The Financial Conduct Authority's Remuneration Code has requirements for continuing shareholding and a prohibition on disposals post acquisition. The obligatory periods of retention vary.
- Many companies, particularly small and mid-size quoted companies, have long close periods (2-6 months is not uncommon) where dealing by individuals having price sensitive information is forbidden. Where entitlements vest during these periods, especially if they had be subject to retentions mentioned in the previous paragraphs, there can be further hardship if tax is payable when no shares may be sold.
- For the small and mid-size quoted companies, whilst the shares are notionally tradable, in practice there are only a few trades a week or month, and selling shares has a detrimental effect on the market and the opportunities to realise a gain.

If you would like to discuss any of our responses in more detail, we would be happy to attend a meeting.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'TW', with a long horizontal stroke extending to the right.

Tim Ward

Chief Executive

Quoted Companies Alliance Share Schemes Expert Group

Fiona Bell (Chairman)	RM2 Partnership Limited
Jared Cranney (Deputy Chairman)	ISG plc
Michael Landon (Deputy Chairman)	MM & K Limited
Martin Benson	Baker Tilly
Andy Goodman	BDO LLP
Philip Fisher	
Colin Kendon	Bird & Bird LLP
David Fuller	CLS Holdings PLC
Nicholas Stretch	CMS Cameron McKenna LLP
Jennifer Rudman	Equiniti
Danny Blum	Eversheds LLP
Rory Cray	FIT Remuneration Consultants
Emma Bailey	Fox Williams LLP
Amanda Flint	Grant Thornton UK LLP
Amanda Stapleton	
Matthew Ward	Hewitt New Bridge Street
Sara Cohen	Lewis Silkin
Liz Hunter	Mazars LLP
Graham Muir	Nabarro LLP
Andrew Quayle	Olswang
Karen Cooper	Osborne Clarke
Robert Postlethwaite	Postlethwaite & Co
Stephen Chater	
Mia Thursby-Pelham	PricewaterhouseCoopers LLP
Nick Wallis	Smith & Williamson LLP
Anika Chandra	Stephenson Harwood
Barbara Allen	
Justin McGilloway	Wedlake Bell LLP
Marcus Kealey	