

Employee Shares and Securities Unit,
HM Revenue and Customs,
Room G46,
100 Parliament Street,
London, SW1A 2BQ

shareschemes@hmrc.gsi.gov.uk

10 June 2016

Dear Sirs,

Employee Share Schemes: NIC elections

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 **EuropeanIssuers**, 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.

As an overarching comment, we support any policy objective that seeks to simplify the tax treatment of employee shares and share options. We generally support the removal of NIC elections on the basis that they add no significant benefit to our members, small and mid-size quoted companies, after taking account of the additional administration to enter into the election.

Responses to specific questions

Q1 Are there any continuing accounting or other advantages to companies of NIC elections as opposed to NIC arrangements? If so, what are they?

Under a NIC agreement, as opposed to a NIC election, the employer is required to remit the NIC liability to HMRC, though they are entitled to reclaim it (usually in the form of an indemnity agreement) from the employee. It is effectively a neutral position for accounting purposes and would be shown as a liability with a matching receivable in the accounts.

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

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A NIC election allows the employer to be completely bypassed by HMRC, so that the amount of NICs due may be claimed directly from the employee and therefore removes the requirement to account for a matching liability and receivable amount as set out above.

In addition, it is our opinion that entering into a NIC election could benefit the employer in instances of employees exercising securities options or acquiring shares following the cessation of employment with a company or group, or where the employer is a non-UK entity. Having a NIC election in place reduces the administrative burden from employers post-cessation to deal with any securities-related NIC liabilities arising in respect of the employees.

Q2 Are secondary Class 1 NIC liabilities in connection with securities options usually handled through the payroll?

We believe that this is the usual practice.

Q3 Should the ability to make NIC elections be removed?

We have outlined our thoughts regarding the benefits of NIC elections in our response to Q1 above.

We note that HMRC currently reviews around three NIC elections per week and acknowledge the additional resources needed to approve such requests. Subsequently, we believe that NIC elections bring little net benefit to companies (taking account of the initial administration required to enter into the election) and, as such, support the removal of NIC elections.

Q4 What are the benefits in retaining a NICs agreement only? Would this create any problems for the employer and/or employee?

Retaining a NIC agreement only would provide the benefit mentioned above.

Q5 Do you have any views on the assessment of impact set out in Chapter 3 of this document, and in particular the equality impacts?

We note the assessment of impact and wonder if the retention of the election would have affected Apprenticeship Levy arising on employment related securities.

We otherwise agree with the assessment of impacts.

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

Yours faithfully,



Tim Ward
Chief Executive

Quoted Companies Alliance Share Schemes Expert Group

Fiona Bell (Chairman)	RSM
Michael Landon (Deputy Chairman)	MM & K Limited
Philip Fisher	BDO LLP
Andy Goodman	
Colin Kendon	Bird & Bird LLP
Paula Hargaden	Burges Salmon
Caroline Harwood	
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
Shofiq Miah	
Isabel Pooley	Grant Thornton UK LLP
Amanda Stapleton	
Matthew Ward	Hewitt New Bridge Street
Jared Cranney	ISG PLC
Sara Cohen	Lewis Silkin
Liz Hunter	Mazars LLP
Graham Muir	Nabarro LLP
Andrew Quayle	Olswang
Karen Cooper	Osborne Clarke
Stephen Chater	Postlethwaite & Co
Robert Postlethwaite	
Mia Thursby-Pelham	PricewaterhouseCoopers LLP
Martin Benson	RSM
Nick Wallis	Smith & Williamson LLP
Barbara Allen	Stephenson Harwood
Anika Chandra	
Justin McGilloway	Wedlake Bell LLP