

held on Thursday 18 April 2013 at 9am
at Grant Thornton, 30 Finsbury Square, London EC2P 2YU
(with John McLoughlin and Anne Smith, HMRC, in attendance)

Present:	Neil Pamplin (Chair)	Grant Thornton UK LLP	(NP)
	Michael Bell	Osborne Clarke	(MB)
	Christopher Connors	Clyde & Co LLP	(CC)
	Tim Crosley	Memery Crystal LLP	(TC)
	Samantha Dames	CMS Cameron McKenna LLP	(SD)
	Paul Fay	Crowe Clark Whitehill	(PF)
	Kate Jalbert	Quoted Companies Alliance	(KJ)
In Attendance:	John McLoughlin	HMRC	(JM)
	Anne Smith	HMRC	(AS)
	Danny Blum	Eversheds LLP	(DB)
	Matthew Findley	Pinsent Masons	(MF)
	Michael Landon	MM&K Limited	(ML)
	Isabel Pooley	CMS Cameron McKenna LLP	(IP)
	Annie Popplewell	Olswang	(AP)

ACTIONS

1. Welcome to John McLoughlin and Anne Smith, HMRC, to discuss EMI

NP welcomed JM and AS to the meeting.

JM noted that the Budget announcement included some points on employee share schemes, including:

- The OTS's recommendations on improving tax advantaged share schemes were being brought in.
- There was an announcement about EMI and the exercise period following a disqualifying event, which was part of the OTS's review.
- The Government announced its intention to bring in the employee shareholder status, which will have both CGT relief and income tax relief on shares offered to those employees with that status.
- There was an announcement on corporation tax and employee share acquisitions.
- There was also the announcement on EMI shares qualifying for Entrepreneurs' Relief and the holding period of shares, which the QCA was campaigning on. This is considered by Government and industry to be a change for the better.

ML queried what the timeframe was in terms of considering and acting upon the OTS's recommendation on unapproved share schemes. JM noted that they would consult on them over the summer and that there are only a few recommendations which they are not going to proceed with.

JM noted that in terms of making further changes to the EMI the Government is a bit hamstrung because the schemes are subject to EU State Aid rules. As such, any change to the scheme requires a notification being sent to the European Commission. However, HMRC is still keen to hear ideas about how EMI could be improved.

AS noted that HMRC did some work last year to make it easier for companies to start EMI schemes by trying to improve the guidance on it. The valuation team will be publishing further guidance on the valuation of EMI shares soon. AS also noted that EMI forms will be available electronically from April 2014.

DB noted that the definition of 'qualifying companies' can cause some difficulties for IT/tech companies in his experience – and that this is mostly down to the lack of guidance on the topic. JM noted that the gross assets limit was an EU restriction and was set at that level to target the scheme at startup/high growth companies that do not have enough cash to employees. JM also explained that many of the qualifying conditions are picked up from other schemes and so making a change for one could bring in more complexity/could require changing them all.

AS noted that HMRC welcome any comments on guidance regarding an EMI disqualifying event. IP noted that she had some views on the disposal and disqualifying events in relation to EMI. JM noted that this issue was more for the CGT team at HMRC and would forward on her issue.

TC and NP asked whether there were many supporters of the new employee shareholder status. JM noted that there are some who welcome it. TC emphasised that there are much better ways of incentivising employee share ownership, such as removing the 5% requirement for Entrepreneurs' Relief, that would benefit more and not result in eroding employment rights.

NP thanked JM and AS for attending and they left.

2. Apologies

Apologies were received from Nick Burt, Jason Collins, Richard Jones, Natasha Kaye, Lindsey Kutten, Amanda Solomon, Andrew Prowse, Vijay Thakrar and Tim Ward.

3. Minutes of last meeting (10 January 2013)

The minutes were approved. KJ noted that she still needed to update the Terms of Reference and will circulate them to the group asap. KJ

4. Consultation Papers

- Budget Announcement 2013 – Review

The group briefly discussed the removal of stamp duty on AIM and ISDX shares from April 2014. KJ noted that there would be a consultation on this shortly.

- HM Treasury: ISA qualifying investments: consultation on including shares traded on small and medium-sized enterprise equity markets (RD: 8 May 2013)

NP noted that he will draft a response to the consultation. However, having scanned it, there was not much comment on and that HMT are heading in the right direction. KJ noted that HM Treasury are removing the requirement to be on a Recognised Stock Exchange and be listed on the Official List. As such, AIM and ISDX companies would qualify, as both are noted on the Recognised Stock Exchange list, just not as unlisted markets. NP

5. Communications and Future Meetings

- Invites for future meetings

KJ noted that we still had Nigel Mills MP and Ed Balls MP to invite to a meeting. NP suggested running them like the David Gauke MP lunch and inviting corporate members. KJ/Chris Stapeley

- Updated Terms of Reference

KJ noted that she will update the document and circulate it asap.

KJ

Next meeting

9.00am Thursday 4 July 2013 (Grant Thornton, Finsbury Square)

6. Action Points

Action	Person	Timetable
Update terms of references	KJ	ASAP (before the July meeting)
Draft a response to the HM Treasury consultation on SME market shares in ISAs	NP	ASAP (before 8 May 2013)
Invite future guests	KJ/Chris Stapeley	ASAP