Employee share schemes: NIC elections

Employment Tax

01 December 2016

The government has announced that it agrees with the CIOT and will retain NIC elections, which allow employer's Class 1 NICs on unapproved share scheme vestings to be transferred to the employee.

In September's Technical Newsdesk (*Employee share schemes: NIC elections*) we summarised the CIOT's response to the government's consultation on whether there is a continued need for a National Insurance Contributions (NIC) election in respect of unapproved employee share schemes; we concluded that the facility to make NIC elections should be retained. We are pleased to report that the government has listened to us.

NIC elections (and NIC agreements) allow the employer's secondary Class 1 NIC liability to be borne by the employee. The government proposed the removal of NIC elections (but not NIC agreements).

One of the reasons given was that the NIC elections process would be difficult to digitalise. The CIOT did not support the removal of the elections because they provide certainty for both employers and employees that the employee will bear the secondary NIC cost.

We were also surprised that the digital strategy cannot accommodate the submission of a NIC election. We are therefore pleased that the government has listened to our, and others, voices and decided to retain the elections