Non-discretionary tax advantaged share schemes: Call for Evidence

Employment Tax



18 September 2023

In its response to a Call for Evidence on the usage of Save As You Earn and Share Incentive Plan arrangements, the CIOT has suggested simplifying their administration and improving access to wider groups of the workforce.

The CIOT has responded to a Call for Evidence seeking views and evidence on the current usage of Save As You Earn (SAYE) and Share Incentive Plan (SIP) arrangements, and whether they are effective in achieving their stated policy objectives.

In our response, we commented that both SAYE and SIP schemes generally fulfil their policy objectives of: aligning employee and shareholder interests; supporting recruitment and retention efforts; and encouraging financial planning. We felt that both schemes are effective and suitable, albeit they could be improved.

We commented that both schemes are popular amongst larger, listed companies and their employees and that the schemes do not present many barriers to participation, although we felt that the three and five years' holding periods may no longer be suited to a workforce that is much more mobile than it used to be.

We added that there is an overall complexity to the schemes that may be hindering wider take up (more so in respect of SIP schemes where the four different types of award can cause difficulties in understanding, albeit while providing flexibility). We suggested simplifying the rules, so they are more consistent across both schemes, reducing holding periods, widening access to different types of employees (such as gig workers and employees of private equity backed companies) and HMRC providing a full suite of draft documentation for each scheme.

Overall, we considered that SAYE awards and SIP schemes can be a powerful way of incentivising workforces as part of an overall remuneration package, which in addition to basic cash salary/wages, may include incentives such as cash bonuses, performance related pay and benefits in kind (taxable and exempt). We also said that these schemes create a connection between the workforce and the performance of the company, even where an employee simply cashes in their option at the end of the holding period, which can be a real incentive to perform well and so drive improved results for the company. We therefore felt that widening the availability of these schemes by simplifying their administration and improving access to wider groups of the workforce should be the next step.

The full CIOT response can be found here: www.tax.org.uk/ref1152

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