

Enterprise Management Incentives: simplification of the process to grant options: draft Finance Bill legislation - CIOT comments

Employment Tax

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While supportive of the proposal to report Enterprise Management Incentive arrangements annually, the CIOT has asked for clarification of the consequences where returns are late or contain errors.

The CIOT has responded to draft Finance Bill 2026-27 legislation that would, for options granted on or after 6 April 2027, replace the existing requirement to notify HMRC separately of Enterprise Management Incentive (EMI) grants within 92 days of the grant with a requirement to include details of the new grants in the EMI annual return, alongside a declaration confirming that the conditions for EMI qualification were met at the time of grant.

While the CIOT is supportive of the government's objective of simplifying the EMI reporting framework and reducing administrative burdens for companies operating EMI arrangements, we believe there are aspects of this measure that require clarification.

The proposed revisions do not remove the notification requirement. This will continue to be a condition of qualification. The principal change is therefore the mechanism and timing of notification rather than the underlying requirement to notify HMRC. The issue, therefore, is whether the consequences of late notification will remain unchanged.

It is unclear to us what the consequences of a late-filed annual EMI return that includes notification of new option grants would be. The draft legislation retains the existing provisions dealing with filing deadlines and reasonable excuse relief. On that basis, our understanding is that where an employer files late, it should continue to be able to make a reasonable excuse claim (where appropriate) and, if accepted, the EMI options should not cease to qualify solely because the notification was submitted after the filing deadline. However, we think the interaction between annual return filing, reasonable excuse claims and EMI qualification would benefit from explicit confirmation in HMRC guidance and manuals.

Overall, the CIOT has welcomed the direction of travel and the removal of a separate notification process, but we have recommended that HMRC confirm that the changes are intended to simplify administration rather than merely move the compliance risk from the current 92-day notification deadline to the annual return filing deadline.

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