

# Tax advantaged employee share schemes: Office of Tax Simplification recommendations

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## Who is likely to be affected?

Employers and employees eligible to use any of the tax advantaged employee share schemes, their advisers and representatives, and payroll and share plan administrators.

## General description of the measure

This measure will give effect to some of the changes recommended by the Office of Tax Simplification (OTS) to the rules governing the four tax advantaged employee share schemes - Share Incentive Plans (SIP), Save As You Earn Option Schemes (SAYE), Company Share Option Plans (CSOP) and Enterprise Management Incentives (EMI).

## Policy objective

This measure simplifies the employee share schemes rules where they currently create undue complexities or unnecessary administrative burdens for scheme users, and supports the Government's objective to simplify the tax system.

## Background to the measure

The Government asked the OTS to examine the scope for simplifying the rules for the four tax advantaged employee share schemes. The OTS published its report on 6 March 2012, recommending various changes to the current provisions.

The Government issued a consultation document on 27 June 2012, inviting comments on the detailed implementation of some of the OTS recommendations.

A summary of responses was published on 11 December 2012.

## Detailed proposal

### Operative date

The changes which relate to the reinvestment of cash dividends paid on SIP shares come into effect on and after 6 April 2013. The other changes will take effect on and after the date that Finance Bill 2013 receives Royal Assent.

### Current law

The rules for the four tax advantaged employee share schemes are set out in the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) in the following areas:

- Retirement of individuals: the present rules for SIP (section 498(2)(e), paragraph 98 Schedule 2), SAYE (paragraphs 31, 33 and 34 Schedule 3) and CSOP (section 524, paragraph 35A Schedule 4) specify when individuals who leave employment on retirement may receive favourable tax treatment under the scheme.
- Treatment of share awards and options on cessation of employment: the present legislation specifies for SAYE (section 519 and paragraphs 32 - 34 Schedule 3) and CSOP (section 524 and paragraph 24 Schedule 4) when those leaving employment other than on retirement may receive favourable tax treatment; and sets out rules for SIP (paragraphs 86 / 87 Schedule 2), SAYE (paragraphs 37 - 39 Schedule 3) and CSOP (paragraphs 26 / 27 Schedule 4) on how share awards and options are treated in the event of a cash takeover of the company.

- **Material Interest Rules:** under the current legislation for SIP (paragraph 19 Schedule 2), SAYE (paragraphs 11 - 13 Schedule 3) and CSOP (paragraphs 9-11 Schedule 4) individuals are not eligible to participate if they already have a 'material interest' in the share capital of the business (or in some cases the assets of the business).
- **Restricted Shares:** the present rules for SIP (paragraphs 30-33 Schedule 2), SAYE (paragraph 21 Schedule 3) and CSOP (paragraph 19 Schedule 4) specify that only certain kinds of restrictions are to be applied to shares used in schemes.
- **Partnership Shares:** paragraphs 51 / 52 Schedule 2 set out the terms on which employees may purchase SIP shares by deduction from their salary over a period of up to 12 months, referred to in the legislation as an 'accumulation period'.
- **Dividend Shares:** paragraphs 68 / 69 Schedule 2 set out the conditions on which cash dividends paid on SIP shares may be reinvested in 'dividend shares', further tax advantaged shares held under SIP.
- **Employee Share Ownership Trusts:** paragraph 78 Schedule 2 sets out a rule concerning the acquisition by SIP trustees of shares from a qualifying employee share ownership trust.
- **Disqualifying Events:** section 532(1) sets a time limit of 40 days for exercise of EMI options with favourable tax treatment when a 'disqualifying event' as defined in the legislation occurs.

### **Proposed revisions**

Legislation will be introduced in Finance Bill 2013 to amend the existing provisions that govern tax advantaged employee share schemes. The main changes are:

- Simpler and more consistent rules for SIP, SAYE and CSOP to govern when employees who leave employment on retirement are entitled to favourable tax treatment.
- Simpler and more consistent rules for SAYE and CSOP to govern when those leaving employment other than on retirement are entitled to favourable tax treatment as 'good leavers'. There will also be provision to allow tax free exercise of SAYE or CSOP options, or tax free payments for SIP shares, in certain cases where there is a cash takeover of the company that established the scheme.
- Abolishing the present rules for SIP and SAYE that prevent participation by employees holding a 'material interest' in the company, and aligning the level of control in the company that triggers the 'material interest' restriction for CSOP with that used for EMI, by raising it from 25 per cent to 30 per cent.
- Removing the present prohibitions under SIP, SAYE and CSOP on the use of certain restricted shares.
- Amending the rules on allocation of SIP Partnership Shares where employees purchase shares by deduction from salary over an 'accumulation period'. Employers will be allowed greater flexibility in setting the valuation basis for determining the number of shares awarded to employees at the end of the accumulation period.
- Simplifying the SIP rules on reinvestment of cash dividends paid on SIP shares in 'dividend shares' held under SIP. The present conditions that reinvestment is limited to £1,500 per employee per year, and must take place within three years, will be abolished.
- Repealing the provision in the SIP legislation concerning the acquisition by SIP trustees of shares from qualifying employee share ownership trusts.
- Extending from 40 to 90 days the time available for those holding qualifying EMI options to exercise them with favourable tax treatment after a 'disqualifying event' occurs.

## Summary of impacts

Exchequer impact (£m)	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	This measure is expected to reduce receipts by approximately £40 million per annum from 2013-14. The final costing will be subject to scrutiny by the Office for Budget Responsibility, and will be set out at Budget 2013.					
<b>Economic impact</b>	The measure is not expected to have any significant economic impacts.					
<b>Impact on individuals and households</b>	<p>Individuals participating in tax advantaged share schemes benefit from tax and National Insurance Contributions relief on employee shares. The schemes also enable these individuals to own a stake in the companies for which they work, and to share in the growth of these companies.</p> <p>Respondents to HM Revenue &amp; Customs' (HMRC) consultation on these proposals suggested that many of the proposed changes could encourage further take up of schemes by employees, or increase the benefits available to scheme participants. In particular, it is anticipated that proposals in relation to cash takeovers; the material interest rules; SIP dividend reinvestment; 'good leaver' provisions; and EMI disqualifying events could increase the tax advantages available to individuals in certain circumstances.</p> <p>The proposed changes in relation to retirement, restricted shares and SIP partnership shares and accumulation periods could reduce the benefits available to individuals in certain circumstances.</p>					
<b>Equalities impacts</b>	<p>Detailed information on the use of the schemes by individuals with protected characteristics is not available.</p> <p>It is not anticipated that any of the proposed changes would impact disproportionately on any individuals with protected characteristics. This includes the changes relating to individuals leaving employment on retirement, where those responding to a consultation did not consider that the changes discussed would have a significant effect on the number of participants treated as having retired for the purposes of the schemes.</p>					
<b>Impact on business including civil society organisations</b>	<p>Respondents to HMRC's consultation on these proposals told us that many of the proposed changes could reduce costs, complexities and administrative burdens for those businesses that choose to offer tax advantaged schemes. For example, business costs or uncertainty could be reduced by proposals in relation to the 'good leaver' rules for SAYE and CSOP; SIP dividend reinvestment; the retirement and material interest rules; and cash takeovers.</p> <p>Other proposed changes could enable more employers to offer tax advantaged schemes, or increase the flexibility available to businesses that offer schemes. This includes proposals in relation to SIP partnership shares and accumulation periods, and the use of restricted shares.</p> <p>It is not expected that the proposed changes would increase the cost of offering a tax advantaged share scheme, although there may be some one-off costs to businesses associated with familiarising themselves with any changes to scheme rules. In addition, minor costs may arise for businesses choosing to apply restrictions to the shares they offer under the schemes. These include those relating to obtaining valuation of the shares and providing details of the restrictions to participants.</p>					

	As the number of businesses affected by these changes is likely to be small, the total associated changes in administrative burden cost are expected to remain modest. Overall the measure is expected to have a negligible impact on businesses and civil society organisations.
<b>Operational impact (£m) (HMRC or other)</b>	No major impact is expected although the proposal on restricted shares may require additional requests to HMRC to agree share valuations.
<b>Other impacts</b>	<p><u>Small firms impact test:</u> As set out above, many of these proposed changes could reduce the cost of offering a scheme, or increase the flexibility available to businesses that offer schemes.</p> <p>It is not expected that the proposed changes would increase the cost of offering a tax advantaged share scheme, although there may be some one-off costs to businesses associated with familiarising themselves with any changes to scheme rules. In addition, minor costs may arise for businesses choosing to apply restrictions to the shares they offer under the schemes. These include those relating to obtaining valuation of the shares and providing details of the restrictions to participants.</p> <p>Other impacts have been considered and none have been identified.</p>

### **Monitoring and evaluation**

The measure will be kept under review through regular communication with affected taxpayer groups.

### **Further advice**

If you have any questions about this change, please contact Andrew Ellis on 020 7147 2658 (email: [andrew.ellis1@hmrc.gsi.gov.uk](mailto:andrew.ellis1@hmrc.gsi.gov.uk)).

## **1 Tax advantaged employee share schemes**

Schedule 1 amends the SIP code, the SAYE code, the CSOP code and the EMI code.

# SCHEDULES

## SCHEDULE 1

Section 1

### TAX ADVANTAGED EMPLOYEE SHARE SCHEMES

#### PART 1

#### RETIREMENT OF PARTICIPANTS

##### *Introduction*

- 1 Part 7 of ITEPA 2003 (employment income: income and exemptions relating to securities) is amended as follows.

##### *Share incentive plans*

- 2 In section 498 (no charge on shares ceasing to be subject to plan in certain circumstances) in subsection (2)(e) omit the words from “on” to “2)”.
- 3 In Part 4 of Schedule 2 (types of shares that may be awarded) in paragraph 32 (provision for forfeiture) in sub-paragraph (2)(e) omit the words from “on” to “98)”.
- 4 Part 11 of Schedule 2 (supplementary provisions) is amended as follows.
- 5 Omit paragraph 98 (meaning of “specified retirement age”).
- 6 In paragraph 100 (index of defined expressions) omit the entry for “the specified retirement age”.

##### *SAYE option schemes*

- 7 Part 6 of Schedule 3 (requirements etc relating to share options) is amended as follows.
- 8 In paragraph 27 (introduction) in sub-paragraph (1) –
  - (a) omit the entry for paragraph 31,
  - (b) after the entry for paragraph 32 insert “and”, and
  - (c) omit the entry for paragraph 33 and the “and” after it.
- 9 In paragraph 30 (time for exercising options) in sub-paragraph (2)(a) –
  - (a) for “32 to” substitute “32”, and
  - (b) omit “reaching the specified age without retiring”.
- 10 Omit paragraph 31 (requirement to have a “specified age”).
- 11 Omit paragraph 33 (exercise of options: reaching specified age without retiring).

- 12 In paragraph 34 (exercise of options: scheme-related employment ends) in sub-paragraph (2)(b) omit the words from “on” to “employment”.
- 13 In Part 9 of Schedule 3 (supplementary provisions) in paragraph 49 (index of defined expressions) omit the entry for “specified age”.

*CSOP schemes*

- 14 In section 524 (no charge in respect of exercise of option) in subsection (2C) omit the definition of “retirement” and the “and” before it.
- 15 In Part 8 of Schedule 4 (supplementary provisions) omit paragraph 35A (retirement age).

*Transitional provision*

- 16 (1) A SIP, SAYE option scheme or CSOP scheme approved before the day on which this Act is passed has effect with any modifications needed to reflect the amendments made by this Part of this Schedule.
- (2) In relation to any shares awarded under a SIP before that day which are subject to provision for forfeiture, that provision has effect with any modifications needed to reflect the amendment made by paragraph 3 above.
- (3) Because of paragraphs 45 and 54 below, that amendment is not relevant to shares awarded under a SIP on or after that day.

PART 2

“GOOD LEAVERS” (OTHER THAN RETIREES)

*Introduction*

- 17 Part 7 of ITEPA 2003 (employment income: income and exemptions relating to securities) is amended as follows.

*Share incentive plans*

- 18 In section 498 (no charge on shares ceasing to be subject to plan in certain circumstances) after subsection (2) insert –
- “(3) A participant is not liable to income tax on shares in a company (“the target company”) being withdrawn from the plan if –
- (a) the shares –
    - (i) are withdrawn from the plan to enable the acceptance of an offer of cash (with or without other assets) for the shares, and
    - (ii) once withdrawn from the plan, are dealt with accordingly as soon as practicable,
  - (b) the offer formed part of a general offer falling within subsection (5) made after the shares were awarded to the participant,
  - (c) the acceptance of the offer does not give rise to a transaction in relation to the shares to which paragraph 86 of Schedule 2 applies and no alternative offer in relation to the shares

- falling within subsection (6) was made as part of the general offer, and
- (d) at the time the shares were awarded to the participant, no arrangements for the making of any type of general offer in relation to shares in the target company were in place or under consideration.
- (4) In subsection (3)(d) “arrangements” includes any plan, scheme, agreement or understanding, whether or not legally enforceable.
  - (5) A general offer falls within this subsection if it is a general offer to acquire –
    - (a) the whole of the issued ordinary share capital of the target company, or
    - (b) all the shares in the target company which are of the same class as the participant’s shares,
 which is made on a condition such that, if it is satisfied, the person making the offer will have control of the target company.
  - (6) An alternative offer in relation to the shares falls within this subsection if, had it been accepted, it would have given rise to a transaction in relation to the shares to which paragraph 86 of Schedule 2 would have applied.”

*SAYE option schemes*

- 19 (1) Section 519 (no charge in respect of exercise of option) is amended as follows.
  - (2) In subsection (1)(b) after “B” insert “or C”.
  - (3) In subsection (3)(b) in the entry for paragraph 37 after “37” insert “or 37A”.
  - (4) After subsection (3) insert –
    - “(3A) Condition C is that –
      - (a) the option –
        - (i) is exercised before the third anniversary of the date on which it was granted, and
        - (ii) is so exercised following the making of a general offer by virtue of a provision included in the scheme under paragraph 37A of Schedule 3,
      - (b) as soon as practicable following the exercise of the option –
        - (i) the participant accepts an offer of cash (with or without other assets) for all the shares to which the option related, and
        - (ii) the shares are dealt with accordingly,
      - (c) that offer formed part of the general offer,
      - (d) when the option was granted, no arrangements for the making of any type of general offer in relation to shares in the target company were in place or under consideration, and
      - (e) if the scheme includes a provision under paragraph 38 of Schedule 3, no offer was made in connection with the general offer the acceptance of which by the participant would have involved the participant agreeing under that provision to

release the share option in consideration for being granted a new share option.

(3B) In subsection (3A)(d) “arrangements” includes any plan, scheme, agreement or understanding, whether or not legally enforceable.”

20 Part 6 of Schedule 3 (requirements etc relating to share options) is amended as follows.

21 In paragraph 27 (introduction) in sub-paragraph (2) in the entry for paragraph 37 for “paragraph 37” substitute “paragraphs 37 and 37A”.

22 In paragraph 30 (time for exercising options) in sub-paragraph (2)(a) for “and 37” substitute “, 37 and 37A”.

23 (1) Paragraph 34 (exercise of options: scheme-related employment ends) is amended as follows.

(2) In sub-paragraph (2)–

(a) omit the “or” after paragraph (a), and

(b) after paragraph (b) insert –

“(c) a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006, or

(d) if P holds office or is employed in a company which is an associated company (as defined in paragraph 35(4)) of the scheme organiser, that company ceasing to be an associated company of the scheme organiser by reason of a change of control (as determined in accordance with sections 450 and 451 of CTA 2010),”.

(3) In sub-paragraphs (4) and (5A)(b) for “or (b)” substitute “to (d)”.

(4) A SAYE option scheme approved before the day on which this Act is passed has effect with any modifications needed to reflect the amendments made by this paragraph.

24 After paragraph 37 insert –

“37A(1) The scheme may provide that a share option relating to shares in a company (“the target company”) may be exercised within 6 months after the date on which a general offer falling within sub-paragraph (2) is made but only if the option was granted before the offer is made.

(2) A general offer falls within this sub-paragraph if it is a general offer to acquire –

(a) the whole of the issued ordinary share capital of the target company, or

(b) all the shares in the target company which are of the same class as the shares to which the share option relates,

which is made on a condition such that, if it is satisfied, the person making the offer will have control of the target company.

(3) This paragraph has effect subject to paragraph 30(1)(b) (options must not be capable of being exercised later than 6 months after bonus date).”

CSOP schemes

- 25 (1) Section 524 (no charge in respect of exercise of option) is amended as follows.
- (2) In subsection (1)(b) after “B” insert “or C”.
- (3) In subsection (2B) for paragraph (a) substitute –
- “(a) has ceased to be in qualifying employment because of –
    - (i) injury, disability, redundancy or retirement,
    - (ii) a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006, or
    - (iii) in the case of a group scheme where the qualifying employment is as a director or employee of a constituent company, that company ceasing to be controlled by the scheme organiser, and”.
- (4) After subsection (2B) insert –
- “(2BA) For the purposes of subsection (2B) an individual is in “qualifying employment” if the individual is a full-time director or qualifying employee (as defined in paragraph 8(2) of Schedule 4) of –
- (a) the scheme organiser, or
  - (b) in the case of a group scheme, a constituent company.”
- (5) In subsection (2C) for “(2B)” substitute “(2B)(a)(i)”.
- (6) After subsection (2C) insert –
- “(2D) Subsection (2B)(a)(iii) does not cover a case where the constituent company was controlled by the scheme organiser by virtue of paragraph 34 of Schedule 4 (jointly owned companies).
- (2E) Condition C is that –
- (a) the option –
    - (i) is exercised before the third anniversary of the date on which it was granted, and
    - (ii) is so exercised following the making of a general offer by virtue of a provision included in the scheme under paragraph 25A of Schedule 4,
  - (b) as soon as practicable following the exercise of the option –
    - (i) the participant accepts an offer of cash (with or without other assets) for all the shares to which the option related, and
    - (ii) the shares are dealt with accordingly,
  - (c) that offer formed part of the general offer,
  - (d) when the option was granted, no arrangements for the making of any type of general offer in relation to shares in the target company were in place or under consideration, and
  - (e) if the scheme includes a provision under paragraph 26 of Schedule 4, no offer was made in connection with the general offer the acceptance of which by the participant would have involved the participant agreeing under that provision to

release the share option in consideration for being granted a new share option.

(2F) In subsection (2E)(d) “arrangements” includes any plan, scheme, agreement or understanding, whether or not legally enforceable.”

26 Part 5 of Schedule 4 (requirements etc relating to share options) is amended as follows.

27 In paragraph 21 (introduction) in sub-paragraph (2) –

(a) after the entry for paragraph 24 omit “or”, and

(b) after the entry for paragraph 25 insert “, or paragraph 25A (exercise of options: company events)”.

28 After paragraph 25 insert –

*“Exercise of options: company events*

25A (1) The scheme may provide that a share option relating to shares in a company (“the target company”) may be exercised within 6 months after the date on which a general offer falling within sub-paragraph (2) is made but only if the option was granted before the offer is made.

(2) A general offer falls within this sub-paragraph if it is a general offer to acquire –

(a) the whole of the issued ordinary share capital of the target company, or

(b) all the shares in the target company which are of the same class as the shares to which the share option relates,

which is made on a condition such that, if it is satisfied, the person making the offer will have control of the target company.”

### PART 3

#### MATERIAL INTEREST RULES

##### *Introduction*

29 Part 7 of ITEPA 2003 (employment income: income and exemptions relating to securities) is amended as follows.

##### *Share incentive plans*

30 Part 3 of Schedule 2 (eligibility of individuals) is amended as follows.

31 In paragraph 13 (introduction) –

(a) after the entry for paragraph 18 insert “and”, and

(b) omit the entry for paragraph 19 and the “and” before it.

32 In paragraph 14 (time of eligibility to participate) in sub-paragraph (7) –

(a) after paragraph (b) insert “and”, and

(b) omit paragraph (c) and the “and” before it.

33 Omit paragraphs 19 to 24 (the “no material interest” requirement).

- 34 In Part 11 of Schedule 2 (supplementary provisions) in paragraph 100 (index of defined expressions), in the entry for “close company”, omit “(and see paragraph 20(4))”.
- 35 (1) The amendments made by paragraphs 30 to 34 above have effect for the purpose of determining whether an individual is eligible to participate in an award of shares on the day on which this Act is passed or any later day.
- (2) A SIP approved before the day on which this Act is passed has effect accordingly with the omission of any provision falling within a provision of Schedule 2 to ITEPA 2003 omitted by those paragraphs.

#### *SAYE option schemes*

- 36 Part 3 of Schedule 3 (eligibility of individuals) is amended as follows.
- 37 In paragraph 9 (introduction) omit the entry for paragraph 11 and the “and” before it.
- 38 Omit paragraphs 11 to 16 (the “no material interest” requirement).
- 39 In Part 9 of Schedule 3 (supplementary provisions) in paragraph 49 (index of defined expressions), in the entry for “close company”, omit “(and see paragraph 11(4))”.
- 40 (1) The amendments made by paragraphs 36 to 39 above have effect for the purpose of determining whether an individual is eligible to participate in a scheme on the day on which this Act is passed or any later day.
- (2) A SAYE option scheme approved before the day on which this Act is passed has effect accordingly with the omission of any provision falling within a provision of Schedule 3 to ITEPA 2003 omitted by those paragraphs.

#### *CSOP schemes*

- 41 (1) In Part 3 of Schedule 4 (eligibility of individuals) in paragraphs 10(2) and (3), 11(3) and (4) and 13(2) (which relate to the “no material interest” requirement) for “25%” substitute “30%”.
- (2) The amendments made by this paragraph have effect for the purpose of determining whether a person is eligible to participate in a scheme on the day on which this Act is passed or any later day (by altering what constitutes a material interest on that day and within the 12 months preceding that day).
- (3) A CSOP scheme approved before the day on which this Act is passed has effect with any modifications needed to reflect the amendments made by this paragraph.

## PART 4

### RESTRICTED SHARES

#### *Introduction*

- 42 Part 7 of ITEPA 2003 (employment income: income and exemptions relating to securities) is amended as follows.

*Share incentive plans*

- 43 Part 4 of Schedule 2 (types of shares that may be awarded) is amended as follows.
- 44 In paragraph 25 (introduction) in sub-paragraph (1) –
- (a) after the entry for paragraph 28 insert “and”, and
  - (b) omit the entry for paragraph 30 and the “and” before it.
- 45 Omit paragraphs 30 to 33 (only certain kinds of restrictions allowed).
- 46 In Part 5 of Schedule 2 (free shares) in paragraph 35 (maximum annual award) omit sub-paragraphs (3) and (4).
- 47 In Part 7 of Schedule 2 (matching shares) in paragraph 59 (general requirement for matching shares) omit sub-paragraph (2).
- 48 In Part 9 of Schedule 2 (trustees) in paragraph 75 (duty to give notice of award of shares etc) in sub-paragraphs (2) and (3) after paragraph (a) insert –
- “(aa) if the shares are subject to any restriction, giving details of the restriction,”.
- 49 (1) In Part 10 of Schedule 2 (approval of plans) paragraph 84 (disqualifying events) is amended as follows.
- (2) In sub-paragraph (3) –
    - (a) after paragraph (b) insert “or”, and
    - (b) omit paragraph (c) and the “or” after it.
  - (3) In sub-paragraph (4) before paragraph (a) insert –
    - “(za) from any shares being subject to a restriction,”.
- 50 Part 11 of Schedule 2 (supplementary provision) is amended as follows.
- 51 In paragraph 92 (determination of market value) for sub-paragraph (2) substitute –
- “(2) For the purposes of the SIP code the market value of shares subject to a restriction is to be determined as if they were not subject to the restriction.”
- 52 In paragraph 99 (minor definitions) after sub-paragraph (3) insert –
- “(4) For the purposes of the SIP code –
    - (a) shares are subject to a “restriction” if there is any contract, agreement, arrangement or condition which makes provision to which any of subsections (2) to (4) of section 423 (restricted securities) would apply if the references in those subsections to the employment-related securities were to the shares, and
    - (b) the “restriction” is that provision.”
- 53 In paragraph 100 (index of defined expressions) at the appropriate place insert –

“restriction (in relation to shares) | paragraph 99(4)”.

- 54 (1) The amendments made by paragraphs 43 to 45, 47 and 48 above have effect in relation to awards of shares made on or after the day on which this Act is passed.
- (2) A SIP approved, or a trust instrument made, before that day has effect with any modifications needed to reflect the amendments made by paragraphs 43 to 53 above.
- (3) In particular, in relation to awards of shares on or after that day, such a SIP has effect with the omission of any provision falling within a provision of Schedule 2 to ITEPA 2003 omitted by paragraph 45 above.

*SAYE option schemes*

- 55 Part 4 of Schedule 3 (shares to which schemes can apply) is amended as follows.
- 56 In paragraph 17 (introduction) in sub-paragraph (1) –
- (a) after the entry for paragraph 20 insert “and”, and
- (b) omit the entry for paragraph 21 and the “and” after it.
- 57 Omit paragraph 21 (only certain kinds of restrictions allowed).
- 58 In Part 6 of Schedule 3 (requirements etc relating to share options) in paragraph 28 (requirements as to price of acquisition of shares) after sub-paragraph (4) insert –
- “(5) At the time a share option is granted –
- (a) it must be stated whether or not the shares which may be acquired by the exercise of the option may be subject to any restriction, and
- (b) if so, the details of the restriction must also be stated.
- (6) For the purposes of this paragraph the market value of shares subject to a restriction is to be determined as if they were not subject to the restriction.”
- 59 In Part 7 of Schedule 3 (exchange of share options) in paragraph 39 (requirements about share options granted in exchange) after sub-paragraph (6) insert –
- “(7) For the purposes of this paragraph the market value of shares subject to a restriction is to be determined as if they were not subject to the restriction.”
- 60 Part 9 of Schedule 3 (supplementary provisions) is amended as follows.
- 61 In paragraph 48 (minor definitions) after sub-paragraph (2) insert –
- “(3) For the purposes of the SAYE code –
- (a) shares are subject to a “restriction” if there is any contract, agreement, arrangement or condition which makes provision to which any of subsections (2) to (4) of section

- 423 (restricted securities) would apply if the references in those subsections to the employment-related securities were to the shares, and
- (b) the “restriction” is that provision.”
- 62 In paragraph 49 (index of defined expressions) at the appropriate place insert –
- “restriction (in relation to shares) | paragraph 48(3)”.
- 63 (1) The amendments made by paragraphs 55 to 58 above have effect in relation to options granted on or after the day on which this Act is passed.
- (2) The amendment made by paragraph 59 above has effect for cases where the old options are granted on or after that day.
- (3) A SAYE option scheme approved before that day has effect with any modifications needed to reflect the amendments made by paragraphs 55 to 62 above.
- (4) In particular, in relation to options granted on or after that day, such a SAYE option scheme has effect with the omission of any provision falling within a provision of Schedule 3 to ITEPA 2003 omitted by paragraph 57 above.

#### CSOP schemes

- 64 In Part 2 of Schedule 4 (general requirements for approval) in paragraph 6 (limit on value of shares subject to options) after sub-paragraph (3) insert –
- “(4) For the purposes of this paragraph the market value of shares subject to a restriction is to be determined as if they were not subject to the restriction.”
- 65 Part 4 of Schedule 4 (shares to which schemes can apply) is amended as follows.
- 66 In paragraph 15 (introduction) –
- (a) after the entry for paragraph 18 insert “and”, and
- (b) omit the entry relating to paragraph 19 and the “and” after it.
- 67 Omit paragraph 19 (only certain kinds of restrictions allowed).
- 68 In Part 5 of Schedule 4 (requirements etc relating to share options) in paragraph 22 after sub-paragraph (4) insert –
- “(5) At the time a share option is granted –
- (a) it must be stated whether or not the shares which may be acquired by the exercise of the option may be subject to any restriction, and
- (b) if so, the details of the restriction must also be stated.
- (6) For the purposes of this paragraph the market value of shares subject to a restriction is to be determined as if they were not subject to the restriction.”

69 In Part 6 of Schedule 4 (exchange of share options) in paragraph 27 (requirements about share options granted in exchange) after sub-paragraph (6) insert –

“(7) For the purposes of this paragraph the market value of shares subject to a restriction is to be determined as if they were not subject to the restriction.”

70 Part 8 of Schedule 4 (supplementary provisions) is amended as follows.

71 In paragraph 36 (minor definitions) after sub-paragraph (2) insert –

“(3) For the purposes of the CSOP code –

(a) shares are subject to a “restriction” if there is any contract, agreement, arrangement or condition which makes provision to which any of subsections (2) to (4) of section 423 (restricted securities) would apply if the references in those subsections to the employment-related securities were to the shares, and

(b) the “restriction” is that provision.”

72 In paragraph 37 (index of defined expressions) at the appropriate place insert –

“restriction (in relation to shares) | paragraph 36(3)”.

73 (1) The amendment made by paragraph 64 above has effect for the purpose of determining whether options may be granted to an individual on or after the day on which this Act is passed; but the amendment is to be ignored in determining the market value of any shares to which an option granted before that day relates.

(2) The amendments made by paragraphs 65 to 68 above have effect in relation to options granted on or after that day.

(3) The amendment made by paragraph 69 above has effect for cases where the old options are granted on or after that day.

(4) A CSOP scheme approved before that day has effect with any modifications needed to reflect the amendments made by paragraphs 64 to 72 above.

(5) In particular, in relation to options granted on or after that day, such a CSOP scheme has effect with the omission of any provision falling within a provision of Schedule 4 to ITEPA 2003 omitted by paragraph 67 above.

## PART 5

### SHARE INCENTIVE PLANS: PARTNERSHIP SHARES

74 (1) In Part 6 of Schedule 2 to ITEPA 2003 (partnership shares) paragraph 52 (application of money deducted in accumulation period) is amended as follows.

(2) After sub-paragraph (2) insert –

- “(2A) The number of shares awarded to the employee must be determined in accordance with one of sub-paragraphs (3), (3A) and (3B) and the partnership share agreement must specify which one of those sub-paragraphs is to apply for the purposes of the agreement.”
- (3) In sub-paragraph (3) for “The number of shares awarded to each” substitute “If the agreement specifies that this sub-paragraph is to apply, the number of shares awarded to the”.
- (4) After sub-paragraph (3) insert –
- “(3A) If the agreement specifies that this sub-paragraph is to apply, the number of shares awarded to the employee must be determined in accordance with the market value of the shares at the beginning of the accumulation period.
- (3B) If the agreement specifies that this sub-paragraph is to apply, the number of shares awarded to the employee must be determined in accordance with the market value of the shares on the acquisition date.”
- (5) In sub-paragraphs (4) and (5) for “and (3)” substitute “to (3B)”.
- (6) The amendments made by this paragraph have effect in relation to partnership share agreements made on or after the day on which this Act is passed.

## PART 6

### SHARE INCENTIVE PLANS: DIVIDEND SHARES

#### *Introduction*

- 75 Part 8 of Schedule 2 to ITEPA 2003 (cash dividends and dividend shares) is amended as follows.

#### *Removal of limit on amount reinvested*

- 76 In paragraph 63 (requirements to be met as regards cash dividends) in sub-paragraph (1) omit the entry for paragraph 64.
- 77 Omit paragraph 64 (limit on amount reinvested).
- 78 (1) The amendments made by paragraphs 76 and 77 above have effect in relation to the tax year 2013-14 and subsequent tax years.
- (2) A SIP approved before 6 April 2013 has effect accordingly with the omission of any provision falling within a provision of Schedule 2 to ITEPA 2003 omitted by paragraph 77 above.

#### *Amounts to be carried forward*

- 79 (1) Paragraph 68 (reinvestment: amounts to be carried forward) is amended as follows.
- (2) In sub-paragraph (4) –
- (a) omit paragraph (a) and the “or” after it, and

- (b) in paragraphs (b) and (c) omit “during that period”.
- (3) Omit sub-paragraph (6).
- (4) The amendments made by this paragraph have effect in relation to amounts held by trustees on or after 6 April 2013 (including amounts originally retained before that date in relation to which an event falling within paragraph 68(4)(a) to (c) of Schedule 2 to ITEPA 2003 did not occur before that date).
- (5) A SIP approved before 6 April 2013 has effect accordingly with the omission of any provision falling within a provision of Schedule 2 to ITEPA 2003 omitted by this paragraph.

#### PART 7

##### SHARE INCENTIVE PLANS: EMPLOYEE SHARE OWNERSHIP TRUSTS

- 80 Part 9 of Schedule 2 to ITEPA 2003 (trustees) is amended as follows.
- 81 In paragraph 70 (introduction) in sub-paragraph (1) –
- (a) after the entry for paragraph 77 insert “and”, and
  - (b) omit the entry for paragraph 78.
- 82 (1) Omit paragraph 78 (acquisition of shares from employee share ownership trusts).
- (2) A trust instrument made before the day on which this Act is passed has effect with the omission of any provision falling within a provision of Schedule 2 to ITEPA 2003 omitted by this paragraph.

#### PART 8

##### ENTERPRISE MANAGEMENT INCENTIVES: CONSEQUENCES OF DISQUALIFYING EVENTS

- 83 (1) In section 532 of ITEPA 2003 (modified tax consequences following disqualifying events) in subsection (1)(b) for “40” substitute “90”.
- (2) The amendment made by this paragraph has effect in relation to disqualifying events occurring on or after the day on which this Act is passed.

**EXPLANATORY NOTE**

**TAX ADVANTAGED EMPLOYEE SHARE SCHEMES - OFFICE OF TAX SIMPLIFICATION RECOMMENDATIONS**

**SUMMARY**

1. This clause and Schedule amend the legislation relating to the four tax advantaged employee share schemes - Share Incentive Plans (SIP), Save As You Earn Option Schemes (SAYE), Company Share Option Plans (CSOP) and Enterprise Management Incentives (EMI). These changes give effect to recommendations of the Office of Tax Simplification (OTS). They aim to simplify the employee share scheme rules where these may create undue complexities or unnecessary administrative burdens for scheme users. They support the Government's objective to simplify the tax system. Most of the changes will take effect on the date Finance Bill 2013 receives Royal Assent. The changes under Part 6 of the Schedule relating to the reinvestment of cash dividends paid on SIP shares come into effect on 6 April 2013.

**DETAILS OF THE SCHEDULE**

2. The Schedule implements a series of changes across the four tax advantaged schemes.
3. The current legislation is set out in Income Tax (Earnings and Pensions) Act 2003 (ITEPA). The provisions on SIP are in sections 488 - 515 and Schedule 2 to ITEPA; on SAYE in sections 516 - 519 and Schedule 3; on CSOP in sections 521 - 526 and Schedule 4; and on EMI in sections 527 - 541 and Schedule 5. All statutory references in this Note are to provisions in ITEPA.

**PART 1**

**Retirement of Participants**

4. Paragraph 1 introduces amendments to the rules in Part 7 of ITEPA governing when employees are entitled to favourable tax treatment when they leave employment on retirement or after reaching a specified age. The changes will harmonise retirement rules across SIP, SAYE and CSOP, to allow businesses offering these schemes to align the definition of 'retirement' with their broader policy in this area.
5. Paragraphs 2 - 6 remove the requirement for a SIP scheme to include a 'specified retirement age' in the scheme rules, and make consequential changes. Under the current SIP rules (paragraph 98 of

Schedule 2) this specified retirement age must be the same for men and women, and not less than 50.

6. Paragraphs 7 - 13 remove the requirement for an SAYE scheme to include a 'specified age' for retirement in the scheme rules, and repeal the current provision allowing exercise of options by those who reach the 'specified age' without retiring. Under the current SAYE rules (paragraph 31 of Schedule 3) this specified age must be the same for men and women, and between 60 and 75.
7. Paragraphs 14 - 15 remove the requirement for a CSOP scheme to specify a retirement age in the scheme rules, where the rules provide for exercise of the CSOP options on retirement. Under the current CSOP rules (paragraph 35A of Schedule 4) this retirement age must be the same for men and women, and not less than 55.
8. Paragraph 16 provides that the changes have effect from the date the legislation receives Royal Assent, and SIP, SAYE and CSOP schemes approved before the present changes take effect are to be treated as if any such provision included the modifications made by these paragraphs.
9. Sub-paragraphs (2) and (3) of paragraph 16 introduce a modification in the case of free and matching SIP shares awarded before the date the present changes take effect. Where the scheme contains a provision allowing forfeiture of these shares in permitted circumstances, the current rules (paragraph 32 of Schedule 2) do not allow the forfeiture provisions to apply where the participant ceases to be in employment on retirement or after reaching the specified retirement age. This will continue to be the case under the new legislation in relation to free and matching SIP shares awarded before the date this Act receives Royal Assent, but with the modification made by paragraph 3 of this Schedule.

## **PART 2**

### **'Good Leavers' (other than Retirees)**

10. Paragraph 17 introduces amendments to the rules in Part 7 of ITEPA that govern when those leaving employment other than on retirement before these tests are met can qualify for favourable tax treatment as 'good leavers' under SIP, SAYE and CSOP.
11. Paragraphs 18 - 28 address two issues across the three schemes. First, they lay down simpler and more consistent rules for SAYE and CSOP to govern when employees who leave employment other than on retirement are entitled to favourable tax treatment under the schemes. Second, they set out new rules for SIP, SAYE and CSOP

for certain cases where there is a cash takeover of the company whose shares are scheme shares.

12. Paragraph 18 amends section 498 by inserting new subsections (3) - (6), to provide that there will be no income tax liability where shares are withdrawn from a SIP on certain cash takeovers of companies. Various conditions have to be satisfied as to the circumstances in which the shares are withdrawn and the nature of the offer that constitutes the cash takeover.
13. Paragraph 19 amends section 519 and inserts new subsections (3A) and (3B), which provide that there will be no income tax liability where an SAYE option is exercised before the third anniversary of grant on certain cash takeovers of companies. Various conditions have to be met as to the circumstances in which the option is exercised and the nature of the offer that constitutes the cash takeover.
14. Paragraphs 20 - 22 make consequential changes to Part 6 of Schedule 3.
15. Paragraph 23 inserts new sub-paragraphs (2)(c) and (d) into paragraph 34 of Schedule 3, to provide that the scheme rules must allow for exercise of SAYE options when employment ceases in relation to a transfer within the meaning of Transfer of Undertakings (Protection of Employment) Regulations, and certain cases of companies ceasing to be associated with the company organising the scheme on a change of control. SAYE schemes approved before these changes come into force are to be treated as if any such provision included the modifications made by this paragraph.
16. Paragraph 24 inserts new paragraph 37A into Schedule 3. This provides that where certain conditions are met, an SAYE scheme may allow for the exercise of share options relating to shares in a company subject to a cash takeover under a general offer, which is a good leaver circumstance within new section 519(3A). The options may be exercised within 6 months of the general offer.
17. Paragraph 25 amends section 524 concerning CSOP.
18. Sub-paragraphs (2) - (5) make amendments around subsection (2B) of section 524, which serve to extend the circumstances in which favourable tax treatment is available where CSOP options are exercised before the third anniversary of the date on which they were granted. New subsections (2B)(a)(ii) and (a)(iii) apply to those exercising CSOP options when employment ceases in relation to a transfer within the meaning of Transfer of Undertakings (Protection of Employment) Regulations; and in the case of group schemes where the company employing an individual ceases to be controlled by the

company organising the scheme. Several consequential changes are also made.

19. Sub-paragraph (6) of paragraph 25 inserts new subsections (2D) - (2F) in section 524, which provide that there will be no income tax liability where a CSOP option is exercised before the third anniversary of grant on certain cash takeovers of constituent companies. Various conditions have to be met as to the circumstances in which the option is exercised and the nature of the offer that constitutes the cash takeover.
20. Paragraphs 26 and 27 make consequential changes to Part 5 of Schedule 4.
21. Paragraph 28 inserts a new paragraph 25A into Schedule 4. This provides that where certain conditions are met, a CSOP may allow for the exercise of share options relating to shares in a company which is the subject of a cash takeover under a general offer. The options may be exercised within 6 months of the general offer.

### **PART 3**

#### **Material Interest Rules**

22. Paragraph 29 introduces amendments to the present rules on 'material interest' in Part 7 of ITEPA for SIP, SAYE and CSOP. Employees are not currently allowed to participate in these schemes if, broadly, they own more than 25 per cent of the ordinary share capital of a company (or in some cases the assets of the business).
23. Paragraphs 30 - 35 remove the requirement that a SIP plan must provide that employees are ineligible to participate if they hold a material interest in a close company whose shares are subject to the plan, or a company which has control of that company. They also make consequential amendments. The changes have effect from the date the legislation receives Royal Assent, and SIP schemes approved before the present changes take effect are to be treated as if any such provision included the modifications made by these paragraphs.
24. Paragraphs 36 - 40 remove the material interest requirement for determining whether an employee is eligible to participate in an SAYE option scheme, and make consequential changes. These changes have effect from the date the legislation receives Royal Assent, and SAYE schemes approved before the present changes take effect are to be treated as if any such provision included the modifications made by these paragraphs.
25. Paragraph 41 amends the CSOP legislation by adjusting from 25 to 30 per cent the figure for determining whether an individual has a

material interest. The change has effect from the date the legislation receives Royal Assent, and CSOP schemes approved before the present changes take effect are to be treated as if any such provision included the modifications made by this paragraph.

**PART 4**

**Restricted Shares**

26. Paragraph 42 introduces changes to Part 7 of ITEPA as it relates to the use of restricted shares in SIP, SAYE and CSOP. The present legislation specifies that only certain types of restrictions may be applied to shares used in the three schemes. These include for example 'employee pre-emption' provisions, whereby employees may be compelled to transfer shares back to the company on ceasing employment.
27. Paragraphs 44 - 47 amend Schedule 2 to omit the requirement that shares awarded under a SIP may be subject to only certain kinds of restrictions, and make consequential changes.
28. Paragraph 48 sets out a requirement at new sub-paragraphs (2)(aa) and (3)(aa) of paragraph 75 of Schedule 2 for employees to be provided with details of any restrictions applying to SIP shares at the time they are awarded.
29. Paragraph 49 makes consequential changes to paragraph 84 of Schedule 2.
30. Paragraph 51 amends paragraph 92 of Schedule 2 to provide that SIP shares subject to restrictions are to be valued as if they were not restricted.
31. Paragraphs 52 and 53 set out a definition of a 'restriction' in relation to shares for the purposes of the SIP code.
32. Paragraph 54 provides that the changes take effect from the date the legislation receives Royal Assent and apply only to shares awarded after that date. SIP schemes approved before the present changes take effect, whose scheme rules contain provisions of the type that are now modified by paragraphs 43 - 53, are treated as if any such modification had been made.
33. Paragraphs 55 - 57 amend Schedule 3 to remove the requirement that shares to which an SAYE scheme can apply may be subject to only certain kinds of restrictions, and make consequential changes.
34. Paragraph 58 sets out requirements at new sub-paragraphs (5) and (6) of paragraph 28 of Schedule 3 for employees to be notified of the detail of restrictions applying to SAYE shares at the time options are

granted; and for restricted shares to be valued as if they were not restricted.

35. Paragraph 59 introduces a rule at new sub-paragraph (7) of paragraph 39 of Schedule 3 in relation to exchanges of SAYE share options, requiring restricted shares to be valued as if they were not restricted.
36. Paragraphs 61 - 62 amend paragraph 48 of Schedule 3 to provide a definition of a 'restriction' in relation to shares for the purposes of the SAYE code, and make consequential amendments.
37. Paragraph 63 provides that the amendments take effect from the date the legislation receives Royal Assent in relation to options granted after that date, and that SAYE schemes approved before the present changes take effect, whose scheme rules contain provisions of the type that are now modified by paragraphs 55 - 62, are treated as if any such modification had been made.
38. Paragraph 64 amends paragraph 6 of Schedule 4, to provide at new sub-paragraph (4) that when calculating the limit on the value of shares subject to a CSOP, shares subject to restrictions are valued as if they were not restricted.
39. Paragraphs 65 - 67 amend Part 4 of Schedule 4 to remove the requirement that shares to which a CSOP can apply may be subject to only certain kinds of restriction, and make consequential changes.
40. Paragraph 68 sets out requirements at new sub-paragraphs (5) and (6) of paragraph 22 of Schedule 4 for employees to be notified of the detail of restrictions applying to CSOP shares at the time options are granted; and for restricted shares to be valued as if they were not restricted.
41. Paragraph 69 introduces a rule at new sub-paragraph (7) of paragraph 27 of Schedule 4 in relation to exchanges of share options, requiring restricted shares to be valued as if they were not restricted.
42. Paragraphs 71 - 72 amend paragraph 36 of Schedule 4 to provide a definition of a 'restriction' in relation to shares for the purposes of the CSOP code, and make consequential amendments.
43. Paragraph 73 provides that the new rule for valuing restricted CSOP shares as if they were not restricted (paragraph 64 of this Schedule) does not apply in relation to options granted before Royal Assent. All other changes to the CSOP code take effect from the date the legislation receives Royal Assent, and CSOP schemes approved before the present changes take effect, whose scheme rules contain provisions of the type that are now modified by paragraphs 64 - 72, are treated as if any such modification had been made.

**PART 5**

**Share Incentive Plans: Partnership Shares**

44. Paragraph 74 introduces amendments to paragraph 52 of Schedule 2 of ITEPA, and the present rules on allocation of SIP shares where a company allows employees to purchase SIP partnership shares by deduction from salary over a period of time not exceeding 12 months, referred to in the legislation as an 'accumulation period'. Where an accumulation period is used, current rules require that the number of partnership shares awarded to employees in respect of salary deductions is based on the lower of the market value of the shares at the start of the accumulation period, and their market value on the date the shares are acquired by the employee.
45. New sub-paragraphs (2A), (3A) and (3B) of paragraph 52 of Schedule 2 introduce a revised method for determining the number of shares awarded to an employee when applying money deducted in an accumulation period. Companies are allowed to make a choice between three possible methods of valuing the shares in these cases; and whichever method is chosen must be specified in the company's partnership share agreement. These changes take effect from the date the legislation receives Royal Assent.

**PART 6**

**Share Incentive Plans: Dividend Shares**

46. Paragraph 75 introduces amendments to Part 8 of Schedule 2 of ITEPA to simplify and relax the current rules on SIP 'dividend shares'. Current rules at paragraphs 62 - 69 of Schedule 2 allow cash dividends paid on SIP shares to be reinvested in 'dividend shares' - further tax advantaged shares held under the SIP. There is a limit of £1,500 per tax year on reinvestment of cash dividends in dividend shares by an employee (paragraph 64 of Schedule 2); and reinvestment must take place within three years of cash dividends arising (paragraph 68 of Schedule 2).
47. Paragraphs 76 - 78 remove the £1,500 annual limit on reinvestment of dividends and make consequential changes.
48. Paragraph 79 removes the three year time limit for reinvestment and makes consequential changes. In each case the change applies for the tax year 2013-14 onwards. SIP schemes approved before the present changes take effect, and whose scheme rules provide for the reinvestment of dividend shares, are treated as if any such modifications had been made.

**PART 7**

**Share Incentive Plans: Employee Share Ownership Trusts**

49. Paragraph 80 introduces amendments to Part 9 of Schedule 2 of ITEPA and certain requirements relating to SIP trustees.
50. Paragraphs 81 and 82 remove the requirement in paragraph 78 of Schedule 2 for the SIP trust instrument to include a provision in relation to the acquisition by the SIP trustees of shares from qualifying employee share ownership trusts, and make consequential changes. The change takes effect from the date the legislation receives Royal Assent. Any SIP trust instrument in force at the date the legislation takes effect has effect with the omission of the provision deleted by paragraph 82.

**PART 8**

**Enterprise Management Incentives: Consequences of Disqualifying Events**

51. Paragraph 83 amends section 532 ITEPA to extend from 40 to 90 days the time available for those holding qualifying EMI options to exercise them with favourable tax treatment after a 'disqualifying event' occurs. The change takes effect from the date the legislation receives Royal Assent.

**BACKGROUND**

52. SIP is an 'all employee' scheme under which employees may purchase 'partnership' shares out of their pre-tax (gross) salary; be awarded 'matching' or 'free' shares by their employer; or reinvest dividends earned on SIP shares into 'dividend' shares.
53. SAYE is an 'all employee' share option scheme under which employees save out of taxed earnings and can use their savings to purchase shares in their company at a discounted price.
54. CSOP is a scheme under which selected employees may be awarded options to purchase shares in their company.
55. EMI is a scheme targeted on small and medium sized businesses carrying out certain trades, under which selected employees may be awarded share options in their company.
56. The Government asked the OTS in 2011 to evaluate the four tax advantaged employee share schemes, identify areas where they created undue complexities or disproportionate administrative burdens for scheme users, and make recommendations on how the schemes could be simplified.

## FINANCE BILL

57. The OTS report was published on the HM Treasury website on 6 March 2012. It contained a series of recommended changes to the underlying legislation and related provisions.
58. The Government issued a consultation document on 27 June 2012 available on the HMRC website. This set out the Government's response to the OTS report, and invited views and evidence on the detailed implementation of the OTS recommendations it proposed to take forward.
59. A document setting out a detailed summary of the responses to the consultation was published on 11 December 2012 and is available on the HMRC website. This includes a detailed analysis of changes the Government has decided to make to the original proposals in the light of the responses.
60. The clause and Schedule take account of responses received to the consultation, and address the OTS recommendations the Government plans to implement.
61. If you have any questions about these changes, or comments on the legislation, please contact Andrew Ellis, 020 7147 2658 (email: [andrew.ellis1@hmrc.gsi.gov.uk](mailto:andrew.ellis1@hmrc.gsi.gov.uk)).