



Increasing Share Incentive Plans and Save As You Earn limits

Who is likely to be affected?

Participants in the two tax advantaged all-employee share schemes: Share Incentive Plans (SIP) and Save as You Earn Option Schemes (SAYE), and businesses who offer these schemes.

General description of the measure

The measure will increase the maximum value of SIP free shares (shares that can be awarded annually to an employee) from £3,000 to £3,600, and increase the maximum value of SIP partnership shares (shares an employee can purchase annually) from £1,500 to £1,800 (or no more than 10 per cent of an employee's salary for the year). The maximum ratio of matching shares to partnership shares that can be awarded will remain at 2 to 1. The maximum monthly amount that an employee can contribute to SAYE savings arrangements will increase from £250 to £500.

Policy objective

This measure aims to encourage further employee share ownership.

Background to the measure

This measure was announced in Autumn Statement 2013.

Detailed proposal

Operative date

This measure will have effect on and after 6 April 2014.

Current law

The limits on the value of shares that can be awarded under SIP can be found in Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003 (ITEPA). Paragraph 35 provides for the maximum annual award of free shares and paragraph 46 provides for the maximum amount that can be deducted annually from an employee's salary for partnership shares. The maximum ratio of matching shares to partnership shares is set out at paragraph 60.

The maximum monthly amount that employees can contribute to SAYE savings arrangement is set out at paragraph 25 of Schedule 3 to ITEPA.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend Schedule 2 to ITEPA. This will increase the maximum amount that can be deducted from an employee's salary annually for SIP partnership shares to £1,800, and increase the maximum annual award of SIP free shares to £3,600.

Schedule 3 to ITEPA will be amended by Treasury Order. This will increase the maximum amount that an employee can contribute to SAYE savings arrangement to £500 per month.

Summary of impacts

Exchequer impact (£m)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	-	-5	-5	-5	-5	-5
	These figures are set out in Table 2.1 of the Autumn Statement, as part of <i>Employee ownership: further support</i> , and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Autumn Statement.					
Economic impact	The measure is not expected to have any significant economic impacts.					
Impact on individuals and households	The measure will have no adverse impact on individuals or households but it will allow participants in SAYE and SIP to obtain more tax advantaged shares under the schemes.					
Equalities impacts	This measure is not expected to have a disproportionate impact on any protected group.					
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations.					
Operational impact (£m) (HMRC or other)	It is not anticipated that implementing this change will incur any significant costs for HM Revenue & Customs.					
Other impacts	<p><u>Small and micro business assessment</u>: some small businesses may increase the amount of tax advantaged shares that they can award under SIP and SAYE. No other issues specific to smaller businesses have been identified.</p> <p>Other impacts have been considered and none have been identified.</p>					

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Hasmukh Dodia on 03000 585201 (email: hasmukh.dodia@hmrc.gsi.gov.uk).

1 Share incentive plans: increases in maximum annual awards etc

- (1) Schedule 2 to ITEPA 2003 (share incentive plans) is amended as follows.
- (2) In paragraph 35(1) (free shares: maximum annual award) for “£3,000” substitute “£3,600”.
- (3) In paragraph 46(1) (partnership shares: maximum amount of deductions from employee’s salary) for “£1,500” substitute “£1,800”.
- (4) The amendments made by this section have effect for the tax year 2014-15 and subsequent tax years.

EXPLANATORY NOTE

SHARE INCENTIVE PLANS: INCREASES IN MAXIMUM ANNUAL AWARDS ETC

SUMMARY

1. Clause X increases the maximum value of the shares that can be awarded or purchased each year under the Share Incentive Plan (SIP) tax advantaged employee share scheme.

DETAILS OF THE CLAUSE

2. Subsections (1) to (4) amend Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003 to increase the maximum value of the SIP free shares that can be awarded to an employee each year from £3,000 to £3,600; and the maximum amount of an employee's salary that can be used to purchase SIP partnership shares each year from £1,500 to £1,800. These increased limits will take effect from 6 April 2014.

BACKGROUND NOTE

3. SIPs are tax advantaged 'all employee' share schemes, which enable employees to acquire shares in various ways, up to maximum values specified in legislation. SIP features may include the purchase of 'partnership shares' by employees by deduction from salary, or the award of 'free shares' by employers.

4. This increase in SIP limits reflects the Government's support for employee share ownership.

5. Alongside this measure, the Government also proposes to increase the maximum amount an employee can contribute to savings arrangements linked to tax advantaged Save As You Earn share option schemes. That change will be implemented by Treasury Order and will take effect from 6 April 2014.

6. If you have any questions about this change, or comments on the legislation, please contact Hasmukh Dodia on 03000 585201 (email: shareschemes@hmrc.gsi.gov.uk).