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# Employee Share Schemes Statistics for 2015-16



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## 1 Summary

Employee share schemes are used by companies to award shares directly to their employees or grant options to buy shares. HMRC offers four share schemes that have tax-advantages to both employers and their employees. Company Share Option Plan (CSOP) and Enterprise Management Incentives (EMI) are for certain employees chosen at the discretion of the employer. Save As You Earn (SAYE) and Share Incentive Plan (SIP) are for all employees. Further background information on the schemes is given in section 4 and if accessing these statistics for the first time, it is advisable to also read section 5 about the analysis methodology and limitations.

From April 2015, HMRC introduced a requirement for companies to submit their annual share scheme returns online for the first time. It has not been possible to produce National Statistics for 2014/15, because the Employment Related Securities service encountered some technical difficulties in the first year, affecting the supply of data for 2014-15. It should be noted therefore that due to 2014-15 data not being available, we compare 2015-16 data with 2013-14 throughout this publication.

This release is a re-issue of the National Statistics for 2015-16 tax advantaged share schemes which were published on 30<sup>th</sup> June 2017. Due to issues with the supply of data it was not possible to update table 6.3 and part of table 6.1 in the June release and HMRC publically committed to issuing these tables as soon as possible. The issues have been resolved for tax year 2015-16, allowing for the tables to be fully updated with figures for this period.

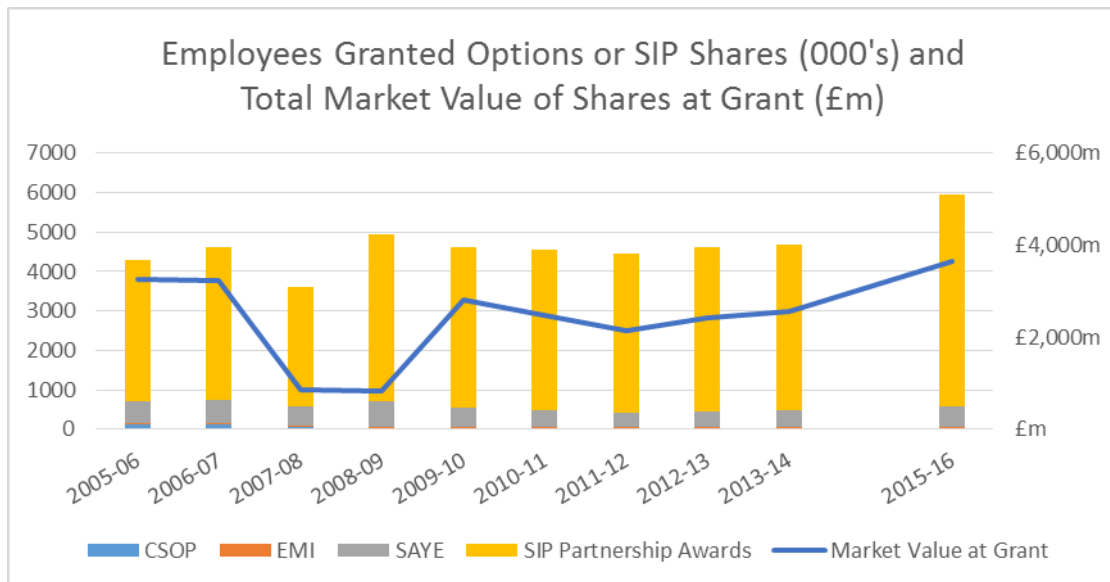
### Key findings:

- In 2015-16, the total value of shares and options awarded was around £4.3bn, 24% higher than the value of £3.45bn in 2013-14.
- The total value of options granted in SAYE, EMI and CSOP schemes increased by 47%, 23% and 20% respectively between 2013-14 and 2015-16. SIP share values have reduced by 6% due to isolated changes among some of the larger SIP schemes in 2013-14 that were not expected to be indicative of any persistent changes.
- The value of tax relieviable gains on SAYE, EMI and CSOP share options exercised have increased by 16%, this is mainly driven by a large increase in EMI gains in 2015-16.
- The total cost of Income Tax and National Insurance relief in 2015-16 for schemes was £880m, 17% lower than in 2013-14. This is largely driven by the changes in SIP as a high number of SIP free shares were awarded in 2013-14 due to isolated changes among some of the larger SIP schemes. These have reduced to expected trend levels in 2015-16. The relief for CSOP schemes has also reduced due to a lower number of employees exercising options in 2015-16 compared with 2013-14.
- The value of gains on exercised EMI options has increased by 85% since 2013-14. This is partially explained by the increase in the number of companies where employees exercised options in 2015-16. This could be due to share prices being high in 2015-16 for unquoted shares, incentivising the high number of individuals granted options in 2005-06 to 2007-08 to exercise within 10 years to benefit from the tax advantages offered by the scheme. The increase could also be partly due

to methodological changes due to the availability of more accurate data from EMI returns submitted online for the first time.

- The number of companies operating SAYE schemes has increased by 18% to 520 in 2015-16. The number of companies operating CSOP and SIP schemes have stayed broadly similar to 2013-14 levels. With the exception of 2009-10, the number of companies operating EMI schemes steadily increased over time until 2013-14, where it peaked at 9,820 companies. This decreased in the latest year to 8,610 in 2015-16. Overall, the total number of companies operating tax-advantaged schemes has decreased by 6% from 11,460 to 10,720, largely due to the decrease in the number of companies operating EMI schemes.
- Table 6.3 for SAYE schemes was not updated for the original publication on 30<sup>th</sup> June 2017, due to problems with the supply of data from the Employment Related Securities (ERS) online service. These issues have been resolved for tax year 2015-16 allowing tables 6.1 and 6.3 to be fully updated with figures for this period.

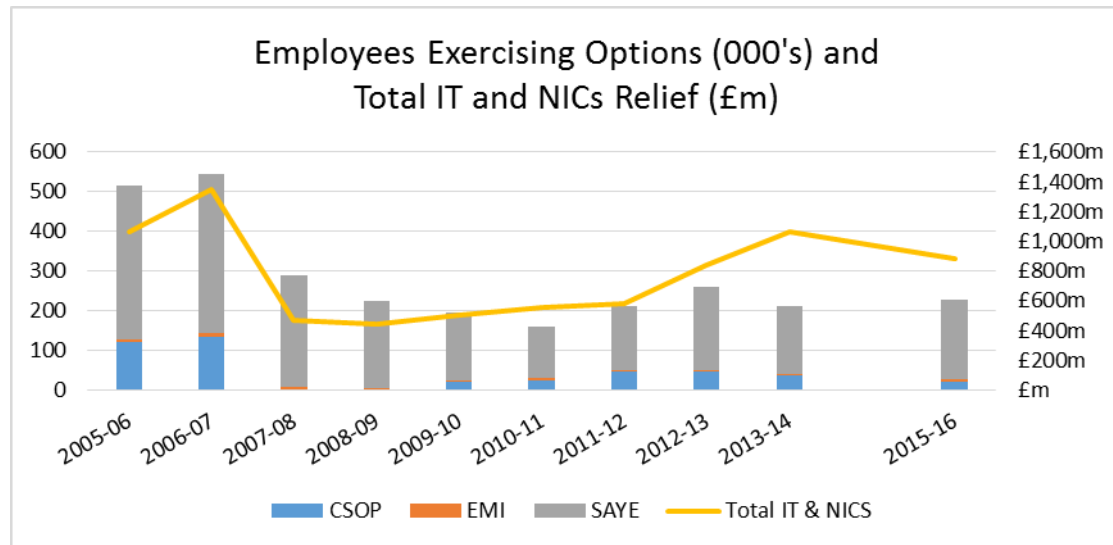
**Figure 1 Employees Granted Options or Shares and Market Values at Grant**



**Notes**

1. Market values for SAYE are not available for 2007-08 and 2008-09 as this was not specified on the form 34 at the time.
2. National statistics are not available for 2014-15. The data points for 2014-15 have been excluded from the chart.

**Figure 2 Employees Exercising Options and Total Costs of Reliefs**



**Notes**

1. Exercise data for CSOP is unavailable for years 2007-08 and 2008-09.
2. There are no exercises of options for SIP schemes as shares are awarded according to the terms of the scheme. The total IT and NICs amounts include relief from SIP schemes.
3. National statistics are not available for 2014-15. The data points for 2014-15 have been excluded from the chart.

## 2 Statistics in this release

It has not been possible to produce National Statistics for 2014/15, due to issues encountered with the Employment Related Securities service in its first year of operation.

In addition to updated statistics for numbers of companies with share schemes found in Table 6.2 there are two tables covering all four schemes that were created in response to user survey feedback in 2012. The first, Table 6.7 relates to the combination of schemes operated by companies. The second, Table 6.8, shows the numbers of live schemes at the end of the tax year. Table 6.1, summarising the estimated IT and NICs costs for all approved schemes was introduced in September 2015. The updated National Statistics tables are listed below:

| Table                 | Description                                      | Links                                    |
|-----------------------|--------------------------------------------------|------------------------------------------|
| All Schemes           |                                                  |                                          |
| 6.1 <sup>1</sup>      | Estimated IT and NICs costs across all schemes   | <a href="#">pdf</a> <a href="#">xlsx</a> |
| 6.2                   | Companies with tax-advantaged share schemes      | <a href="#">pdf</a> <a href="#">xlsx</a> |
| 6.7                   | Companies with various share scheme combinations | <a href="#">pdf</a> <a href="#">xlsx</a> |
| 6.8                   | Number of live schemes                           | <a href="#">pdf</a> <a href="#">xlsx</a> |
| Discretionary Schemes |                                                  |                                          |
| 6.4                   | Company Share Option Plans (CSOP)                | <a href="#">pdf</a> <a href="#">xlsx</a> |
| 6.6                   | Enterprise Management Incentives (EMI)           | <a href="#">pdf</a> <a href="#">xlsx</a> |
| All-employee Schemes  |                                                  |                                          |
| 6.3                   | Save As You Earn (SAYE)                          | <a href="#">pdf</a> <a href="#">xlsx</a> |
| 6.5                   | Share Incentive Plans (SIP)                      | <a href="#">pdf</a> <a href="#">xlsx</a> |

<sup>1</sup> For years up to 2002-03, Table 6.1 provided information on the no longer used Approved Profit Sharing Schemes ([pdf document](#)).



### 3 Statistical Commentary

For an explanation of the terms used in the commentary and further information on how the variables are estimated please see the methodology in section 5.

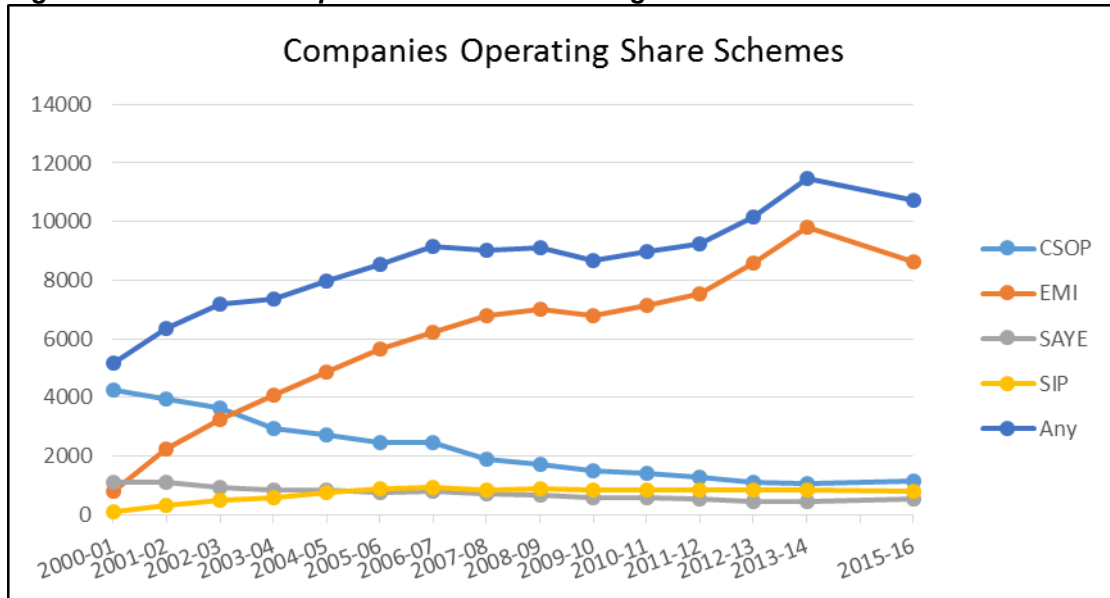
#### 3.1 Numbers of companies

Table 6.2 shows that there were around 10,720 companies operating tax-advantaged share schemes in the UK in 2015-16. As shown in Figure 3, this has steadily increased over time and peaked in 2013-14 due to continuing increases in the number of companies with EMI, although has decreased slightly in 2015-16. EMI is a newer type of scheme having been introduced in 2000 and the increases over time, illustrated in Figure 3, are likely to be due to increased awareness of the scheme among eligible companies.

The number of companies operating any scheme type has fallen by 6% since the 2013/14 peak. This overall decrease is largely attributable to a 12% decrease in number of companies with live EMI schemes. However, for EMI, the number of companies where employees exercised options, the value of relievable gain on exercised options and the associated IT and NIC reliefs all increased between 2013-14 and 2015-16 by 14%, 85% and 45% respectively.

By comparison, other types of tax-advantaged scheme have generally had slowly declining numbers of companies participating. SIP has continued this trend with the number of companies reducing by 2% however, CSOP and SAYE increased by 10% and 18% respectively, between 2013-14 and 2015-16.

**Figure 3 Number of Companies with Tax Advantaged Share Schemes**



Notes:

1. National statistics are not available for 2014-15

#### 3.2 Combination of schemes

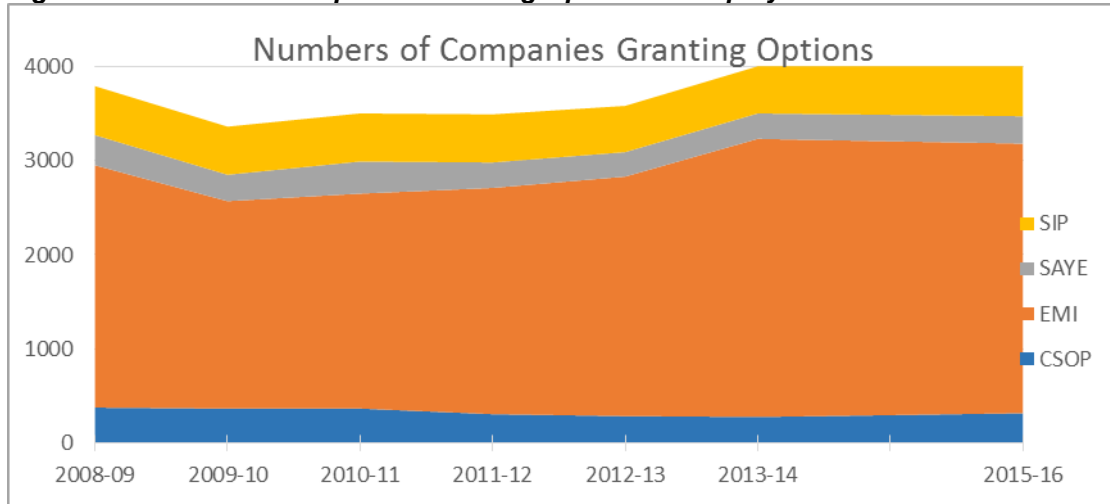
Some of these companies may be operating more than one type of scheme and this has been broken down in [Table 6.7](#) with a summary of the 2015-16 data listed below.

| Number Of Companies | Discretionary Schemes |       | All Employee Schemes |     |
|---------------------|-----------------------|-------|----------------------|-----|
|                     | CSOP                  | EMI   | SAYE                 | SIP |
| Any mixture         | 1,150                 | 8,610 | 520                  | 800 |
| No Other Scheme     | 900                   | 8,460 | 410                  | 640 |
| 1 Other Scheme      | 210                   | 120   | 80                   | 130 |
| 2 Other Schemes     | 40                    | 20    | 30                   | 30  |
| 3 Other Schemes     | <10                   | <10   | <10                  | <10 |
| Any Other Scheme    | 250                   | 140   | 110                  | 160 |
| With CSOP           | ..                    | 100   | 80                   | 110 |
| With EMI            | 100                   | ..    | 20                   | 40  |
| With SAYE           | 80                    | 20    | ..                   | 40  |
| With SIP            | 110                   | 40    | 40                   | ..  |

The figures show that in 2015-16 98% of EMI companies did not operate other tax advantaged schemes. It also shows that 100% of companies with SAYE schemes that operated at least one other type of tax advantaged employee share scheme operated a CSOP scheme. For companies operating EMI, SAYE and SIP schemes the most common other type of scheme that the company would operate is CSOP.

Figures 4 and 5, show the numbers of companies with employees who were granted and exercised options. Figure 4 shows that the total number of companies where employees have been granted options or shares has generally been rising slightly since 2009/10, with a more pronounced increase in 2013-14. Companies granting CSOP and SIP options in 2015-16 have increased slightly, whilst companies granting EMI options have decreased. Figure 5 shows that after a slight decrease over recent years, the total number of companies operating CSOP and EMI schemes where employees exercised options increased in 2013-14 and has continued to increase in 2015-16. The general increases in exercises are mostly due to increased exercises in EMI schemes.

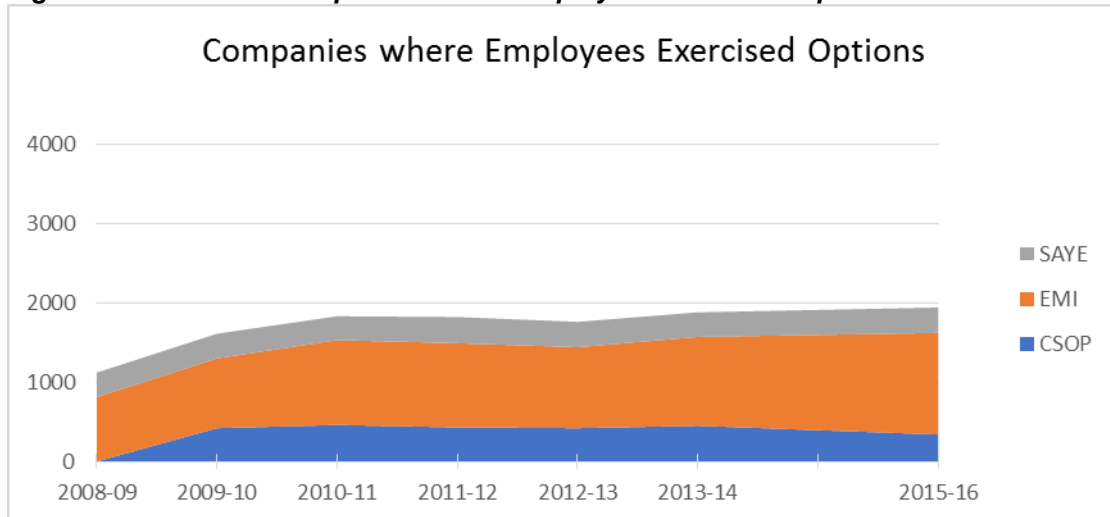
**Figure 4 Numbers of Companies Granting Options to Employees**



Notes:

1. National statistics are not available for 2014-15.

**Figure 5 Numbers of Companies Where Employees Exercised Options**



Notes:

1. SIP schemes award shares rather than grant options so there are no exercise numbers.
2. Data is not available before 2009-10 for CSOP
3. National statistics are not available for 2014-15.

The two charts are set to the same vertical scale to highlight there are far fewer exercises than grants in each year. This is expected within employee share schemes where options are only likely to be exercised when circumstances result in a beneficial outcome to the employee.

### 3.3 Company Share Option Plan Schemes

The number of CSOP schemes and awards has been generally declining since 2000-01, with the number of schemes down 73%, the number of employees receiving options down 90% and the value of shares over which options were granted down 89% ([Table 6.4](#)). The numbers of employees exercising CSOP options, and the estimated income tax and national insurance costs, peaked later between 2004-05 and 2006-07, as we would expect since CSOP options cannot be exercised in the first three years.

### **3.4 Enterprise Management Incentives**

The number of companies granting options has decreased slightly in 2015-16, but the total amount granted has increased above the level of the previous peak in 2013-14. The average value awarded has generally been increasing gradually since 2007-08, possibly in part due to the increase in award limits from April 2008. However in 2011-12 this trend reversed very slightly.

Although exercises fell sharply in 2008-09, rather than flatten out they have been fluctuating since then. The figures for 2015-16 show a 14% increase in the number of companies where employees exercised options and no change to the number of employees exercising options compared to 2013-14. Total gains on exercised options have increased by 86% whilst relievable gains have increased by 85% leading to increases in the costs of IT and NICs relief too. This could be due to rising unquoted share prices in 2015-16 leading to favourable conditions for employees exercising options, but may also be due to methodological changes as described in section 5.5.

EMI share prices often reflect changes in innovation and performance delivered by the companies rather than share price changes on the main stock exchanges generally as many companies with EMI schemes are relatively small and not listed on stock exchanges.

### **3.5 Save As You Earn Share Option Schemes**

Awards made under SAYE have risen for 2015-16 compared to 2013-14 with 60,000 more employees being granted options and also the initial value of shares over which options are granted rising by around £800m. According to statistics published by London Stock Exchange<sup>1</sup>, the overall equity market value for Main Market listed companies declined by approximately £204 billion between April 2015 and April 2016. This reduction in valuations could represent an opportunity for SAYE participants to set a favourable grant price, maximising any future gains.

Companies where employees exercised options and the number of employees exercising options increased in 2015-16. These increases contributed to a 13% rise in the estimated cost of Income Tax and NIC reliefs for SAYE since 2013-14.

The relatively large changes in the value of relievable gains throughout recent years are not unexpected as 2008-09 to 2010-11 were popular years for participation in SAYE schemes. These schemes are typically exercised 3, 5 or 7 years after they are granted. This was also a period when share prices were broadly declining and would have presented employees with an opportunity to benefit from any future recovery in share prices.

### **3.6 Share Incentive Plans**

The number of employees awarded free shares and the value of these shares increased significantly in 2013-14. This was largely due to isolated changes among some of the larger SIP schemes in 2012-13 and 2013-14 and was not expected to be indicative of any persistent changes. As such, the value of SIP free shares awarded has decreased by 60% in 2015-16. Awards of Partnership, Matching and Dividend shares have increased by 46%, 55% and 30% respectively since 2013-14.

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<sup>1</sup> <http://www.londonstockexchange.com/statistics/historic/main-market/main-market.htm>

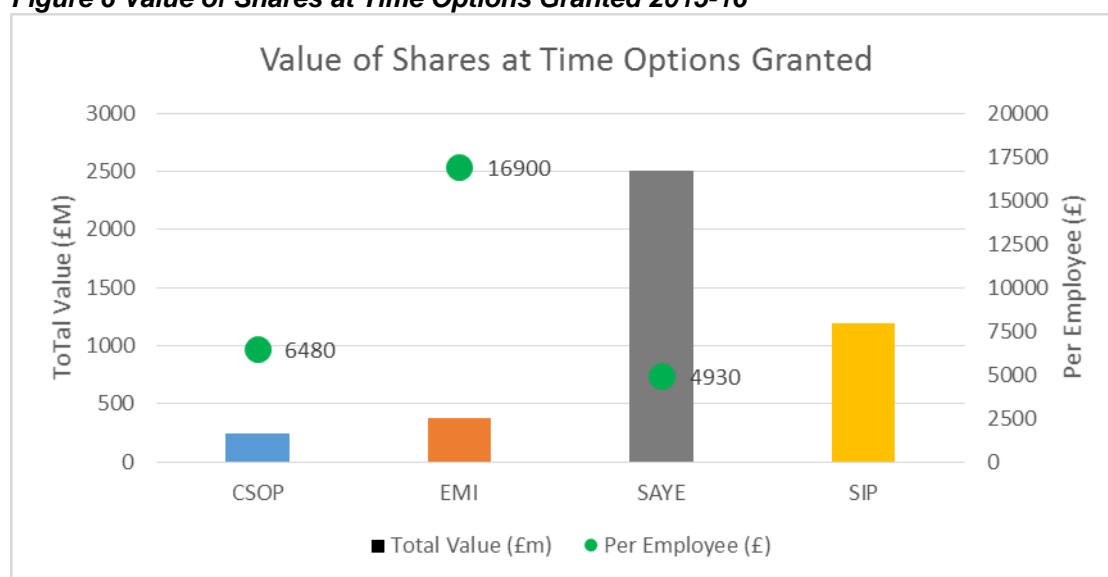
The estimated costs of relief for income tax and national insurance contributions have returned to levels similar to previous years before the sharp increase in 2013-14. The number of companies reporting SIP scheme activity in 2015-16 increased slightly compared to 2013-14, remaining broadly similar to previous years.

### 3.7 Comparisons between schemes

Figure 6 below shows that SAYE schemes have the highest total value of options granted for 2015-16 at approximately £2.5bn. The chart shows that for discretionary schemes where participation is limited there are higher values of awards per employee and for all-employee schemes the awards are of lower value per employee but have a higher total value due to much higher rates of participation.

Although total value of EMI and CSOP awards are much lower, the average amount awarded per employee is higher, with EMI average awards of £16,900 per employee being the highest across all the schemes. This reflects the higher limits on the maximum amount that can be awarded under those schemes, and also that discretionary schemes may be offered to select employees whereas SAYE and SIP must be offered to all employees.

**Figure 6 Value of Shares at Time Options Granted 2015-16**

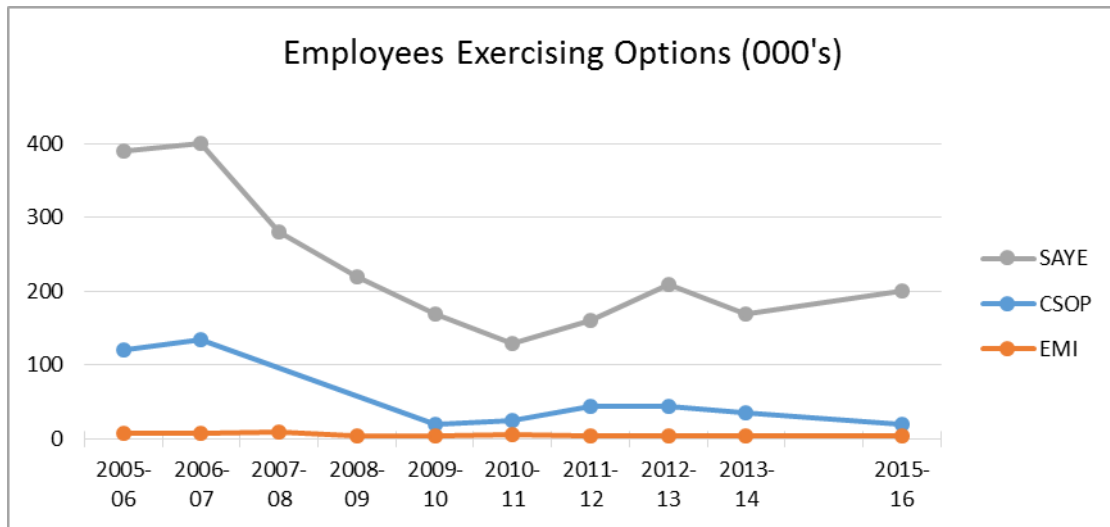


Notes:

1. The average amount awarded per employee is not included for SIP schemes as it is not possible to identify where one individual is awarded shares of more than one type (free, partnership, matching or dividend).

Similarly, figure 7 below shows that more employees exercise SAYE options than CSOP or EMI options. Both CSOP and EMI are discretionary share schemes while SAYE is for all employees and is therefore likely to have higher numbers of employees participating. (Note: SIP is not included as options are not exercised under SIP)

**Figure 7 Numbers of Employees Exercising Options**

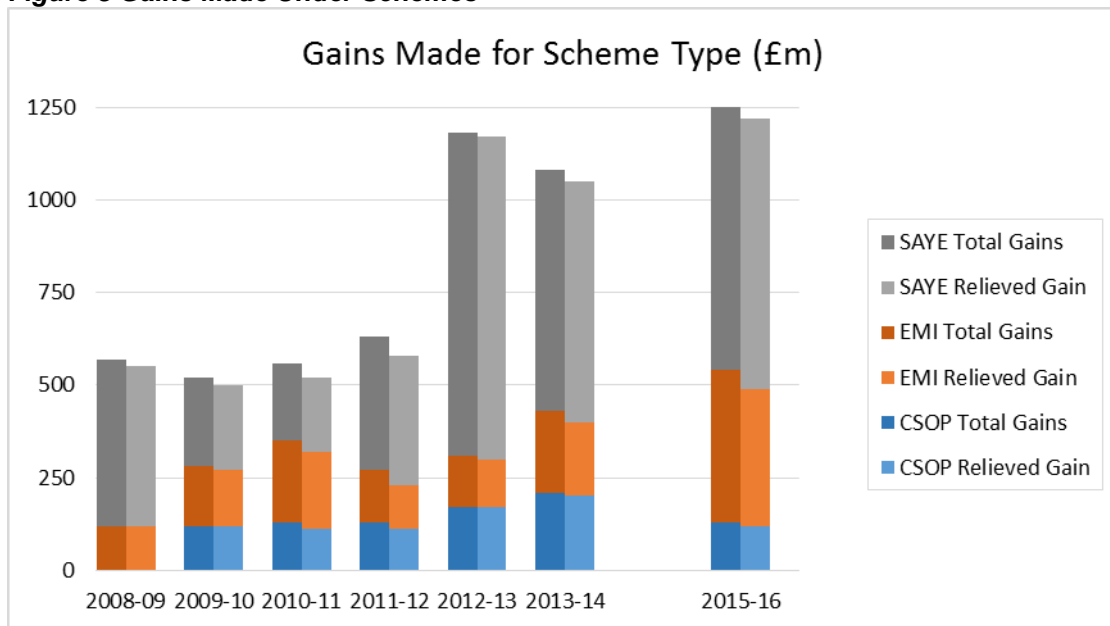


**Notes**

1. Exercise of options data is unavailable for 2007-08 and 2008-09 years.
2. National statistics are not available for 2014-15. The data point for 2014-15 has been excluded from the chart.

Figure 8 shows total gains and gains that receive Income Tax and NIC reliefs since 2008-09 for the 3 types of tax advantaged schemes that involve grants of options. The differences between total gains and gains which qualify for tax relief do fluctuate slightly. The gains were much higher in 2012-13 than in earlier years, primarily because SAYE scheme gains were much higher in this year. These fell slightly in 2013-14, but have increased again in 2015-16. EMI gains increased significantly in 2015-16 as discussed in section 3.4.

**Figure 8 Gains Made Under Schemes**

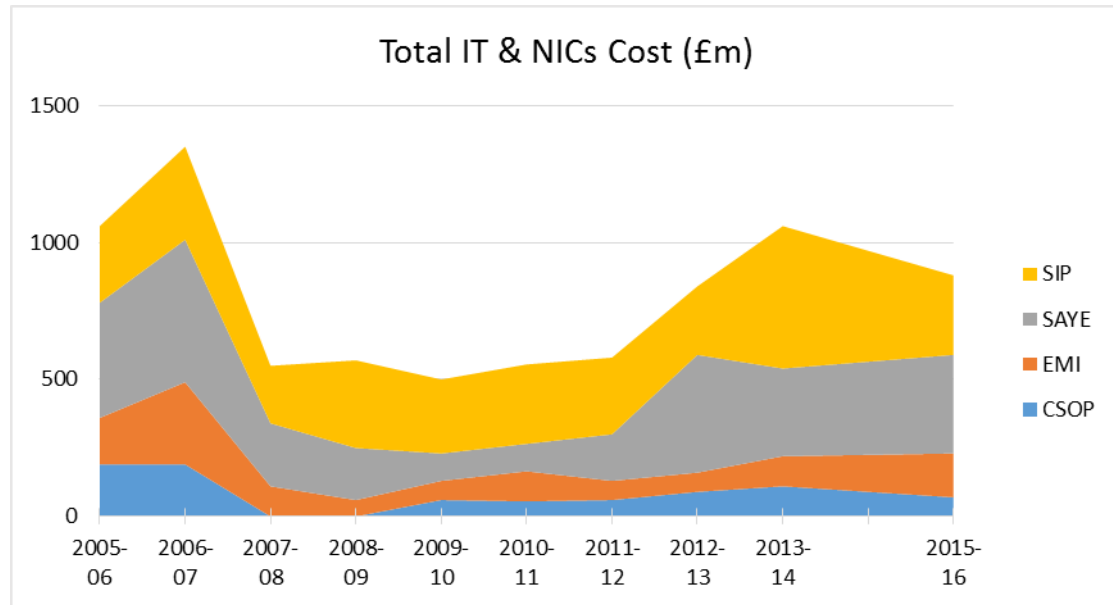


**Notes:**

1. National statistics are not available for 2014-15

As the total cost of relief is dependent on the numbers of employees exercising options and the value of the gains, costs for SAYE, CSOP and EMI are therefore affected by these things. Similar to grants, SAYE costs are generally higher than for CSOP and EMI although taking the number of employees exercising options into account, the average cost per employee is highest for EMI.

**Figure 9 Total Income Tax And National Insurance Cost**



**Notes**

1. IT and NICs cost figures are unavailable for CSOP schemes in 2007-08 and 2008-09 tax years.
2. National statistics are not available for 2014-15. The data points for 2014-15 have been excluded from the chart.

## 4 Background Information for Employee Share Schemes

### 4.1 Introduction

Share schemes allow employees to acquire options over shares or shares directly in their company as part of their remuneration. Under specified conditions, gains on shares acquired under tax advantaged share schemes have advantages for employees and employers of being free from Income Tax, National Insurance Contributions and for SIP, Capital Gains Tax. A company is “operating” a scheme if it has employees with live option(s) and/or shares and the scheme itself has not ceased or had its approval withdrawn.

**Characteristics of employee share schemes**

| Scheme Name | When Introduced | Description                       | Type          | Relief given |
|-------------|-----------------|-----------------------------------|---------------|--------------|
| <b>EMI</b>  | 2000            | Options awarded                   | Discretionary | IT/NICs      |
| <b>CSOP</b> | 1996            | Options awarded                   | Discretionary | IT/NICs      |
| <b>SAYE</b> | 1980            | Savings with option to buy shares | All employees | IT/NICs      |
| <b>SIP</b>  | 2000            | Shares awarded or purchased       | All employees | IT/NICs/CGT  |

There are four types of tax advantaged share schemes currently running. CSOP and EMI are called discretionary schemes as they do not have to be offered to all employees. Both are share option schemes (i.e. the right to buy shares at a later date at a previously determined price). SIP and SAYE are called all-employee schemes as they have to be offered to all qualifying employees in a company without exception. Under the SIP scheme employees are awarded and are able to buy shares, and under SAYE are awarded options to buy shares from a fund which they save into.

### 4.2 Company Share Option Plan Schemes

A new type of discretionary scheme called Company Share Option Plan (CSOP) replaced the previous Discretionary Share Option Plan (DSOP) in 1996<sup>2</sup>. Under CSOP there is a limit of £30,000 on the value of the shares under options that may be held by an employee at any one time (taking into account the value of shares in options held under any other tax advantaged CSOP scheme). Also, options may not be offered at a discount (i.e. the exercise price must not be manifestly less than the market value of the underlying shares on the option grant date).

### 4.3 Enterprise Management Incentives

Introduced in Finance Act 2000, EMI offers tax-advantaged share options to help small, higher risk independent trading companies recruit and retain the high calibre people they need to grow and succeed. EMI is open to qualifying companies or groups with gross assets not exceeding £30million (increased from £15million on 1 January 2002).

The main features of EMI are that:

- Each employee can be granted options over shares worth up to: £250,000 for options granted on or after 16 June 2012

<sup>2</sup> Statistics for DSOP and CSOP are available in the CSOP statistical table



£120,000 for options granted on or after 6<sup>th</sup> April 2008

£100,000 for options granted before 6<sup>th</sup> April 2008

- Companies can have up to £3 million of shares under EMI option at any one time;
- Nil cost and discounted options can be used (though there may be tax and National Insurance implications).

The individual limit of £250,000 includes the value of any Schedule 4 CSOP options granted by the employing company and any companies that are members of the same group of companies.

EMI is restricted to companies that have fewer than 250 full-time equivalent employees at the date on which a qualifying EMI option is granted. EMI options are discretionary. Qualifying companies can choose to grant EMI options to any number of employees working for them (at a parent, or a qualifying subsidiary) whom they employ for at least 25 hours per week or 75 per cent of their working time and who have no material interest in the company.

No income tax or National Insurance is chargeable on either the grant or exercise of EMI options if: the options are exercised within 10 years of grant; the exercise price is the market value of the shares at the date the option is granted; and the company and employee qualifies for EMI throughout the period from the grant to exercise. If the option is granted at a discount, the amount of the discount is normally taxed on exercise and National Insurance may be payable.

#### **4.4 Save As You Earn Share Option Schemes**

Tax relief for approved SAYE Share Option schemes was introduced in 1980. The scheme allows a company to give employees the right ('option') to buy shares in the company at an exercise price that is fixed when the option is granted. The exercise price must not be less than 80 per cent of the value of the underlying shares at that time. Participating employees can save up to £500 per month from 6<sup>th</sup> April 2014 under a SAYE savings contract with a bank, building society or relevant European institution. Previously they could save between £5 and £250 per month. These contracts last for three or five years. Employees with five-year SAYE contracts may decide at the outset whether to take the proceeds after the fifth anniversary or leave the savings for another two years to earn an additional bonus. The bonus or interest earned on these savings is tax-free.

The lump sum resulting from the SAYE contract can be used to buy the shares if the employee chooses to exercise their options after 3, 5 or 7 years, depending on the terms of the contract. Employees are not obliged to exercise their options and they may choose not to, particularly if the current share price is less than the exercise price set when the option was granted. If the option is not exercised, the employee receives the proceeds of the SAYE savings contract in the normal way.

Under an approved SAYE Share Option scheme, the employee does not pay income tax or National Insurance Contributions on the grant of options, the bonus or interest received under the SAYE contract, the benefit from being able to buy shares at a discounted price, or any increase in the market value of underlying shares between the dates on which the option was granted and exercised. Capital gains tax may be payable if shares acquired through a SAYE scheme are later sold or disposed.

## 4.5 Share Incentive Plans

Initially known as all-employee share ownership plan, SIP was introduced in Finance Act 2000 largely as a replacement for Approved Profit Sharing schemes<sup>3</sup>. The plan has three key elements:

- Free shares – employers can give employees up to £3,600 worth of shares each year;
- Partnership shares – employees can buy up to £1,800 of shares or spend 10% of their income for the tax year (whichever is lower) out of pre-tax and National Insurance earnings;
- Matching shares – employers can give up to 2 free shares for each partnership share bought by the employee.

If the employer's scheme allows it, employees may be able to buy more shares with the dividends received from free, partnership or matching shares.

All shares are held in trust on behalf of employees. When an employee leaves, all their shares come out of the plan.

Employees do not pay income tax or National Insurance Contributions on the value of the free or matching shares given to them provided they keep them in the plan for at least 5 years. If they leave, or take them out of the plan for another reason, between 3 to 5 years, there is no income tax and National Insurance charge on growth in value. If they take them out of the plan within 3 years, income tax and National Insurance is payable on the market value of the shares at the time the employee takes them out. No income tax is paid on the value of the dividends reinvested in more plan shares provided those shares stay in the plan for three or more years. No capital gains tax is payable on any increase in value while the shares are in the plan. When the shares are sold, the cost for calculating capital gains tax liability (if any) is the market value of the shares on exit from the plan and not the market value at acquisition.

## 4.6 Approved Profit Sharing Scheme (not used since December 2002)

Special tax treatment for share awards to employees under APS schemes started in 1978, but was phased out following the introduction of Share Incentive Plan. No new profit sharing schemes were approved after 5 April 2001. Awards under existing schemes ceased in 31 December 2002 although employees can continue to hold tax-advantaged shares from past appropriations.

## 4.7 Discretionary Share Option Schemes (not used since 1996)

Tax relief for Discretionary Share Option Schemes was introduced in 1984 and ceased in 1996, when no further options could be granted. Employees were given the right ('option') to buy shares at an exercise price fixed when the option was granted. Granting of options under these schemes was discretionary in that the company was free to decide which employees or full time directors could participate. Options did not have to be linked to any kind of savings arrangement and employees were not obliged to exercise their options. The value of options that could be held by an individual was

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<sup>3</sup> A final version of the APS table produced in July 2005 is available on the HMRC website at <http://www.hmrc.gov.uk/statistics/share-schemes/table6-1.xls>

limited to the greater of £100,000 or four times the individual's salary for the current or preceding year.

#### 4.8 Transfers into an individual savings account

Employees who acquire shares from a tax advantaged all-employee share scheme (i.e. Approved Profit Sharing scheme, SAYE Share Option Scheme, or Share Incentive Plan) may transfer them directly into the stocks and shares component of an Individual Savings Account (ISA). ISA managers cannot accept shares acquired via tax-advantaged discretionary share option schemes (i.e. Discretionary and Company Share Option Plans and Enterprise Management Incentives).

Employees' shares must be transferred into an ISA within 90 days of emerging from the scheme. The aggregate market value of the shares when transferred must be within the normal annual ISA subscription limits. There is no charge to capital gains tax on shares transferred. Prior to the introduction of ISAs, from 1992, shares acquired via tax advantaged all-employee schemes could similarly be transferred into a single company Personal Equity Plan.

#### 4.9 Policy changes

Policy changes which may affect the statistics are summarised below:

| <b>Policy Change</b>                                                                                                                                                           | <b>Date</b>   | <b>Impact on Statistics</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Company Share Option Plans replaced Discretionary Share Option schemes                                                                                                         | 1996          | As the Discretionary Share Option schemes had a limit of the greatest of £100,000 and four times earnings and the Company Share Option Plans has a limit of £30,000 per employee the change would have led to a fall in the value and average value of options granted.<br><br>The change would also have led to a fall in the cost of the cost of income tax relief, but this would have been delayed for a few years as under CSOP there has to be a three year gap between the grant of option and its exercise. |
| New schemes were not approved for approved profit sharing schemes after 2000-01<br><br>No further shares were appropriated to employees by existing schemes from January 2003. | 2000 and 2003 | The value of appropriations and cost of the scheme in 2002-03 is lower as it only covers a part year.                                                                                                                                                                                                                                                                                                                                                                                                               |

|                                                                                                                                                                                                                                                                         |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Limit of EMI shares that can be granted to each employee increased from £100,000 to £120,000.                                                                                                                                                                           | April 2008 | <p>The change will have allowed employees to make larger grants of shares, and also to grant additional shares to employees who were previously at the limit. As a result it may have increased the number of employees to whom options were granted compared to what would have happened without the policy change. It is likely to have increased the value of shares and average value of options granted.</p> <p>The higher level of grants is likely to feed through to higher exercises, accumulating over the 10 year period after the policy change due to the time in which employees can exercise options with a tax-advantage.</p> |
| Limit of EMI shares that can be granted to each employee increased from £120,000 to £250,000.                                                                                                                                                                           | June 2012  | The effects of this change are expected to be similar to the impacts described above for the limit increase from £100,000 to £120,000.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p>Increase in the limit for employee contributions to SAYE schemes from £250 to £500 per month.</p> <p>Increases in the annual limits for awards or purchase of SIP shares from £3,000 to £3,600 for free shares and from £1,500 to £1,800 for partnership shares.</p> | April 2014 | These changes will not have affected the National Statistics published for years up to and including 2013/14.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

Increases in the SAYE and SIP saving limits prior to 1991 and 2000 respectively have not been included.

#### 4.10 Further information

Detailed guidance on employee share schemes can be found at <http://www.hmrc.gov.uk/shareschemes/>.

## 5 Analysis Methodology and Data Quality

### 5.1 Data source

The data used for the National Statistics for years up to 2013-14 comes from the annual paper return forms (<https://www.gov.uk/government/collections/employment-related-securities>) along with the EMI1 form notifying the grant of options. The forms are due back to HMRC either in the July at the end of the tax year or 30 days after the issue of the form if the form was issued later. Once the forms arrived at HMRC they were checked and sometimes used for compliance work.

Information from the forms was keyed into a database for the purpose of producing the National Statistics. For larger schemes with returns detailing more than 30 employees, we only captured data for a sample of employees and grossed the data based on the sampling rate to estimate the total for that company. Only fields required for updating the National Statistics were captured from the forms. Data capture finished in the spring each year, after which the data would be prepared for publication. Returns received after the keying process completed (late submissions) would not be captured and were therefore not included in the statistics.

From April 2015, HMRC introduced a requirement for companies to submit their annual share scheme returns online for the first time. The Employment Related Securities service encountered some technical difficulties in the first year, affecting the supply of data for 2014-15. It was therefore not possible to update these National Statistics using 2014-15 data.

The data used for the National Statistics for 2015-16 is taken from the return templates submitted online for the 2015-16 tax year. These templates can be found online at <https://www.gov.uk/government/collections/employment-related-securities> along with the [EMI1](#) form for notifying HMRC of the grant of options in an EMI scheme. As with the paper returns, the templates are required by HMRC in the July following the end of the tax year. Since returns are submitted electronically, information no longer needs to be manually entered into a database, nor is it necessary to sample data where the number of employees exceeds 30.

### 5.2 Number of companies

For years up to 2013-14, the number of companies for SAYE, CSOP and SIP was taken from a database of schemes which contained information on whether a company had more than one scheme of the same type. The number of companies with each scheme was counted based on the information for all the schemes which have not reported that they have ceased on their annual return or have had their approval withdrawn.

A different methodology was used for EMI as companies do not report that they have ceased on their annual returns but are treated as not being live if they do not have any options remaining in the scheme. Using the same methodology for the EMI companies would have over-estimated the number of companies with a live EMI scheme.

This methodology for EMI companies was applied to data for 2007-08 to 2013-14, but for earlier years this had proved more difficult due to a lack of data on the companies

holding SAYE, CSOP and SIP schemes and so we estimated these numbers by approximating the level of overlap between the schemes. This means there may be some error around these estimates however the series should still provide a good indication of the trends in numbers of share schemes over time.

For 2015-16 onwards, the number of companies with any type of scheme, including EMI, is counted from full data at the time of compiling the statistics, which can include some submissions received late. The number of companies is determined by counting unique employers submitting returns for each of the scheme types. Similar methodology is used across all four scheme types.

### **5.3 Live Schemes/Companies Granting Options**

For SAYE, CSOP and SIP we have historically published data on the 'number of live schemes at the end of the financial year'. A 'live' scheme can be defined as one that has been approved to run by HMRC and has neither ceased nor had its approval withdrawn. This will include schemes where there has been no activity (e.g. options awarded or exercised) in that year. As companies may have more than one share scheme of the same type, the number of companies operating a particular scheme type tends to be less than the number of "live" plans reported. This data is now part of [Table 6.8](#).

Since the user consultation in 2012 we have included the number of companies granting options or awarding shares as in the case for SIP. This will only include a company once if there is more than one scheme and will only include the companies that granted options in that year. It is not comparable to the data in Table 6.8 as it does not include schemes that are live but have not granted options.

### **5.4 Grants**

The number of companies granting options or shares is the first data column in each of the individual scheme tables (i.e. Tables 6.3 to 6.6).

For each of the share schemes we also publish information on grants, i.e. the share options that have been granted to employees under the SAYE, CSOP and EMI schemes. Under the SIP scheme employees are directly awarded or purchase shares that are held in a plan, and so the data on grants looks at the shares going into SIP plans.

#### **CSOP**

The number of employees to whom options are granted during the year is taken directly from the box on return which asks for the number of individuals granted options in that event. As companies may grant options to the same employee at different times throughout the year those employees will be counted more than once.

The initial value of options granted is calculated by taking the market value of options granted and multiplying it by the total number of options granted.

The average value of shares granted is calculated by dividing the initial value of options granted by the number of employees. To produce a more accurate estimate, this is done using unrounded data, which can mean there are differences compared with if this was calculated from the rounded data shown in the table.

The data is cleaned by checking for unusual values and missing values. More information on this can be found in the section on quality below.

### EMI

For EMI we publish the number of live companies granting options and the number of employees to whom options are granted. The data comes from the EMI1 notice of an option granted form and we count the number of HMRC unique scheme reference numbers and the number of unique National Insurance numbers. Any missing National Insurance numbers are taken to represent a unique employee per record. For 2014-15 data onwards individuals can in most cases be uniquely identified where no national insurance number is provided, making it less likely that duplication will occur when counting the number employees.

The initial value of shares over which options were granted during the year is estimated by taking the market value of a share at date of grant and multiplying it by the maximum number of shares over which this option is granted. The average value of shares granted is calculated by dividing the initial value of options granted by the number of employees. To produce a more accurate estimate, this is done using unrounded data, which can mean there are differences compared with if this was calculated from the rounded data shown in the table.

The data is cleaned by checking for unusual values and missing values. More information on this can be found in the section on quality below.

### SAYE

Under the SAYE scheme employees are granted options when they begin a savings contract. For example, if an employee started a 3 year contract into which they would be saving £100 per month, the employer would grant options at the start of the contract that would allow the employee to buy shares at a price of £3,600. The market price may be higher as companies are allowed to grant the options with a price up to 20% below the market price and they would also need to grant options to cover any tax free bonuses.

The number of employees to whom options are granted is taken directly from the box on the return which asks for the total number of directors and employees to whom options are granted.

The initial total value of options granted is calculated by multiplying the market value of options granted by the number of shares of which options were granted. For all but a few companies, options are only granted once a year so there is only one price supplied. Prior to the introduction of the online filing system, for the companies with more than one price an average was taken of the prices since we do not know how many shares were granted at each price – this is unlikely to make much difference to the data since it applies to a very small number of schemes. This limitation does not apply for data collected after 2013-14.

The average value of shares granted to each employee is calculated by dividing the total initial value of options granted by the number of employees. This is done using unrounded data. The published table presents rounded data and could produce different results for a similar calculation, which can mean there are differences compared with if this was calculated from the rounded data shown in the table.

The data is cleaned by checking for unusual and missing values. More information on this can be found in the section on quality below.

## SIP

Under SIP, employees are awarded shares rather than options to purchase shares. Those shares are then held in the SIP plan and appropriated by the employee at a later date. The minimum duration shares are held in the plan will depend on the type of share (i.e. free, partnership, matching or dividend).

The number of employees awarded or who purchased shares is taken directly from the box on the return which asks for the number of participants in this award or acquisition and it is categorised by type of award based on the information supplied in the same section. If an employee receives more than one award in a year (which could be of the same or different types) they will be recorded in the return each time and therefore employees may be counted more than once in the data.

The value for each type of shares awarded also comes directly from the return and the average value of shares is calculated by dividing the total value of shares awarded by the number of participants. To produce a more accurate estimate, this is done using unrounded data, which can mean there are differences compared with if this was calculated from the rounded data shown in the table.

The data is cleaned by checking for unusual values and missing values. More information on this can be found in the section on quality below.

## **5.5 Exercises and Costs**

The data on exercises for SAYE, CSOP and EMI shows the employees who bought shares by exercising their options. Employees receive awards of shares rather than options under SIP so there are no options to exercise.

Following the user consultation in 2012 we have now included the number of companies where employees exercised options to buy shares. This will only include a company once if there is more than one scheme and, as implied by the title, will only include the companies that had employees that exercised their options in that year. It is not comparable to the data on live schemes in table 6.8 since the number of companies where employees exercised options for each scheme will be less than the number of live schemes.

For each plan we publish data on estimated Income Tax (IT) and National Insurance (NICs) costs. These are calculated by multiplying gains (estimated as described below for each scheme) by estimated average marginal IT and NICs rates. The tax rates applied to these have been estimated using the income distribution from our published research reports (the [Evaluation of Tax-Advantage All-Employee Share Schemes](#) and the [EMI evaluation survey](#)) along with the [Income Tax and National Insurance rates](#) for the relevant year. While some assumptions have been made to estimate the average tax rates alongside the evaluation reports, particularly for the discretionary schemes, the costs have been found to be relatively insensitive to the assumptions.

The costs given are the costs of IT and NICs relief only. They are calculated by comparing the values of IT and NICs relief obtained on the gains at the exercise of CSOP, EMI and SAYE options and the values of shares appropriated to employees out of SIP plans. The figures represent the amount of IT and NICs that would have



been paid by the employees had they been paid in cash of equivalent value to the gains.

For SAYE, CSOP and EMI there may be some additional Capital Gains Tax (CGT) received as CGT will be due on the gain made on the option as well as on the share when it is sold. SIP conversely may lead to a CGT cost as no CGT is due on the gain in share price while the shares are in the plan. We do not estimate the cost of CGT as we cannot link the shares in the share schemes to the CGT reported via the self-assessment form. It is difficult to know how much more or less CGT may be paid and when, since we do not know how long after the exercise the shares will be sold. We also do not know to what extent the CGT might be relieved, for example if the shares from a SAYE scheme are put into an ISA or if the gains are under the annual exempt amount for CGT.

In some circumstances. Companies may deduct some or all of the costs associated with operating employee share schemes from their Corporation Tax liability. This information is not collected in the data used to compile these statistics and is not covered by this publication.

### CSOP

For CSOP we publish the number of employees who exercised options during the year. This is taken directly from the number reported on the return. The online filing system introduced in 2014-15, allows counting of individuals based on a number of fields. This should result in more accurate counts of individuals exercising options within the tax year. The counts may also include some late submissions if they were received before compiling the statistics.

The gain on exercise is estimated by multiplying the number of shares acquired by the market value of a share on the date the shares were acquired. We then deduct the total amount paid for these shares by multiplying the number of shares acquired by the exercise price per share. To calculate the IT and NICs costs we identify the gains which qualify for relief and then multiply these by the average marginal Income Tax and National Insurance rates as described above to give the estimated costs.

### EMI

For EMI we publish the number of employees who exercised options each year. This comes from the annual return and is calculated by counting the number of unique National Insurance numbers for exercised options. Any missing National Insurance Numbers are taken to represent a unique employee per record.

For data collected after 2013-14, the number of employees can be determined more accurately. All individuals are assigned a unique reference number within the database and this allows only unique individuals to be counted, even when the National Insurance number is not provided.

The gain on exercise is estimated by calculating the difference between the value of the shares acquired at the date options are exercised and the value of the shares acquired at the date the options were granted. For tax years 2013-14 and earlier, the proportion of relievable gains within (those eligible for IT and NIC relief) is estimated based on previous year's figures. From 2014-15, the data collected includes information on eligibility for IT and NICs relief, meaning we no longer estimate this proportion and calculate the total gains and relievable gains directly from the data provided and this should allow for more accurate statistics.

The estimated marginal IT and NICs rates are then applied to the relievable gains total to estimate the total IT and NICs relief for EMI.

### SAYE

For SAYE we publish the number of employees that exercised options. This is taken from the number reported on the return. For years after 2013-14, the number of employees is counted from data recorded in the return.

For years prior to 2014-15, the gain on exercise is estimated by multiplying the number of shares acquired on the exercise of the option by the market value on the last date that the options were exercised then deducting the total amount paid for these shares. The gain is then multiplied by the marginal Income Tax and National Insurance Rate as described above to produce the estimated costs. This means that the cost only includes the gain made by exercising any options. It does not include the cost of the relief on the bonus, although it will include the cost of any gain made on options purchased using the bonus.

For 2007-08, 2008-09 and 2009-10 the market value on the date the options were last exercised was an optional box on the form and so this box was often not filled in. Where this value was missing we first looked to see if there was a market value for that year in one of the other sections of the form (usually the market value at grant) and if that was also missing we instead used an average share price for the year from the internet. In any remaining cases for which no share price is available we assumed the market value was the same as the price paid. (Note: This is a change in the methodology; see section 6 below for more information.)

For years prior to 2014-15, we use the market value on the date the options were last exercised as it is the only field available on the value of options at exercise. This field might over-estimate or under-estimate the gains in the year depending on if share prices are generally rising or falling in that year. For example, if share prices are rising then the market value of the shares acquired at the end of the year is likely to be higher than the market value of any shares acquired earlier in the year and so we will over-estimate the gain. Using the market value of shares granted in that year, or average market values, where there is no date on gains may under-estimate the gains since options may be more likely to be exercised when prices are higher (in some cases they will only be in profit and worth exercising when the price is higher).

For years after 2013-14, the gain on exercise is calculated by multiplying the number of options exercised by the market value on the date the options are exercised. The market value is recorded individually for each event where options are exercised, removing the risk of over or under-estimating gain due to market values fluctuating throughout the year.

### SIP

For SIP there are no exercises of options, as shares are awarded rather than options being granted. Shares need to be held in the plan for a minimum duration to be eligible for IT and NIC relief.

The total value of shares awarded is calculated as described in Section 5.4.

The value of the shares leaving the plan early are taken from the boxes on the form or template on forfeiture, the boxes on shares leaving the plan within 3 years of award and shares leaving the plan between 3 and 5 years for award. For the latter two categories the data in these boxes will contain some “good leavers” who still get tax

relief despite leaving the plan early. For years up to and including 2011/12 we assume that 20% of the value of the shares leaving within 3 years went to good leavers, and that this was also the case for 50% of the value of shares leaving between 3 and 5 years. After removing these good leavers we deducted the value of shares leaving the plan early with no relief from the value of shares awarded, although the shares leaving the plan are likely to have been awarded in earlier years. This gives a net value awarded which is then multiplied by the average Income Tax and National Insurance rate as described above to produce the estimated costs.

From 2012/13 we captured data about whether tax was due when shares ceased to be subject to SIP plans from the tax return. We used this data to calculate the values of shares leaving the plans within 5 years of them being awarded to “good leavers” who still qualified for income tax and NICs relief despite leaving the plan early.

The online filing system introduced in 2014-15, allows companies to record whether shares ceasing to be part of the plan were held for over five years, whether PAYE was operated and whether the withdrawal qualifies for tax relief. From this data it is possible to identify those shares that are leaving the plan that are automatically eligible for tax relief or are eligible due to being a “good leaver”.

## **5.6 Data Quality**

### Non-sampling error

One source of error in the data is where data has been entered incorrectly, either by the company sending the form or as part of the data entry process. Common mistakes made by companies include incorrect currencies being used on the form, the price being entered in pence instead of pounds or the total value of shares being entered instead of the value for individual shares. At the data entry stage an error might be made in keying in the values from the form.

To identify these errors we check the data for large values, against the share schemes limits and check the data in the electronic databases against data from the paper tax return form itself. We also use other available data to estimate the correct value such as historical share prices from the internet, data from other parts of the form, or data for the same company for another year.

These errors include boxes which have been left blank but where other boxes on the form suggest there should be data. This is particularly a problem where data fields are “optional” and so there is a high level of non-response, which particularly affected the SAYE data on market value on exercises for 2007-08, 2008-09 and 2009-10. The potential problems of this on the data quality are described above in section 5.5.

From 2014-15, companies submit their completed returns or notifications online using the ERS returns system. This removes the chance of manual input error within HMRC processing but does not remove the chance of manual input error by companies when completing templates. Templates that are submitted through the ERS returns system are subject to an electronic validation check that includes assessing the type and format of data entered and checks for any missing mandatory information. Only data from templates that pass this initial validation will be included in this publication. Further checking of data received through the online system is completed in a similar way to that described for paper returns.

### Sampling error

As described in the methodology section we use data from all forms but for years prior to 2013-14, where data was provided at individual employee level, we would sample employees if there were more than 30 in that section. This means that there will be some sampling variability around the data, although we do not expect this to be large since many company employees are not sampled.

Since data for 2015-16 is taken from electronic templates submitted online, employees no longer need to be sampled for data capture so there should not be any sampling error for 2015-16 data.

#### Assumptions

A number of assumptions and estimates are used to produce the statistics. These include assumptions made to calculate the marginal income tax and National Insurance rates used and the proportion of “good leavers” under SIP for years up to and including 2011-12. Sensitivity testing on the marginal income tax and National Insurance rates suggests that these assumptions are unlikely to make a significant difference to the data. As the awards make up more of the costs of SIP schemes than the leavers the assumptions on leavers are unlikely to have had a large effect on the overall result.

#### Time series data

As part of creating the National Statistics in 2010-11 we reviewed the checks we carry out to validate the data on the share schemes forms and have added further checks. These include checking the cases with the highest values on a number of fields (such as share price, numbers of employees, total awards and gains on exercise) against publicly available information on share prices. We also checked the data against the rules applying to each scheme (such as maximum awards) and checked the data in the form against itself (for example checking market value of awards against market value of exercises). This led to identifying and correcting more cases where there appear to be errors on the forms compared with previous years, and also led to changes in some cases to how we were estimating missing values.

As cleaning the data is a large manual task we have cleaned the data for 2007-08 and subsequent years, but not the full historical time series. Users may wish to be aware that there may be similar problems in the earlier years and adjust for this in any analysis. This means that the data for the years from 2007-08 onwards have been more thoroughly cleaned than the earlier data where there may still be some errors in the datasets, and care will need to be taken in comparing with the data for years prior to 2007-08.

#### Numbers of employees

For SAYE, the number of employees granted options and exercising options comes directly from the form or template. For number of employees granted options an employee may be counted more than once if their company has more than one scheme and they are in both schemes. For number of employees exercising options, from 2014-15 onwards, the number of employees will be determined by counting a unique reference number for the individual, preventing duplication where more than one event occurs in a year.

Similarly, for CSOP the number of employees exercising options comes directly from the form or template. The number of employees granted options comes from the options granted section of the form or template, which summarises each event providing a total number of participating employees and an employee may be counted

more than once if the company grants options over multiple events throughout the year.

For SIP there are more repeat awards in a year and the scheme might be used by employees for regularly buying shares, e.g. monthly. As a result the number of partnership awards is thought to be considerably higher than the number of employees receiving awards. We do not know the extent to which employees are counted more than once in the awards and so cannot estimate the number of employees participating in SIP schemes.

Companies can operate more than one type of scheme. In some circumstances, one employee could participate in multiple schemes for one or more employer. Where this does occur the data collected from returns is insufficient to identify the level of duplication in employee numbers.

#### Costs

As described in section 5.5 the published costs are estimates of the Income Tax and National Insurance reliefs. There may also be additional CGT receipts (for SAYE, CSOP and EMI) or less CGT (from SIP) but we are not able to estimate this for the reasons set out in that section. There may be some circumstances where costs to the companies for operating the schemes can be deducted from Corporation Tax liabilities. This is not accounted for in these statistics.

#### Rounding

Where possible we use the unrounded data in calculating averages and other information. This means that calculations done using the published rounded data may lead to different and less accurate results.

## 6 Statistics Users and User Engagement

We published the findings from our user consultation in 2012 which is available online: [User Feedback and HMRC response](#). As part of this we have included information on who our users are and how they are using the statistics. The report also sets out the changes we proposed to make to the statistics so that they better meet user needs. This has been implemented in this publication through the inclusion of a new table detailing scheme combinations ([Table 6.7](#)) and new columns for companies with employees that have been granted or exercised options. The values of both total gains and relievable gains have been added for CSOP, EMI and SAYE schemes, but this has not been done for SIP schemes as employees receive awards of shares rather than options. We have made changes to the commentary based on this feedback, in particular moving the background information to a separate section, including a summary of the main policy changes, adding context to the statistics and including better information on how the costs are calculated and the limitations of that approach. We would welcome feedback from users on the changes we have made.

We encourage our users to engage with us so we can improve our official statistics and identify gaps in the statistics that we produce. Contact details for the statisticians who produced these statistics are given at the front of this document.

## **7 Publication and Revision Strategy**

Release dates will be announced on the UK Statistics Hub and the HMRC National Statistics release schedule. Any delays to the publication date will be announced on the HMRC National Statistics website.

Each year we receive new data for the most recent year only for SAYE, SIP and CSOP and so the historical time series will only change if it is necessary due to a methodological change.

For EMI prior to 2013-14 we had a database and which may also receive new data for older years. We used the latest available data for each publication which means that the historical data may be subject to change each year.

From 2014-15, data is collected in a more standardised way across all tax-advantaged share schemes using the online ERS returns system. This system removes the stage of data input within HMRC for producing these statistics. This means that some late submissions or revisions that occurred after the data capture process may now be included in the statistics.

## 8 Related Data Sources

Users of the Employee Share Scheme Statistics may also be interested in other forms of [tax-free savings and investment](#) on which HMRC publish statistics. There is a relationship between these schemes and [ISAs](#) as SIP and SAYE shares may be transferred into an ISA at the end of the scheme. There is also a relationship with [Capital Gains Tax \(CGT\)](#) as CGT may be due on these shares when they are sold. However it is not possible to identify how much CGT comes from shares that were part of an employee share scheme as it is not possible to link the shares to the gains reported on the CGT returns.

Users may also be interested in the Office for National Statistics' [Wealth and Asset Survey](#) which shows information about the proportion of households with employee shares and share options, and summary statistics on the amounts held. This data will cover all employee share schemes, not just the tax-advantaged share schemes covered by these statistics.