



EMPLOYEE SHARE PLANS

# SHARE PLAN REPORTING

2021

IDEAS | PEOPLE | TRUST



## EXECUTIVE SUMMARY

This guide summarises the way employee or director share activity must be registered and reported in the UK. No formal 'share plan' does not mean no reporting obligations.

If you have any share plans or have had any share transactions involving UK employees or directors you will need to take action to ensure the 6 July deadline is met.

Non-compliance can lead to automatic penalties plus the loss of tax benefits for tax advantaged share plans. Our experience from thousands of clients can help you.

We recognise that share plans are a reward and retention tool and good employee communication is key to their success. Please see page 12 for more information.

International equity - if you operate international share plans additional complexity arises, particularly where you have internationally mobile employees. See pages 12 and 13 of our guide for advice and tools on how BDO can assist.

Scheme and plan are used interchangeably. We tend to use plan but HMRC refer to scheme.

# TIMELINE - REGISTRATION AND FILING

## ANNUAL SHARE PLAN REPORTING

Key points are:

- ▶ All share plans, schemes or arrangements must be registered on the HMRC online platform. This means all existing and new plans and all ‘one off’ arrangements
- ▶ It may be necessary to register multiple plans and a ‘one off’ arrangement may lead to separate plan registration
- ▶ An annual, online return must be submitted for each plan registered until ceased on the HMRC system
- ▶ HMRC will issue automatic penalties for late returns
- ▶ Tax benefits of tax advantaged share plans will be lost if they are not correctly registered and self certified
- ▶ BDO can be your agent for filing but registration of plans must be completed by the Company (although we can assist!)
- ▶ Please be aware of international reporting requirements in jurisdiction such as Australia, Ireland and Japan.

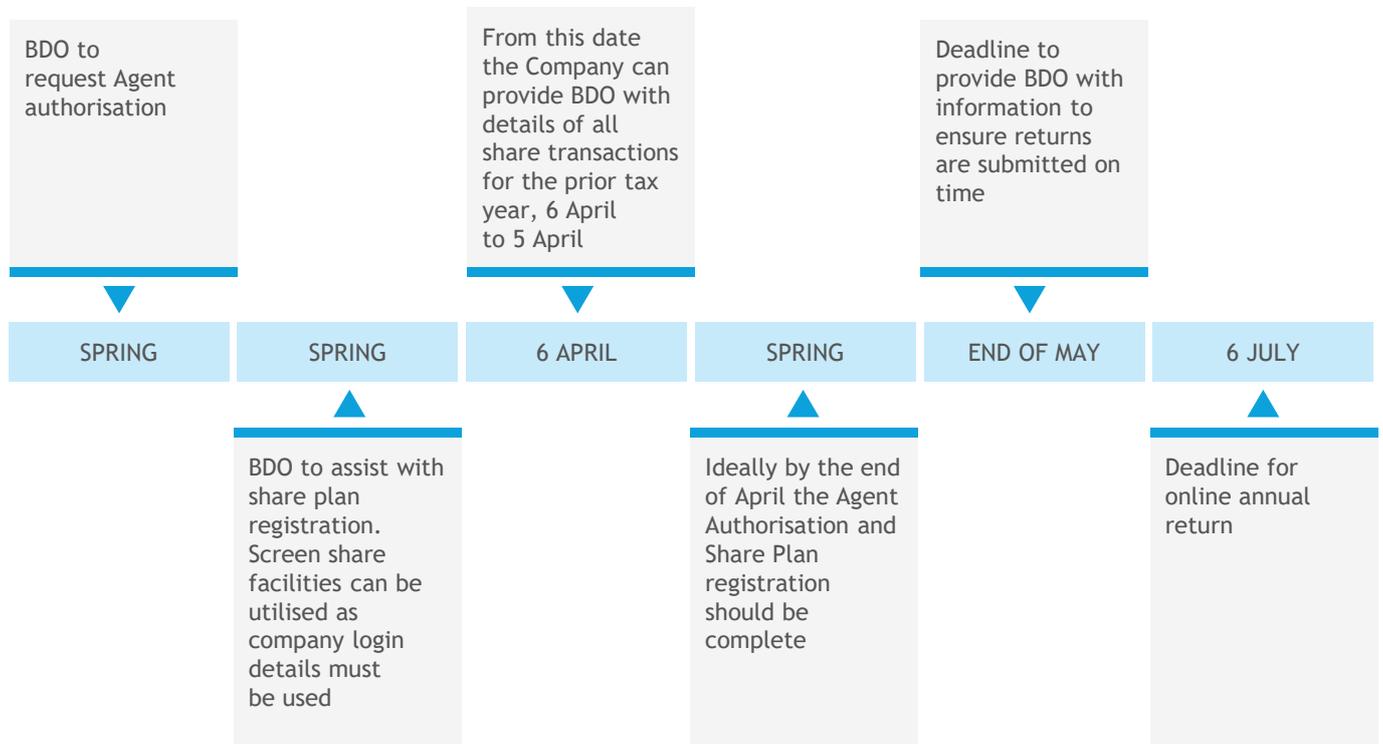
The submission deadline annual returns remains 6 July however there are a number of processes and decisions that must take place before that date. We recommend that action is taken now and registration completed as soon as possible.

Since online filing was introduced we have filed tens of thousands of annual returns and suggest that companies obtain specialist advice for the online registration and filing process.

HMRC released updated guidance for the 19/20 reporting year on net settlement. This is currently an area of high risk as HMRC are engaged in checking payroll and corporation tax records against reported share plan activity in an effort to find and penalise mismatches between the various reporting streams. More information on net settlement can be found on page 4.

If you have new plans/arrangements to register see pages 5-7. If you have to file your annual return see page 8+.

Don't miss the **BDO EQUITY REPORTER** on page 11 which is a sophisticated diagnostic tool to assist with annual returns hosted on a secure BDO Portal.



This is a complex area.

HMRC guidance is useful but does not contain all the answers. Annual return templates change annually and this guide contains helpful information for each step of the process. We have created a FAQ section at Appendix II.

## HMRC UPDATED GUIDANCE

Employers usually have an obligation to account for PAYE and National Insurance contributions when shares are acquired under a non-tax advantaged employee share plan.

The employer must then recover the PAYE and any NIC due. Either the employee sells a number of shares to cover this 'sell to cover' or the employer may settle the tax liability using its own cash by way of 'net settling' the award. The Company then issues less shares to the employee.

HMRC has considered how best to report 'net settlement' and you should report the transaction on tab 2 of the 'Other' annual return.

- ▶ On one row report the acquisition of the actual number of the securities that will be awarded to the employee in column number 31 (along with other relevant information in the other columns)
- ▶ On a separate row report the cash cancellation or receipt of a benefit by entering 'yes' in column 38 and the value of the cash received in column 39 (along with other relevant information in the other columns).

HMRC are increasingly comparing share plan returns with payroll data and corporation tax returns in an effort to identify discrepancies. We are seeing companies lose out on various forms of tax relief through a failure to properly organise and report their employment-related securities, particularly when net settlement arrangements are involved.

### CORPORATION TAX

In the UK corporate tax relief is typically available for the gains that are made by employees when they acquire shares but advice is needed. Unlike many jurisdictions, corporation tax relief is available on a statutory basis with no requirement to enter into a corporate recharge agreement.

Companies that help their employees by choosing to 'net settle' the share awards to resolve the PAYE and NIC liabilities can potentially lose out on corporate tax relief.

### ACTIONS TO ENSURE YOUR GROUP CLAIMS THE RIGHT TAX DEDUCTIONS

It can easily be the case that an employing company may think that the group net settles but 'sell to cover' is actually used and the parent company issues the full number of shares. So the first action should always be to ensure that you fully understand the process for settlement of your employees' liabilities on share options by asking:

- ▶ Is net settlement used?
- ▶ Is sell to cover used?
- ▶ Is there a combination?

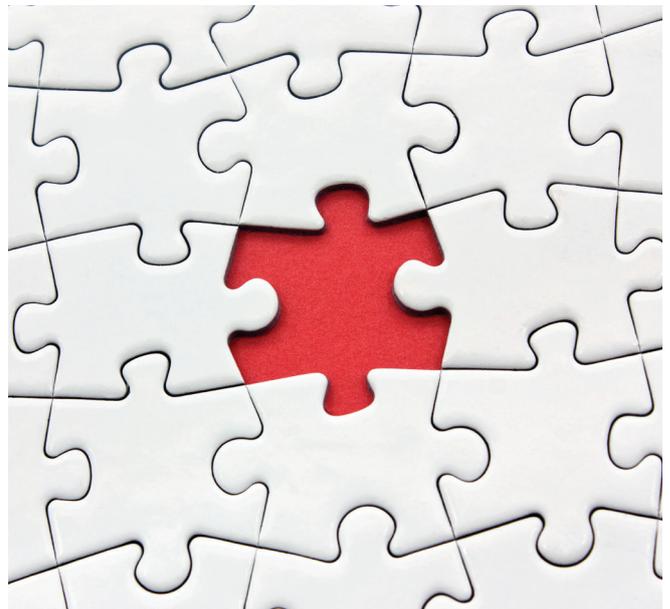
It is also important to check:

- ▶ What corporation tax deductions have been claimed historically?
- ▶ How many years has our current process been in place?
- ▶ Have we reported all share option activity correctly on the ERS returns?
- ▶ If net settlement has been used, have we examined the accounting charges and identified any alternative deduction basis that can be used?

When you have the answers to these questions you can decide on actions and process going forward. It may be decided that net settlement should not be used for the UK employees of a global group and this may require processes to change for companies.

It is important to note that under a net settlement arrangement, employees do not acquire their full allotment of shares. This causes an issue as employees must acquire ownership of shares (even if they are immediately then sold) for the company to qualify for a statutory deduction.

There may be some scope for claiming a general principles corporation tax deduction for the cash payment, but this is not always straightforward. In particular, as well as passing the usual revenue rather than capital and wholly and exclusively tests, it needs to be supported by the underlying accounting treatment. This is a complex area of tax and accounting law, and BDO can help.



# NEW SHARE PLANS

## Authorisation and registration

The actions set out below should be taken as quickly as possible if you have implemented a new share plan or been through a corporate transaction that involved the issue of new equity, rolled equity or loan notes. You are not able to submit an annual return without first registering the share plan. If you have already registered your share plans and need to file the return only please see page 8.

### STEP 01 | AGENT AUTHORISATION

If you intend to use an agent to help with your share plan registration and filing you should complete the agent authorisation process. An ERS agent can operate alongside an existing payroll agent.

An agent will need the PAYE reference and accounts office reference number to request a code from HMRC. The process includes a time delay of 15 days as standard due to HMRC issuing an authorisation code to the registered PAYE address via post. The company must then pass this code to the agent so that they can log onto the HMRC system and input this code. We have seen this process take up to four weeks during normal times. Many firms are currently struggling to process their post due to Covid-19, which could lead to further delays. We recommend starting early.

An advisor should be more familiar with the forms, as well as the strict formatting required by HMRC. The returns are a lot more onerous than the old paper returns (for those that remember them) and guidance regarding the reporting of net settled awards has been updated.

More importantly agents should also provide a sense check on your reportable events i.e. are transactions being run through payroll, was the market value agreed for transactions, is your corporation tax deduction based on the correct number if using net settlement and be able to assist where errors have been made with any disclosures to HMRC.

Once you have an agent in place they will be your agent for any new plans registered.

### STEP 02 | PLAN REGISTRATION

The process to register a share plan on the HMRC system is set out in Appendix I. Agents cannot complete this stage on behalf of companies but can provide support and guidance. We have used virtual meetings and webinars to guide clients through the process.

Registration triggers a unique reference number which is used to submit an annual return.

It is possible to use any active PAYE reference, typically the parent or employing company to register a plan. Companies will need to consider internal confidential issues as anyone with access to PAYE online will be able to view ERS plans registered.

The company should ensure that appropriate parties have access to the HMRC system. Many companies outsource payroll and therefore do not use the system. If new login details are required additional time needs to be added into the process. Companies need to be careful in deciding how to register share plans. Decisions made at this initial stage can increase potential penalties for late filings or increase complexity of the filing process. Failure to register tax advantaged share plans will result in the loss of beneficial tax treatment.

Please see Appendix IV for common problems encountered when trying to register a share plan.

# PLAN REGISTRATION

Before you can submit an annual return you must register the plan with HMRC. You can register a share plan using any company PAYE online account, it doesn't matter if you are using a subsidiary. The corporation tax reference and CRN number should be of the company undertaking the registration. For international groups this will probably be the UK employing company.

The only compulsory input fields for plan registration are the tax year of the plan set up and the name of the plan. We would recommend using the plan name as on the plan rules or if the registration is covering multiple plans use something that is logical for anyone else to follow. We have seen changes of personnel within companies causing confusion in this area.

Previously called the Form 42, the HMRC system now uses the term 'Other'.

When you register a plan you will receive an acknowledgment reference. Within 'View Schemes and Arrangements' under your HMRC account you should see the plan appear almost immediately although it takes up to 48 hours for a reference to appear and therefore there is a delay in being able to file.

## 01 | NON-TAX ADVANTAGED SHARE PLANS

The 'Other' annual return collectively reports any share transaction that does not fall within a tax advantaged share plan. The spreadsheet for the 'Other' annual return consists of nine tabs, which is three times more than all other annual returns (except EMI). The following activity should be reported, however this list is not exhaustive:

- ▶ Non-tax advantaged options (both grants and exercises) Restricted Stock Units (both award and vest)
- ▶ Employee Share Purchase Plans Employee Shareholder Shares
- ▶ Sale of shares above market value
- ▶ Acquisition or gift of shares and associated charges
- ▶ Ad hoc employee or director share purchases
- ▶ Loan notes.

Transactions involving non executive directors are probably reportable in the same way as for employees and executive directors. Anything previously reported on a Form 42 is termed 'Other' when registering share plans on the ERS system. Nearly all share acquisitions by an employee or director or potentially even a gift of shares must be reported. The scope of the reporting obligation is wider than simply for formal share plans. This creates the question of whether you should register an 'Other' Plan if you are likely to have these one off transactions occurring regularly that will need to be reported but there is nothing to report for the current year. You do not have to register a plan for ad hoc transactions that have not yet occurred but it is possible to register plans and submit nil returns. No reminders to file will be sent by HMRC.

There may be some confusion over whether a transaction is reportable i.e. HMRC view phantom share plans as cash plans and therefore are not reportable. Companies should check if their transactions are reportable.

Where share plans are not tax advantaged but fall within the 'Other' category you will need to decide whether to register each plan separately or as one plan.

The table below sets out two different approaches to registration and some of the pros and cons of each.

	MULTIPLE PLANS	ONE PLAN
<b>PRO</b>	<ul style="list-style-type: none"> <li>▶ Ease of reporting, particularly if you have different advisors or employees running different plans for you</li> <li>▶ Clarity of which return is due.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Initially you will save time registering all plans as one</li> <li>▶ Mitigate scope for penalties.</li> </ul>
<b>CONS</b>	<ul style="list-style-type: none"> <li>▶ For each plan you register an annual return is due and</li> <li>▶ therefore the potential exposure to penalties is higher.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Additional administrative complications</li> <li>▶ Confusion over reportable events and easy to miss transactions.</li> </ul>

## MULTIPLE PLANS

Where you have a number of different 'Other' plans, one registration per plan may be appropriate and help track share plan movements. Each company needs to consider this fully taking into account its own circumstances. If you decide to register all 'Other' plans together you should register the plan choosing a generic name for all plans. Be careful in naming a plan as errors cannot be corrected. An error at this stage will mean you have to cancel the plan which creates an additional filing obligation.

We have seen examples, particularly in overseas parented companies, where the UK team dealing with share plan reporting are unaware of some of the share plans that the company may have in place or of all awards. Care therefore needs to be taken to ensure that whoever is in charge of the share plan reporting has an overview of all relevant data.

## 02 | EMPLOYEE SHAREHOLDER SHARES

The award of ESS should be reported using the 'Other' annual return. ESS is not treated as a tax advantaged plan with a specific annual return and since December 2016 there are no tax benefits however we are aware some companies still use this. We expect the government may legislate and close the status altogether however for now ESS awards are on tab 3. There are only 2 specific ESS questions:

- ▶ Were shares acquired under an employee shareholder arrangement?
- ▶ If shares were acquired under an employee shareholder arrangement, was total market value of shares £2,000 or more?

## 03 | TAX ADVANTAGED SHARE PLANS

All new tax advantaged plans implemented in 2020/21 must be registered by 6 July 2021. Tax advantages will be lost if the plan is not registered and self certified by 6 July 2021. The deadline for tax advantaged share plans to be registered is absolute.

In summary, for SAYE, SIP and CSOP the tax benefits are lost for awards made in the 2020/21 tax year if the deadline is missed. There is no automatic withdrawal of EMI tax benefits where plans are not registered, however failure to submit returns could result in the loss of tax benefits.

When registering tax advantaged share plans (except EMI) the Company Secretary will be asked to self-certify that the plan meets the legislative requirements in the relevant schedule of ITEPA 2003. This cannot be completed by an agent.

Previously plans received formal approval from HMRC however this is no longer granted and companies are now required to self-certify the plans. This places the burden of getting things right with the Company Secretary or director acting in that capacity.

If a plan is self-certified HMRC can conduct a review. If HMRC decide that the plan does not meet the legislative requirements there is the power for the tax advantaged status of the plan to be withdrawn (see Penalties on page 7 for more information). Given the importance of this, it is imperative that you are comfortable that your plans continue to meet all legislative requirements.

A company may also be obliged to report changes to key features of plans or variations in share capital.

If you have tax advantaged share plans that were not registered last year urgent action must be taken.

## 04 | EMI SPECIFIC OPTION NOTIFICATION

EMI is unique due to the online reporting requirement to notify HMRC of a grant of options within 92 days.

If an EMI grant is not notified within this 92 day timeframe the EMI tax benefits are lost unless the company can obtain a reasonable excuse code from HMRC. We have seen several examples of lost EMI status due to starting the EMI registration process late and encountering time delays and problems with the HMRC system.

Companies must also be sure to keep good records and screen shots of all online notifications for its own records and to satisfy HMRC and due diligence as HMRC will no longer keep records of all EMI grants made.

Care should be taken where companies are using pre April 2014 EMI documents as they may not reflect the online notification requirement. Specifically the signed documents should include a working time declaration.

Specialist advisors should be aware of this change and other points relevant to EMI qualification such as notification of restrictions to option holders.

# FILING THE ANNUAL RETURN

The template annual returns can be found on HMRC's website at:

<https://www.gov.uk/government/collections/employment-related-securities>

Be sure to select current year templates:

Templates	
<a href="#">CSOP: end of year return template, technical note and guidance notes</a>	10 June 2016 Guidance
<a href="#">EMI: end of year return template and guidance notes</a>	10 June 2016 Guidance
<a href="#">Other ERS schemes and arrangements: end of year return template, technical note and guidance notes</a>	17 January 2017 Guidance
<a href="#">Save As You Earn: end of year return template and guidance notes</a>	10 June 2016 Guidance
<a href="#">Share Incentive Plan: end of year template, technical note and guidance notes</a>	10 June 2016 Guidance
<a href="#">Enterprise Management Incentives (EMI) Notification template</a>	14 November 2014 Guidance

The latest template should always be used. You will note the Other annual return has been updated most recently and is updated most frequently.

Particular care is needed where a company has internationally mobile employees. This area is complex and we suggest you contact BDO for assistance.

Wherever possible returns should be prepared and submitted early and electronic copies/screen shots retained. Annual returns are still due if there has been no activity in the year but a plan has already been registered. This is especially relevant to CSOP and EMI plans which can often be 'sleeper' plans, i.e. implemented on an exit only basis and perhaps forgotten about.

## 01 | SPRING - AGENT AUTHORISATION AND NEW SHARE PLAN REGISTRATION

All share returns must be filed by 6 July. This means that there are three months following the end of the tax year to file returns. We recommend that the registration of share plans and agent authorisation is completed before 6 April. This should only be required where new share plans have been implemented in the 2020/21 tax year.

## 02 | 6 APRIL - END OF TAX YEAR

The 2021 annual returns cover all share and option activity from 6 April 2020 to 5 April 2021.

6 April is the first date that annual returns can be submitted online. Few companies will be able to submit their returns on 6 April. For larger companies in particular the information required for the annual return will need to be collated and entered onto the HMRC annual return templates or sent to authorised agents to complete. This may entail substantial work formatting data and ensuring that copied data is accepted by the HMRC system. Experience suggests that the complexities at this stage of the process should not be overlooked.

Care needs to be taken to ensure transactions between late March and 5 April are included in the annual return. A problem can arise where a company has shares that are readily convertible assets and the gain is run through payroll. For late March/early April transactions gains may only be processed in the April or even May payrolls. The HMRC system automatically checks data entered and a date that is not within the correct range is flagged as an error.

The HMRC system includes an optional checking service which will check for formatting errors. We recommend that time is allocated to use this before any annual return is submitted. We found the checking tool valuable as information must be entered in prescribed HMRC formats and the system will reject an annual return if the format deviates from this. If there are any formatting errors in a return it will fail to upload. Employers who leave the upload process until late June or early July may discover that data has errors. The corrections may put a company in danger of missing the filing deadline and incurring penalties.

### TECHNOLOGY SOLUTION

We have developed a technology solution which cleanses and converts client data into the HMRC compliant format which is then fed directly into the HMRC annual returns. This significantly reduces the number of formatting errors and addresses the fact that the HMRC system appears to ignore certain copied or pasted data. We are continuing to work with HMRC to suggest improvements to the content of the forms and the formatting requirements, but we have also created the **BDO EQUITY REPORTER**, which is a more sophisticated tool for those larger annual returns. The diagnostic data produced is hosted on a secure BDO Portal. Please see information on page 11.

**03 | END OF MAY - BDO DEADLINE FOR ANNUAL RETURN INFORMATION**

We have set a deadline of the end of May for information to be provided to us in order to guarantee that the submission can be made on time (assuming we are your agents). We have built a six week period into the process because we know from experience that the reporting season will be difficult with scope for last minute technology issues leading to delays. There will also be a large volume of returns being submitted and we want to ensure that returns are all submitted in good time. If data is sent to us after this date we will aim to file the return on time however we will not be able to guarantee this and may need to agree increased fees.

**EXISTING PLANS NOT REGISTERED?**

- ▶ Should you have any existing plans implemented in years prior to 2020/21 that have not yet been registered urgent action must be taken as the tax benefits of any approved plans will be under threat
- ▶ No activity in a tax year still results in an obligation to file a nil return until a closure notice is filed.

**04 | 6 JULY - DEADLINE FOR HMRC ANNUAL RETURNS**

The 6 July deadline is strict. Automatic penalties will apply for late returns.

**PENALTIES FOR LATE FILING**

The penalties for late filing are cumulative and apply for each late return. For example, the penalty for a return which is six months late will be £700. Previously there was a degree of flexibility with the annual return deadline and penalties were rare, but this is no longer the case.

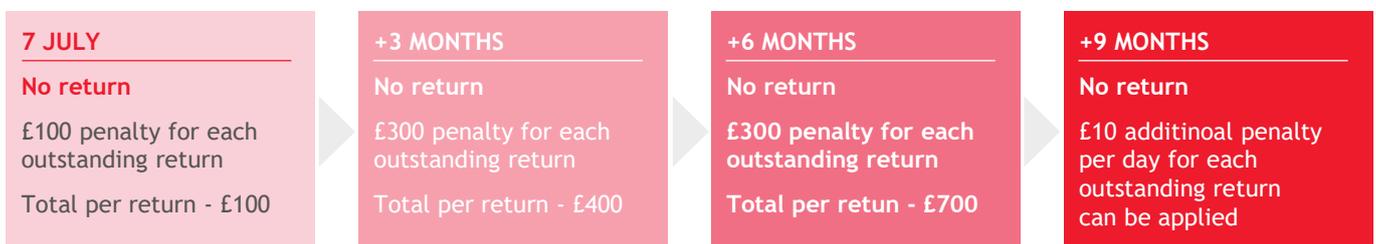
Daily penalties can be applied for returns which are 9 months late, but we have not seen these used in practice so far, and HMRC have indicated they will send a warning notice before applying these penalties.

Returns submitted with material inaccuracies can also be subject to penalties of up to £5,000.

Significant penalties apply in relation to tax advantaged share plans which we set out overleaf.

**HMRC CONTACTS**

HMRC have provided helplines should there be any problems with the online system. For issues getting access to the online ERS system you should call 0300 200 3200. If the issue is specifically with the IT system then the helpline is 0300 200 3600. The general HMRC website address is [www.gov.uk/government/organisations/hm-revenue-customs](http://www.gov.uk/government/organisations/hm-revenue-customs)



## SUMMARY OF KEY ACTION POINTS

If new share plans have been implemented in the tax year then all of the steps below must be completed, if not skip to point 4.

**01** | IS AN AGENT TO BE APPOINTED? IF SO AGENT AUTHORISATION PROCESS

**02** | CONSIDER PLAN REGISTRATION AND OBLIGATIONS FOR TAX ADVANTAGED PLANS

**03** | IDENTIFY AND REGISTER ALL (NEW) SHARE PLANS ONLINE WITH HMRC

**04** | PREPARE ANNUAL RETURN CONSIDERING HMRC FORMAT OF DATA REQUIRED

**05** | SUBMIT ANNUAL RETURN BY 6 JULY

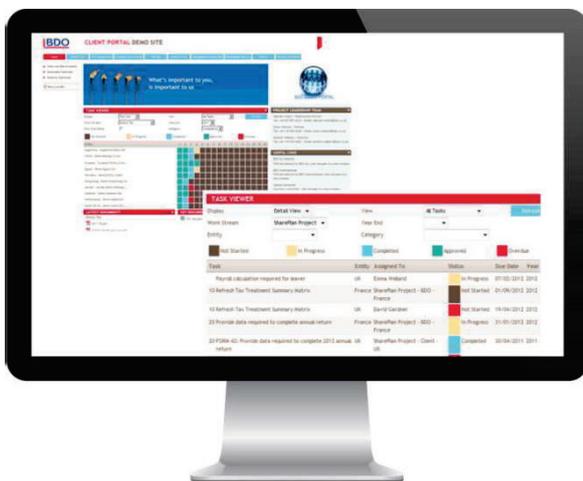


# BDO EQUITY REPORTER

The **BDO EQUITY REPORTER** is a sophisticated diagnostic tool designed to streamline ERS filing hosted on a secure BDO Portal.

The technology works best where clients operate share incentives for hundreds of employees or there are multiple transactions per employee.

As well as the time saving it offers a number of diagnostic value add features.



## KEY FEATURES

- ▶ Task management function to manage the compliance tasks, create reminders for key deadlines and provide a clear overview of the compliance process
- ▶ Provides a clear audit trail of the information used, review process undertaken and source information used for each return
- ▶ Can be used as a standalone service or integrated with our other BDO services, such as Global Outsourcing and payroll
- ▶ **BDO EQUITY REPORTER** can also perform sophisticated data analysis which enables data to be interrogated and optimised, for example:
  - to review and verify exchange rates and market values
  - identifying unusually high (or low) tax withholding rates
  - identifying any errors, for example duplicate employee records
  - can you save tax using approved sub-plans.

## HOW DOES IT WORK?

**BDO EQUITY REPORTER** is a sophisticated tool that works as follows:

**STEP 1:** Each client receives access to a secure dedicated client portal to upload confidential employee data.

**STEP 2:** Our software cleanses and converts the data and maps it directly into the relevant sections of the annual return.

**STEP 3:** The software runs checks to ensure that the data is in an HMRC compliant format.

**STEP 4:** The finished return is uploaded onto the portal for review and sign off by the client before submission to HMRC.

## OTHER POINTS TO CONSIDER

- ▶ Apprenticeship Levy
- ▶ Gender Pay Reporting - Bonuses include most equity income so this needs to be built into the report
- ▶ Internationally Mobile Employees.

## OTHER HELPFUL LINKS

- ▶ [BDO QUICKTRIP](#)
- ▶ [Global Equity App.](#)



# EMPLOYEE COMMUNICATION

BDO offers an employee communication tool which is tailored to fit the needs of our clients. It provides a visual record of awards, access to key documents and models gains in real-time. When implementing employee incentives it is vital that employees can easily access all plan documentation and crucially understand the potential benefits of the plans and gains.

### SHARE PLAN SUMMARY - DEMONSTRATION VERSION

ABC Plc Share Price
Plan Rules
Employee Guides
SAYE Provider

Today's Date:  Last Closing Share Price:

#### YOUR SHARE SUMMARY

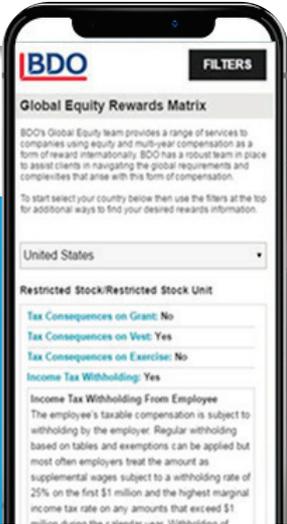
<b>Your Total Shares under Award</b>	216,378
<b>Your Vested Shares</b>	80,000
<b>Unvested Shares</b>	136,378

#### YOUR SHARE DATA

	Shares	Grant Date	Exercise Price	Vesting Date	Exercise/Purchase Cost	Available to Vest?
SAYE 2018/19	940	01/05/2018	5.55	01/05/2021	5,217.00	N
CSOP approved	4087	01/05/2018	7.34	01/05/2021	29,998.58	N
CSOP unapproved	2000	01/05/2018	7.34	01/05/2021	14,680.00	N
LTIP	40000	01/05/2016	0	01/05/2019		Y
EMI	40000	01/05/2017	0	01/05/2020	1	Y
LTIP	40000	01/05/2018	0	01/05/2021		N
SIP	40000	01/05/2019	0	01/05/2022	1	N
LTIP	40000	01/05/2020	0	01/05/2023		N
Deferred bonus plan	9209	01/11/2019	0.25	01/11/2022	2,302.25	N
SIP 2020	142	01/05/2020	12.65	01/05/2025	1,796.30	N

**VESTED SHARES BY PLAN**

40,000 LTIP	£ 5,814,000.00
40,000 EMI	£ 5,813,999.00
<b>Total Value of Vested Shares</b>	<b>£ 11,627,999.00</b>



## Global Equity Rewards Matrix

Our free smartphone app covers the tax treatment of equity (options and free shares) in 30 countries and can be used by anyone.

[www.bdo.com/global-equity-app](http://www.bdo.com/global-equity-app)

# BDO GLOBAL EQUITY MOBILITY SOLUTION - GEMS

Real-time tax withholding calculations for internationally mobile employees. Our in-house tool uses client data to provide instantaneous calculations of multi-jurisdictional tax requirements.

BDO’s Global Equity Mobility Solution (GEMS) is an automated tool that helps companies avoid risk and consider opportunities when designing cross-border incentive compensation.

Firms with Internationally mobile employees are faced with with a significant global equity reporting challenge. They must ensure they meet constantly evolving tax compliance, regulatory and accounting requirements in multiple jurisdictions.

Companies who fail to accurately withhold taxes on incentive compensation subject themselves to a time consuming and expensive correction process.

### BDO’s GEMS provides:

- ▶ A clear audit trail of the information used, review process undertaken and source information used for each return
- ▶ A fully automated approach
- ▶ Tax and withholding calculations executed in real time
- ▶ Electronic links to brokers, payroll, and equity administration
- ▶ Funding directly from brokerages to cover withholding liabilities
- ▶ Global tax data covering hundreds of countries, provinces, states, and municipalities
- ▶ Frequent updates with changes to global tax laws
- ▶ Integration with equity administrators and existing software platforms.

### BENEFITS OF THIS SOLUTION

GLOBAL EQUITY MOBILITY SOLUTION							
BDO UNITED STATES BDO USA, LLP							
Transaction Report							
Total Gross Compensation		100,000.00					
Total Withholding		64,649.94					
Net Pay		35,350.06					
Jurisdiction	Reportable Income	Income Tax Compensation	Income Tax Withholding	Income Tax Withholding Rate	Social Tax Compensation	Social Tax Withholding	Social Tax Withholding Rate
Canada	100,000.00	8,778.63	1,769.99	20.06%	8,778.63	577.63	6.58%
National		8,778.63	1,316.79	15.00%	8,778.63	577.63	6.58%
British Columbia		8,778.63	444.20	5.06%	0.00	0.00	0.00%
Chile	50,000.00	16,793.89	5,877.86	35.00%	16,793.89	1,376.70	8.20%
National		16,793.89	5,877.86	35.00%	16,793.89	1,376.70	8.20%
Mexico	100,000.00	100,000.00	35,000.00	35.00%	100,000.00	86.72	0.09%
National		100,000.00	35,000.00	35.00%	100,000.00	86.72	0.09%
United States	100,000.00	57,633.57	15,561.06	27.00%	57,633.57	4,408.97	7.65%
National		57,633.57	12,679.38	22.00%	57,633.57	4,408.97	7.65%
Alabama		57,633.57	2,881.68	5.00%	0.00	0.00	0.00%

GEMS supplies instantaneous income reporting and tax withholding calculations for your mobile employees and delivers the results in an easy-to-read report parcelled out by location.

### HOW IT WORKS

When a taxable event is triggered, strict rules are in place requiring brokers to execute and clear the transaction in a timely manner, typically within two days. By automating the tax calculation process, this small window of time for stock trading can be fulfilled.

Using transaction data and travel information, GEMS provides real-time calculations of tax withholdings for an organisation’s mobile employees.



**FULLY AUTOMATED**



**CALCULATIONS IN REAL TIME**



**LINKS TO BROKERS, PAYROLL, AND EQUITY ADMINISTRATION**



**FUNDING FROM BROKERAGES TO COVER WITHHOLDING LIABILITIES**



**GLOBAL AND STATE-TO-STATE COVERAGE**



**UPDATES WITH CHANGES TO GLOBAL TAX LAWS**

## THE BDO SERVICE

The BDO Share Plans & Incentives team can help with the HMRC online registration and filing process.

We have filed tens of thousands of annual returns online and have worked with HMRC on the developments of the system and continue to act on the panel for further feedback. We are therefore well placed to advice on the practical issues and solutions.

The annual return process must still be started early to ensure that all plans are registered and returns filed on time. Our objective is to ensure that companies do not lose their tax advantaged share plan status or incur penalties. HMRC have stated more than 30% of returns were filed late last year.

With BDO as an agent we can provide the following:

- ▶ Practical, jargon free advice and assistance
- ▶ Help in relation to registration including acting as your agent for online filing
- ▶ Whilst we prefer to meet clients face to face, where needed we can provide a webinar session where we can share screens to guide you through the registration process in real time, this is especially useful where share plans are administered in an overseas company
- ▶ Help with self-certification of tax advantaged share plans
- ▶ A review of how your data for annual returns is currently set up and advice on how to amend this to ensure you are compliant with the HMRC system
- ▶ Our bespoke technology solution and technical support to ensure data is HMRC compliant at the time of annual return submission
- ▶ A dedicated **BDO EQUITY REPORTER** for those larger annual returns which is hosted on a secure BDO Portal
- ▶ Preparation and filing of all returns
- ▶ Advice on tax treatment and administration of all types of share plan
- ▶ Reminders and project management for future years.

BDO UK

**18** OFFICES **350 PARTNERS**  
**1** **5,650 STAFF**

**97%** OF OUR CLIENTS  
WOULD RECOMMEND US <sup>1</sup>

**2019/2020 RESULTS:**  
REVENUES <sup>2</sup> **UP 14% TO £660m**

1. Client Listening Programme (2018)  
2. Gross Revenues for BDO LLP

BDO INTERNATIONAL

**US\$10.3 billion** 2019/2020 REVENUE  
A YEAR ON YEAR INCREASE OF **7.8%** <sup>1</sup>

**167** Countries **1,600 Offices**  
**91,000 Staff**

1. At constant exchange rate.





## APPENDICES

# APPENDIX I

## Registering Plans - HMRC Screen Shots

The process for registering EMI and ‘Other’ plans is identical and shown on the following pages.

Please note the process has changed recently so if you only login for the annual returns please pay close attention to where to locate ERS services.

The HMRC website address is <https://online.hmrc.gov.uk/login>

The process for CSOP, SIP and SAYE is broadly identical but includes an additional question asking if the plan was previously approved.

An ERS agent will not be able to register, self-certify or close a plan. However they can assist with this process.

### EVIDENCE

It is not possible to review submitted registrations and returns. We therefore suggest that screen shots be kept of each page (in particular from Step 6 onwards).

### STEP 01

Log onto HMRC online services website which will bring up the page below and enter your details.



### STEP 02

Once you login a security message will appear verifying the last date that you logged in. Provided all information is correct please select the Next button. You may also receive alternative screens with different notifications including adding additional security to your account.



### STEP 03

On the first screen you should scroll to the bottom of the screen until you see Employment related Securities (ERS) and select “Submit Employment Related Securities returns”.

### STEP 04

The next screen will show your registered schemes with HMRC where you can select to register a scheme/plan or arrangement.

# APPENDIX I

## Registering Plans - HMRC Screen Shots

### STOP

From this point forward you should take and retain screen shots of all pages to ensure you have a record that the plan was registered. HMRC will not send any confirmation.

### STEP 05

Select register an EMI (or your appropriate plan) and click Next.

**Employment Related Securities**  
Register an Employment Related Securities (ERS) scheme or arrangement

Please make a selection below to start registering an ERS scheme or arrangement, then click the 'Next' button to continue.

\*Indicates required information

Scheme type: \*  Please select a scheme type below

- Company Share Option Plan (CSOP)
- Enterprise Management Incentives (EMI)
- Save As You Earn option scheme (SAYE)
- Share Incentive Plan (SIP)
- Other

### STEP 06

Enter the details above. The tax year of the first event will be 2020/21 provided you are registering on time! We would suggest that the Scheme Name is as stated on the Scheme/Plan Rules (unless you are registering a collective non-tax advantaged plan.) The next screen will simply be a confirmation page.

**Employment Related Securities**  
Register an Employment Related Securities (ERS) scheme or arrangement

Please enter the details below to register an ERS scheme or arrangement, then click the 'Next' button to continue.

Scheme type: Enterprise Management Incentives (EMI)

\*Indicates required information

Tax year of the first event: \*

Scheme name: \*

Corporation Tax Reference:   
eg 1234567890

Company Registration Number:

\*Next\* automatically saves your data

### STEP 07

You will be asked to declare that the details given are correct (remember you haven't provided that many details) and then be asked to re-enter your login details.

**Declaration**

**Your Employment Related Securities scheme registration for Enterprise Management Incentives (EMI) is now ready for submission.**

\*Indicates required information

To submit your registration you must tick the declaration checkbox below then click the 'Next' button to continue.

I declare that the information I have provided in this registration is accurate and complete to the best of my knowledge. \*

\*Next\* automatically saves your data

### STEP 08

You will receive an acknowledgement reference number. As it says on screen we would recommend that you print this page for your records.

**Acknowledgment**

You have successfully submitted your registration application at 17/03/2014, 14:01

**Acknowledgment reference: 4C3LHXXR938EK16**

**Please note:** The information you have submitted will now be verified. The security checks HM Revenue & Customs (HMRC) perform mean that it will take approximately a week for this process to be completed, however it may sometimes take longer.

HMRC recommend you print this information for your records, please use the print facility on your browser.

Register a new scheme or arrangement  
Return to At a glance  
Log out and go to HMRC home page

## APPENDIX II

### Frequently Asked Questions

#### HMRC SYSTEM

QUESTION	ANSWER
No one in the company has access to the online HMRC payroll services. How do we set this up?	This is a common problem where an external payroll agent is used however it is worth double checking if the company has access before going through the registration process. You can register using this link: <a href="https://online.hmrc.gov.uk/registration/options">https://online.hmrc.gov.uk/registration/options</a>
Where can I get help from HMRC?	For access issues you can call 0300 200 3200. For IT issues call 0300 200 3600. The HMRC website address is <a href="https://online.hmrc.gov.uk/login">https://online.hmrc.gov.uk/login</a> and has additional FAQs.
How do I take screen shots?	We recommend that you take screen shots of all actions you complete on the system. Take a screen shot by holding Ctrl and using the Print Screen button, you can then paste the screen shot.
Is an acknowledgement reference the scheme reference number?	No. To see the unique scheme reference number select 'view schemes and arrangements' option. You may need to wait up to a week from registration for the unique reference number to appear.
How do we notify HMRC that a plan has ceased?	In the ERS service you should: <ul style="list-style-type: none"> <li>▶ select the scheme you wish to notify as ceased</li> <li>▶ select the 'view schemes or arrangements' option</li> <li>▶ Select the scheme you wish to close by clicking on the scheme name</li> <li>▶ select the link 'Provide a date of final event' and then enter the date of final event.</li> </ul> Remember to submit an annual return for the year in which the plan is notified as ceased.

#### AGENT AUTHORISATION

QUESTION	ANSWER
I have requested an agent authorisation code but nothing has been received in the post.	Check which postal address has been registered for correspondence. The code may have been sent to an old address or to your payroll agent. Someone from the company must call HMRC to change this on 0300 200 3600.
Can an ERS Agent see the contents of returns made?	No. Agents will be able to see that a return has been made, but no one will be able to see the content. So remember to keep a copy of the return and take screen shots to prove submission.

## APPENDIX II

### Frequently Asked Questions

#### REGISTRATION

QUESTION	ANSWER
Which PAYE reference should we register under?	You can use any active PAYE reference number but consider if there are any internal confidentiality issues. The ERS system is a subsidiary of the PAYE system for company login purposes. Please note agents are authorised for ERS only.
How do we correct an error made when registering a scheme/plan?	You cannot correct the error. You will either need to live with the error, i.e. a mistake in the scheme name, or you will need to cancel the incorrectly-registered plan (see the HMRC system question on ceasing a plan). The date of final event will be the same date the plan was registered. You will also need to remember to submit a nil annual return for the incorrectly registered plan and then register a new plan with the correct information.
When do we have to register non-tax advantaged schemes?	You must register non-tax advantaged schemes by 6 July following the end of the tax year in which a reportable event occurs. If you have an existing arrangement but there are no reportable events (this includes option grants or other awards) for the tax year, you will not have to register until after the next reportable event occurs.
We have several unapproved plans. Should we register them all as one plan or individually?	Either method can be used; this will depend on your circumstances and issues such as confidentiality.
Will HMRC notify me that I have registered my plans correctly?	HMRC will not confirm that registration has been completed correctly, however there is an acknowledgment reference provided. A screen shot of this should be taken.

#### TAX ADVANTAGED SHARE PLANS

QUESTION	ANSWER
Where do I report ESS shares?	ESS is not a tax advantaged plan and the reporting is therefore under the 'Other' annual return.
EMI with no transactions. Should I register?	You will be required to register a new EMI plan in order to report the grant of EMI options. Nil returns must be submitted if there has been no activity other than the grant of options. The grant of EMI options is reported at the time of grant, and does not also have to be reported on the annual return.
Why is it so important to register CSOP, SIP and SAYE plans?	The penalty legislation for tax advantaged share plans is particularly onerous and therefore care needs to be taken with these plans to preserve the tax benefits.
How do I make a reasonable excuse claim if I have not registered an EMI grant within 92 days?	Since 5 April 2014 companies have been required to submit online notifications of the grant of EMI options within 92 days of grant. You can make a reasonable excuse claim if you have made all reasonable efforts to notify HMRC within 92 days.

**FILING ANNUAL RETURNS**

<b>QUESTION</b>	<b>ANSWER</b>
Can I submit a return if I have not registered a plan?	No, you must register first.
Can I use my in house reports or upload my spreadsheets for the annual returns?	HMRC have templates to be used. The system is extremely sensitive. Any bespoke templates should be comprehensively tested on the HMRC system as early as possible. We have developed a technology solution for this.
Can I submit returns in year?	No, returns can only be submitted after the end of the tax year (although historical returns can be submitted at any time).
Where do I report non-tax advantaged share options?	Under the 'Other' annual return.
Can I receive copies of submitted returns?	No. The HMRC system does not provide these, so it is therefore vital to keep copies of uploaded annual returns and print and retain screen shots of submissions.
How do I correct errors on a submitted return?	You must submit an amended return as quickly as reasonably possible.

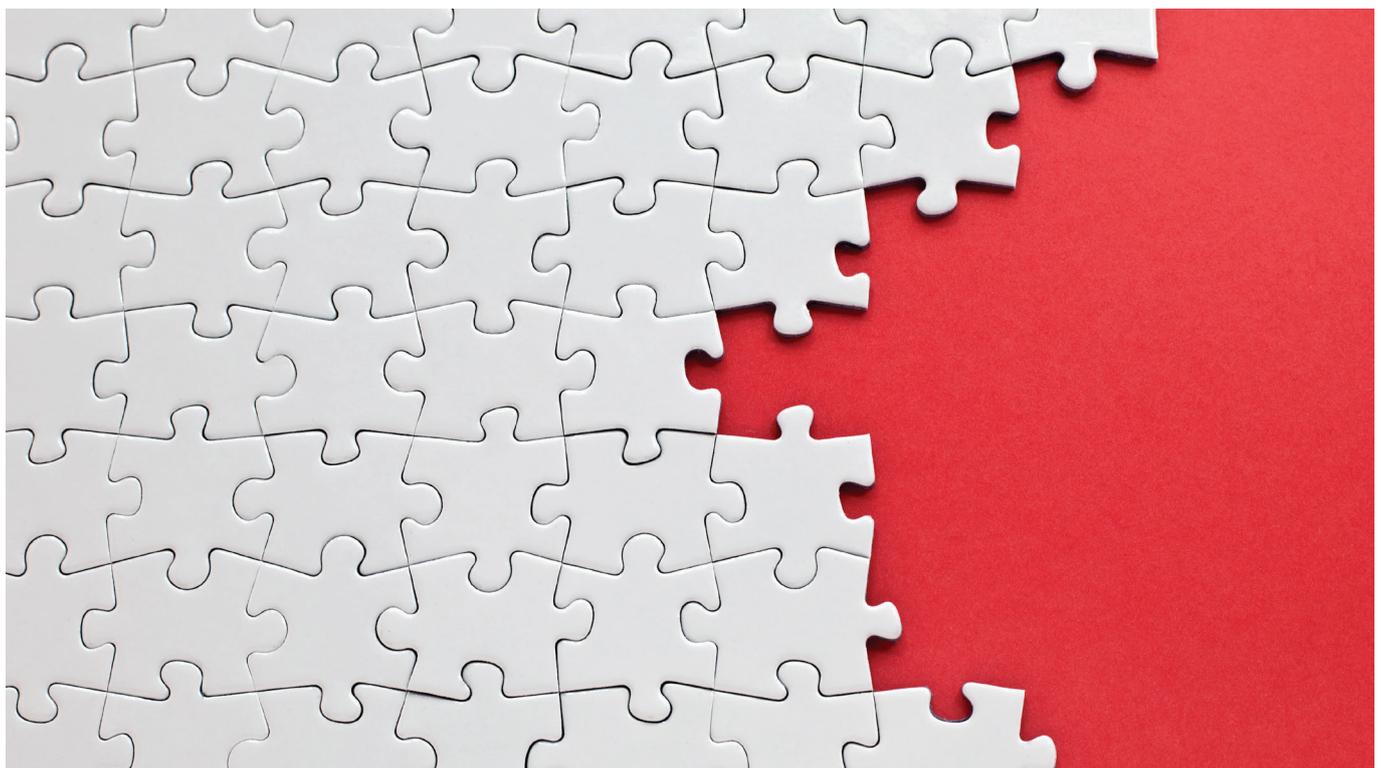
**SCENARIOS**

<b>QUESTION</b>	<b>ANSWER</b>
Employees have received shares in an overseas parent.	You need to register a plan and file an annual return; the obligation applies irrespective of the source of the shares.
My company has historically provided share incentives but has not previously filed returns.	HMRC have confirmed that paper forms should be submitted for earlier years and online filing completed for 2014/15 onwards. Penalties can be minimised by proactive disclosure and cooperation with HMRC.
We only grant 'unapproved' options.	You still need to register a plan and file an 'Other' annual return.
We issued shares to non executive directors at nominal value.	It is necessary to register and file an annual return even where there are no payroll obligations.
An individual shareholder has gifted shares to employees.	There may still be ERS implications and employer reporting obligation. Details of the transaction should be checked.
We set up an exit based share option plan several years ago. Options were granted but there has been no activity since.	It is vital to file a return, even if it is a nil return, for all plans until they are notified as ceased.

## APPENDIX III

### Glossary

QUESTION	ANSWER
Agent authorisation	Providing an advisor with access to your online HMRC system
Approved	Previous term for tax advantaged share plans
CSOP	Company Share Option Plan
EMI	Enterprise Management Incentive
ERS	Employment Related Securities
ESS	Employee Shareholder Status
Form 42	Annual share scheme paper return for all 'Other' registered share plans and reports all non-tax advantaged share plans
Non-tax advantaged share plans	Any plan that is reportable on the 'other' annual return
'Other' return	The new name for the Form 42 that covers the reporting of all non-tax advantaged share plans and transactions
SAYE	Save As You Earn
SIP	Share Incentive Plan
Tax advantaged share plans	Plans that have legislative tax advantages i.e. CSOP, SIP and SAYE
Unapproved	Previous name for non-tax advantaged share plans



## APPENDIX IV

### Agent authorisation & Registration Common problems and Solutions

#### CORRESPONDENCE ADDRESS

It is imperative that companies know their PAYE correspondence address before agents request authorisation. HMRC will not disclose this information to agents.

Once requested by an agent, HMRC will send an authorisation code to the client's correspondence address within seven working days. Issues arise where the correspondence address is registered to a third party payroll provider who has not been made aware of the request or if there has been an office move and the correspondence address has not been updated.

Gaining agent authorisation is a slow process because authorisation codes are sent in the post. It is therefore key that authorisation is obtained in advance of the submission deadline of 6 July.

#### ACTION

We recommend that companies check and update the correspondence address by phoning the HMRC Employers Helpline on 0300 200 3200. Alternatively they can check and change the correspondence address within the HMRC Online account.

#### PAYE FOR EMPLOYERS

Whilst most companies are registered for HMRC Online Services, not all are enrolled for 'PAYE for employers'. Until companies are registered for PAYE for Employers, registration for schemes and arrangements is not possible.

PAYE for Employers is the system in which the Employment Related Securities (ERS) service can be found. It is here that companies register their schemes and arrangements.

Most companies have HMRC Online Services accounts. The accounts are often managed by payroll or third party providers and the company does not have access to PAYE for Employers.

Companies should register for PAYE for Employers. We can guide you through the process however as with agent authorisation a code to activate the service will be issued through the post causing time delays.

#### ACTION

Check if the company has access to PAYE for Employers, if not register.

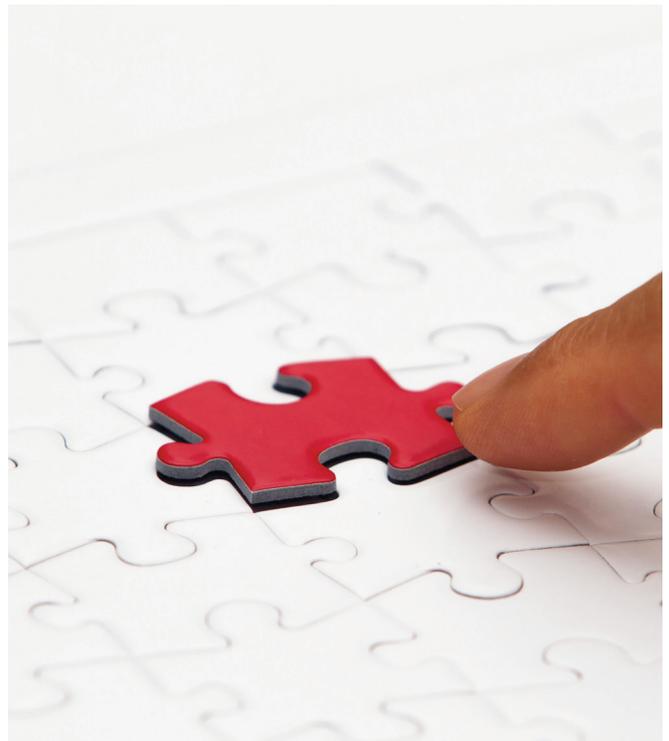
#### Lost log-in details

Logging into HMRC Online Services requires a User ID and a Password. If one out of the two has been lost, companies can follow the links on the log-in page to retrieve missing details by either post or email (please note the email address will need to be the one used to register for HMRC online services). Two step authentication, via the sending of a temporary authorisation code to a designated mobile phone number, is now also standard.

If all log-in details have been lost, companies will need to contact the HMRC Online Services Helpdesk on 0300 200 3600. Select option 4, then option 4 again and wait to speak to an advisor. HMRC will post the User ID within 10 working days. The Company then has to use this to request the Password to be sent in the same manner. This means that retrieving log-in details will take a minimum of 20 working days.

#### ACTION

Check for a company User ID and Password. If these cannot be located request immediately from HMRC.







## HOW CAN WE HELP?

BDO's Global Employer Services team provides a full range of expertise, covering employment tax, reward planning, expatriate tax and pensions.

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