



Sharesave Schemes

Also known as 'SAYE Option Schemes' or 'Save-As-You-Earn Schemes'

- Sharesave schemes are all-employee, tax-advantaged share option plans;
- Options can be granted at a discount of up to 20% of market value;
- The exercise price is funded by tax-efficient savings of between £5 and £500 per month made through salary deductions;
- Options are exercisable after three or five years.

WHAT IS A SHARES SAVE SCHEME?

A Sharesave scheme is an all-employee plan which combines tax-advantaged share options with regular savings from salary. An added attraction of Sharesave is that the exercise price of options can be discounted by up to 20% of the shares' market value on grant. Participants build up the funds needed to pay the exercise price over the life of the option by saving between £5 and £500 each month over three or five years in a Sharesave account. Depending on the terms of the relevant savings contract (these are fixed by the government and change from time to time), when it comes to an end participants may receive an additional tax-free 'bonus' which they can add to their savings.

As Sharesave schemes are all-employee plans, a company must invite all qualifying employees to participate. There is, however, some scope to restrict participation to those who have worked for a minimum period of time (not more than five years) and to vary the level of participation by reference to certain factors such as salary, length of service or similar. Sharesave options are not granted subject to the satisfaction of performance conditions.

As with all share option plans there is no requirement for a participant to exercise their option. A Sharesave scheme is unique in that, even if the participant chooses not to exercise, they will still have the benefit of their savings.

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What is the tax treatment of a Sharesave option?

There is no income tax or liability to National Insurance Contributions (**NICs**) on the grant of a Sharesave option and there will generally not be any such liability on exercise. A participant will therefore pay only capital gains tax on the eventual disposal of the shares (after using any available annual capital gains tax exemption and losses). In certain specified circumstances the option may become exercisable within three years of the date of grant. Where this is the case, income tax may be payable on the option gain however such tax will be collected under Self Assessment rather than the PAYE system and no NICs will arise.

What does a company need to do in order to establish a Sharesave scheme?

A company that wants to operate a Sharesave scheme has to satisfy certain conditions. In particular, the company whose shares are to be used must not be controlled by an unlisted company unless it is, itself, listed.

Board resolutions will and shareholder and/or banking approval may be required to establish a Sharesave scheme. A savings provider will also need to be engaged to hold the Sharesave accounts and to administer the scheme. It is usual to 'market' a Sharesave scheme to employees in advance and the lead-in time is likely to be longer than for other types of share option plan.

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The company must register the Sharesave scheme with HM Revenue & Customs (**HMRC**) online and certify that it meets the relevant statutory conditions. Once the company has established a Sharesave scheme and registered it with HMRC it will have an obligation to file annual, online returns with HMRC.

FOR FURTHER INFORMATION ABOUT SHARESAVE SCHEMES PLEASE CONTACT

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