

Please enter your company name and address

Name of company

Address

  
  

Postcode

Date of issue DD MM YYYY

  

PAYE reference number

 / 

ESSU scheme reference number

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## Employment-related securities and options reportable events under Section 421J Income Tax (Earnings and Pensions) Act 2003

### Year ended 5 April 2011

This notification is to advise you that you are required by law to send me a form 42 giving me information in relation to reportable events under Section 421J Income Tax (Earnings and Pensions) Act 2003.

You must make sure that your form 42 reaches me by 6 July 2011. If this form has been sent to you on or after 8 June 2011 you have 30 days from the date of issue, shown above, to complete it and send it to me.

Penalties may be chargeable where your form 42 is received late or is incomplete or inaccurate.

Explanatory notes are provided to help you complete this form. Please read them before completing the form and signing the declaration. If you have any questions about how to complete this form please contact the Employee Shares & Securities Unit at the address aside or phone us on the number shown.

If there is not enough space in any part of this form, please give further details on supplementary sheets, number and attach them to the completed form when you send it to me.

You should send the completed form to the address below.

### George Rowing

Charity Assets and Residence  
Employee Shares & Securities Unit  
Nottingham Team  
1st Floor, Ferrers House  
Castle Meadow Road  
Nottingham  
NG2 1BB  
Phone **0115 974 1250**

## About this form

You must provide me with details of reportable events. You can do this by using this form. If you prefer, you may use your own form, spreadsheet or letter but it must give the same details and in the same format as our own form. Detailed guidance on reportable events and how to complete form 42 is available at [www.hmrc.gov.uk/shareschemes](http://www.hmrc.gov.uk/shareschemes)

### Approved Share Plans/Option Schemes

Do **not** include details of options granted from HM Revenue & Customs approved Company Share Option Schemes, Save As You Earn Option Schemes and shares acquired from approved Share Incentive Plans.

### Enterprise Management Incentives (EMI)

Do **not** include details of EMI options granted up to £120,000. You must include in section 1 EMI options granted in excess of £120,000.

### No reportable events

If there are no reportable events, go to page 12, complete sections 5 and 6, and return the form to me.

### Companies incorporated in year ended 5 April 2011

Where a limited company is incorporated in the UK in the year ended 5 April 2011 a report of the acquisition of the initial subscriber shares (also called founder shares) by the directors or prospective directors is not required if certain conditions are fulfilled. Details of the conditions to be met are in form 42 guidance at [www.hmrc.gov.uk/shareschemes](http://www.hmrc.gov.uk/shareschemes)

The majority of newly UK incorporated companies should meet the conditions and will be relieved of the requirement to complete this form.

If other transactions in shares or securities have occurred then a report is required.

### Reportable events

If there are reportable events to disclose, the index below will help you identify which sections of the form you need to complete and will direct you to the appropriate page. You only need to complete those pages where there is a reportable event. Please tick the box shown opposite the reportable events for which you are giving details. Then complete and sign the declaration on page 12 and return the form to me.

Page	Reportable events	✓
	<b>Section 1 Securities options (including share options)</b> You must complete this section if employees were granted or exercised options (including consideration received for giving up the option)	
4	1a Summary of grants of securities options	<input type="checkbox"/>
5	1b Acquisition of securities in connection with (including exercise of) securities options	<input type="checkbox"/>
6	1c Assignment and release of securities options	<input type="checkbox"/>
7	<b>Section 2 Acquisition of securities (including shares)</b> You must complete this section if securities were acquired by employees	<input type="checkbox"/>
	<b>Section 3 Events occurring after the acquisition of securities</b> You must complete this section if taxable events occurred after the employee has acquired the securities	
8	3a Restricted securities (including shares)	<input type="checkbox"/>
8	3b Variation of restrictions for shares acquired before 16 April 2003	<input type="checkbox"/>
9	3c Conversion of securities on or after 6 April 2010	<input type="checkbox"/>
9	3d Discharge of notional loans	<input type="checkbox"/>
10	3e Receipt of other benefits from securities	<input type="checkbox"/>
10	3f Securities sold for more than market value	<input type="checkbox"/>
11	3g Artificial enhancement of market value	<input type="checkbox"/>
12	Additional information - where you know that any part of the securities income reported is taxable on the remittance basis, please give the name and National Insurance number of the affected employee.	<input type="checkbox"/>

## 1 Employment-related securities (including shares) and options

'Employment-related' securities and securities options are those acquired by reason of employment, or deemed to be so acquired because the opportunity to acquire them is made available to employees by an employer or a person connected with an employer. Securities include:

- shares in any body corporate (wherever incorporated) or in any unincorporated body constituted under the law of a country or territory outside the United Kingdom
- debentures, loans, bonds, certificates of deposit and other instruments creating or acknowledging indebtedness (other than contracts of insurance)
- options and futures.

More information is given in form 42 guidance at [www.hmrc.gov.uk/shareschemes](http://www.hmrc.gov.uk/shareschemes)

## 2 Operation of PAYE and NICs

PAYE and NICs must be operated on all taxable amounts provided in the form of 'Readily Convertible Assets'.

### Readily Convertible Assets (RCAs)

Securities (including shares) are readily convertible assets if:

- the securities can be sold or otherwise realised on a recognised investment exchange, such as the London Stock Exchange, the New York Stock Exchange, etc, or
- trading arrangements are in place in respect of the securities at the time the taxable income is provided, or
- trading arrangements are likely to come into existence in accordance with arrangements or an understanding in place at the time the taxable income is provided.

*In all other cases, securities are deemed to be RCAs and subject to PAYE and NICs if securities are not shares for which the company is entitled to a Corporation Tax deduction by reason of Schedule 23 to the Finance Act 2003.*

**NICs agreement.** Where the employee has entered into an agreement with their employer to meet some or all of any secondary NICs due then the amount paid by the employee should be entered in the column headed NICs agreement.

**NICs election.** Where the employee and his employer have jointly elected that the employee will meet some, or all, of any secondary NICs due then the amount paid by the employee should be entered in the column headed NICs election.

## 3 Non-resident or not ordinarily resident employees

- Do not complete section 1 or section 2 if the employee was non-resident at the date of option grant or securities award, and the grant or award was not in respect of prospective or former employment.
- Do not complete sections 3a, 3b, 3c, 3e and 3f if the employee was not resident (or for awards before 6 April 2008 not ordinarily resident) at the date of securities award, and the award was not in respect of employment including future or former employment when the employee was resident.

## 4 Remittance basis from 6 April 2008

The remittance basis may apply where an individual who acquires securities on or after 6 April 2008 (except those acquired pursuant to a securities option granted before that date) is resident but either not ordinarily resident or not domiciled in the UK. Where the employee has had both UK

and non-UK duties during the 'relevant period' (broadly, the period, in which the income was earned), the income derived from the securities may be apportioned. The part relating to non-UK duties is chargeable to tax when remitted to the UK. Where you know that any part of the income you are reporting is taxable on this basis list the employee's name and National Insurance number in Additional information (page 12).

## 5 Artificial adjustment of market value arising from non-commercial actions

Sections 2 and 3g apply to artificial increases and reductions in the market value of securities arising from non-commercial actions. Non-commercial actions include anything done:

- other than for a genuine commercial purpose
- as part of a scheme or arrangement designed to avoid tax or NICs
- between companies in a group of companies on terms other than would be expected from persons acting at arm's length.

## 6 Market value (MV) (where required)

The market value to be shown is the best available value at the time of the particular transaction. Where the value you enter on this form differs from that on which PAYE and NICs was operated, you should attach a note to this form explaining the difference. If, after the submission of this form, you determine that a different value is more appropriate, then that revised value should be used in your Corporation Tax computation and by employees in their Self Assessment Tax Returns. There is no need to send in a revised form 42. Provided that the valuation reported on this form is the best available at the time of the transaction, then if a different value is subsequently agreed, we will not regard the form as incorrect.

## 7 Market value (MV) to be used when calculating 'chargeable amount' (section 2)

- for security Type A - the MV (see note above)
- for security Types B, C & D (where an election has been completed) - the MV ignoring the value of any restrictions that have been disregarded
- for security Types C & D (where **no** election completed) the MV taking into account the value of any restrictions (the actual or restricted MV)
- for security Type E - the MV ignoring the value of the right to convert
- for security Type F - the MV ignoring the effect of the artificial reduction.

## 8 Restricted securities

Securities (or an interest in securities) are restricted securities if their market value is less than it would otherwise be because:

- there is a restriction on the rights relating to the securities, including restrictions on the rights to retain or dispose of the securities
- there is a provision under which a disadvantage may arise from the exercise of rights related to the securities, including disadvantages arising from the retention or disposal of the securities
- there will be a transfer, reversion or forfeiture of the securities, if certain circumstances arise or do not arise.

The securities are not restricted because of a provision under which they must be sold or transferred should employment end by reason of misconduct.

## Section 1 Securities options (including share options)

Complete one row for each grant of options.

### 1a Grant of securities options

You must complete this section if employment-related securities options were granted during the tax year ended 5 April 2011. Any EMI options granted in excess of £120,000 during the tax year ended 5 April 2011 should be shown in this section.

### Non-resident employees

Do not include within this section grants to employees who were non-resident at the date of grant and those employees who do not have any UK duties and who are unlikely to come to the UK.

	1a.01	1a.02	1a.03	1a.04	1a.05
	Date of grant	Description of securities	Total number of securities over which options have been granted	Acquisition price for each security	Number of employees granted options
1					
2					
3					
4					
5					
6					



## Section 1c Assignment and release of securities options

You must complete this section if a chargeable event has arisen during the tax year ended 5 April 2011.

Chargeable events are:

- the assignment or release of the securities options for consideration (unless the consideration received is another securities option), or
- the receipt of a benefit in money, or money's worth, in connection with the securities option (other than the acquisition of securities shown in section 1b).

**Do not** complete this section if options lapse for nil consideration.

### Column 1c.08

If the consideration received is in the form of securities the market value of which has been artificially reduced (see note 5 on page 3) by more than 10% in the 7- year period ending on the date the consideration is received, enter the consideration received ignoring the effect of the artificial reduction.

### Column 1c.09

Tax will arise on the occasion of a chargeable event (see note above). Enter 'Yes' if PAYE has been operated, enter 'No' if PAYE has **not** been operated.

### Columns 1c.10 – 1c.13

An entry is only required in these columns if either a NICs election or agreement has been entered into for the employee to meet some or all the employer's liability to NICs (see note 2 page 3).

1c.01	1c.02	1c.03	1c.04	1c.05	1c.06	1c.07	1c.08	1c.09	1c.10	1c.11	1c.12	1c.13
Employee name	National Insurance number	Employer	PAYE reference	Description	Date of chargeable event	Number of securities affected	Total amount of consideration or money's worth (see note above)	If tax arises, has PAYE/NICs been operated (Yes/No)? (see note above)	NICs election (amount paid)	NICs agreement (amount paid)	Date NICs paid by employee	Date NICs paid over to HMRC

## Section 2 Acquisition of securities (including shares)

You must complete this section if securities were acquired during the tax year ended 5 April 2011. You do not have to complete this section for any securities that have already been reported in section 1b unless the securities have an artificially reduced market value (security Type F).

**Column 2.08 Type of security.** You must enter in this column one of the following letters A - G which describes the type of security acquired. Options that are part of a scheme or arrangement to avoid tax and/or NICs should be indicated as Type F and enter 'y' in column 2.09. For restricted securities also see note 8 on page 3.

- A** Unrestricted securities (disregard columns 2.09 and 2.10).
- B** Restricted securities **with** a forfeiture provision lasting 5 years or **less** (disregard column 2.09).
- C** Restricted securities **with** a forfeiture provision lasting **more** than 5 years (disregard column 2.09).
- D** Restricted securities **without** a forfeiture provision (disregard column 2.09).
- E** Convertible securities (disregard columns 2.09 and 2.10).
- F** Securities with an artificially reduced market value (see note 5 on page 3 and disregard column 2.10).
- G** Research Institute Spin Out Company (complete columns 2.01 to 2.08 and 2.11).

**Column 2.09 Artificial reduction of market value (see note 5 on page 3)**

**For security Type F you must enter:**

- x** to signify by reason of a non-commercial transaction
- y** to signify by reason of a scheme or arrangement designed to avoid tax or National Insurance contributions
- z** to signify by reason of inter-company transaction on a non arm's length transaction.

This also applies to completion of 3a.10, 3c.10, 3e.11 and 3f.10 where relevant.

**Column 2.10 Elections**

**For security Types B, C and D if there has been an election to disregard restrictions you must enter:**

- 1 if an election has been made to disregard all restrictions
- 2 if an election has been made leaving some restrictions outstanding
- 3 if in the case of a restricted security with a forfeiture restriction you have elected with the employee for tax to arise on acquisition.

The effect of an election is to ignore some or all of the restrictions in determining the market value.

**Column 2.11 Amount paid**

If the **price paid** for the securities is **less** than the market value (see notes 6 and 7 on page 3) then a charge to Income Tax will arise on the acquisition of the securities. If a charge to Income Tax arises you should enter the total price paid in column 2.11 and also complete column 2.12. When calculating any amount chargeable to tax you should take into account any elections entered into and/or artificial reductions in the MV. If the **price paid** for the securities is at least equal to the MV then **no** entry is required in column 2.11 or column 2.12.

**Column 2.12**

PAYE/NICs should be operated if the securities acquired are Readily Convertible Assets (RCAs) at the time of acquisition (see note 2 page 3). Enter 'Yes' if PAYE has been operated, enter 'No' if PAYE has **not** been operated. If **no** tax is due then leave blank.

2.01	2.02	2.03	2.04	2.05	2.06	2.07	2.08	2.09	2.10	2.11	2.12
Employee name	National Insurance number	Employer	PAYE reference	Description	Date securities acquired	Number of securities	Type of security (see note above)	Nature of artificial reduction (see note above)	Elections (see note above)	Amount paid (see note above)	If tax arises, has PAYE/NICs been operated (Yes/No)? (see note above)







### 3e. Receipt of other benefits from securities

You must complete this section if an employee, or a person connected with an employee, has received a benefit on or after 6 April 2010, not otherwise chargeable to Income Tax, in connection with employment-related securities. The 'not otherwise chargeable' exemption does not apply in cases involving avoidance of tax or National Insurance contributions.

If the shares acquired are in a spin out company, enter 'spin out relief' in column 3e.09 and leave the remaining columns blank.

#### Column 3e.12

Tax will arise on the occasion of a benefit being provided (see note above). Enter 'Yes' if PAYE has been operated, enter 'No' if PAYE has **not** been operated.

3e.01	3e.02	3e.03	3e.04	3e.05	3e.06	3e.07	3e.08	3e.09	3e.10	3e.11	3e.12
Employee name	National Insurance number	Employer	PAYE reference	Description	Date securities originally acquired	Number of securities	Date benefit received	Nature of benefit received	Amount or MV of the benefit	Nature of artificial reduction (see note for 2.09 on page 7)	Has PAYE/ NICs been operated (Yes/No)?

### 3f. Securities sold for more than market value

You must complete this section if the employee, or a person connected with the employee, has disposed of employment-related securities on or after 6 April 2010 for more than their market value, at the time of disposal. In this case the consideration received on disposal of the employment-related securities, less their market value and expenses incurred at the time of disposal, is employment income of the employee.

#### Column 3f.12

Tax will arise on the occasion of securities being disposed of for more than their MV (see note above). Enter 'Yes' if PAYE has been operated, enter 'No' if PAYE has **not** been operated.

3f.01	3f.02	3f.03	3f.04	3f.05	3f.06	3f.07	3f.08	3f.09	3f.10	3f.11	3f.12
Employee name	National Insurance number	Employer	PAYE reference	Description	Number of securities	Date of disposal	Consideration received on disposal	Total MV of securities on disposal (see note 6 on page 3)	Nature of artificial reduction (see note for 2.09 on page 7)	Expenses incurred on disposal	Has PAYE/ NICs been operated (Yes/No)?

### 3g. Artificial enhancement of market value

You must complete this section if the market value of an employee's employment-related securities is increased by more than 10% in a relevant period by non-commercial actions (see note 5 on page 3) and the date of the taxable event is on or after 6 April 2010 regardless of when the securities were acquired.

The relevant period runs from the date securities are acquired to the earlier of the date of disposal or 5 April 2011. The date of the taxable event will be 5 April 2011 or the date the securities were disposed of if earlier.

### Sections 3g.09 and 3g.10 Unrestricted market value (UMV)

This is the market value of the securities ignoring the effect of the restrictions, any artificial reduction, or in relation to convertible securities the MV excluding the right to convert.

### Column 3g.11

Tax will arise on the occasion of a taxable event (see note above). Enter 'Yes' if PAYE has been operated, enter 'No' if PAYE has **not** been operated.

3g.01	3g.02	3g.03	3g.04	3g.05	3g.06	3g.07	3g.08	3g.09	3g.10	3g.11
Employee name	National Insurance number	Employer	PAYE reference	Description of securities originally acquired	Date of original acquisition	Number of securities	Date of taxable event	Total UMV on 5 April 2011 or, if earlier, the date of disposal (see note above)	Total UMV, ignoring effect of artificial increase on date of taxable event (see note above)	Has PAYE/NICs been operated (Yes/No)?

## Section 4 Participating companies

If only one company is issuing employment-related securities to its employees, there is no need to complete this section. However, if this form is completed to cover a group of companies or organisations, please enter details below of the companies for whom the return applies.

4.01	4.02	4.03	4.04
PAYE reference	Corporation Tax reference	Company Registration Number	ESSU reference number (if any)

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## Section 5 Nil return

If the scheme/plan was registered with the ESSU and there is no reportable event during the tax year, please enter 1 in the box.

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## Section 6 Declaration

**Note** The Taxes Acts require that the Company Secretary or the person acting as the Company Secretary should complete the declaration. If a liquidator has been appointed they should complete the declaration (S108(1) and (3) TMA 1970).

To the best of my knowledge and belief the information I have given on this return (and on any supplementary sheets) is correct and complete.

Name *(use capital letters)*

Signature

Position in company

Name of company

Date *DD MM YYYY*

Phone

Email

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## Additional information