Employee Share Schemes Statistics for 2016 to 2017

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

National Statistics for 2014/15 were not produced due to issues with the supply of data from the online Employment Related Securities system.

1 Introduction

Employee share schemes (ESS) 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.

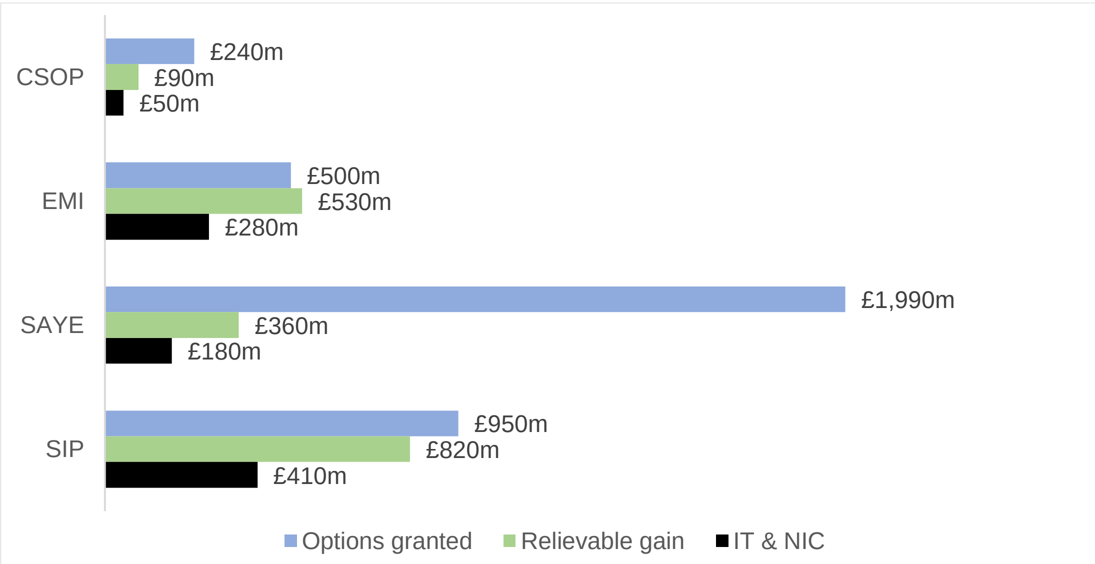
Company Share Option Plan (CSOP) and Enterprise Management Incentives (EMI) are for certain employees chosen at the discretion of the employer. Save As You Earn (SAYE) and Share Incentive Plan (SIP) are for all employees. This series contains statistics on these schemes, including the numbers of companies using schemes, numbers of employees receiving awards or numbers of awards, values awarded, numbers of employees exercising options and estimates of IT and NIC relief received.

Further background information on the schemes is given in section 3. If accessing these statistics for the first time it is advisable to read section 4 about the analysis methodology and limitations.

1.1 Key Statistics

- Employees received an estimated £560m in income tax (IT) relief and £360m in National Insurance Contribution (NIC) relief in 2016-17. This is lower than the previous year, but it is too early to tell if this is a change from the longer-term trend, where IT and NIC relief increased between 2009-10 and 2015-16.
- The total number of companies operating ESS has increased by 11% since 2015-16, rising to 11,850 and continuing the long-term increasing trend driven by EMI. Of the 11,850, 96% only operated one type of scheme.
- Figure 1 summarises the total value of options granted and exercised and the Income Tax and National Insurance Contribution relief for each of the schemes. This shows that options granted under SAYE have the greatest value, which is due to it being an all-employee scheme. The value of options granted and exercised for the year should not be compared directly, as there is a lag of a number of years between the two events.

Figure 1: Summary of the total value of options granted, exercised and IT & NIC relief by scheme for 2016-17



In the case of SIP, options granted means value of shares awarded, and relievable gain is value of shares taken out of the plan.

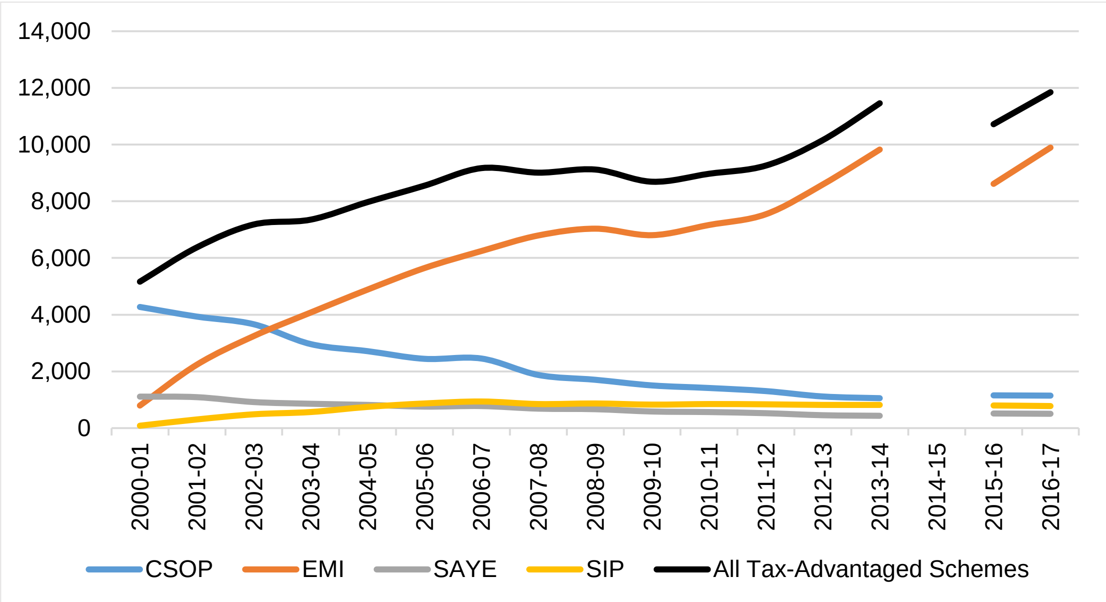
2 Statistical Commentary

2.1 Numbers of companies

Table 6.2 shows that around 11,850 companies operated tax-advantaged ESS in the UK in 2016-17, a 10% increase since 2015-16 and 29% increase since 2006-07. The steady increase in all tax-advantaged schemes, shown in Figure 2, is because of companies offering EMI. This is a scheme introduced in the Finance Act 2000 and has grown to form 83% of all companies offering tax-advantaged schemes.

The increase over time is likely because EMI allows companies to offer total share options up to the value of £250,000 in a three-year period, which is much higher compared to other schemes, and is therefore an attractive means of remuneration for employees in eligible companies. As a result, the number of companies with the remaining three schemes has declined by 1,740 since 2006-07, a 42% decrease, with the majority of the decline attributable to CSOP. SAYE and SIP numbers have remained relatively constant in comparison.

Figure 2: Number of companies with tax-advantaged ESS, 2000-01 to 2016-17.

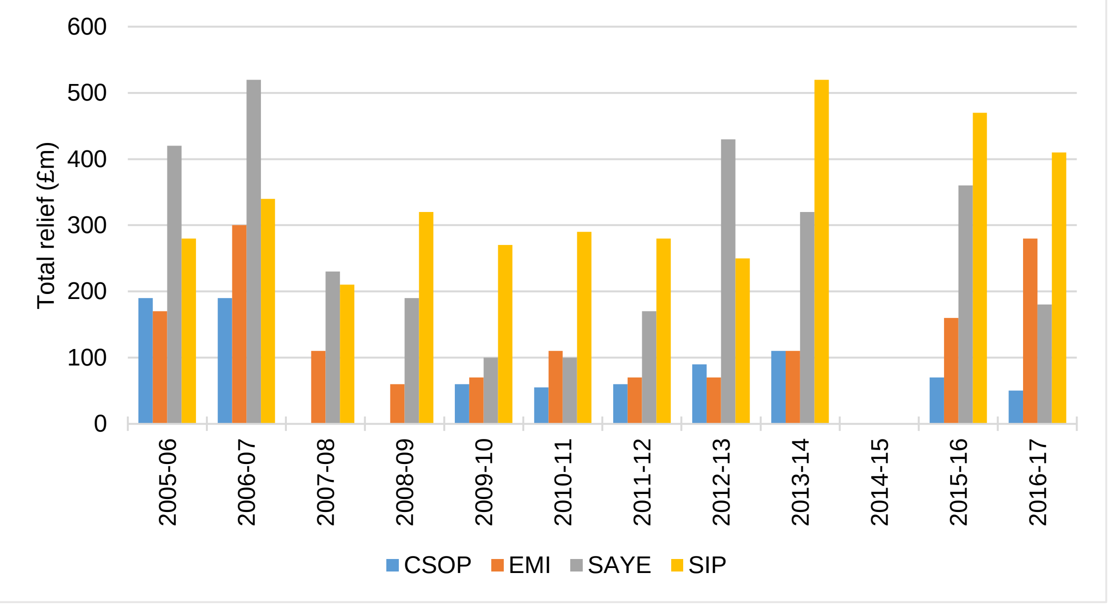


2.2 Income Tax and NIC Relief

Table 6.1 shows that employees received an estimated total of £920m in IT and NIC relief in 2016-17 across the four tax-advantaged schemes. This is down 13% from 2015-16 and down 32% since 2006-07. This decrease is mostly driven by a 13% and 50% decrease in relief for SIP and SAYE schemes respectively.

Although EMI schemes are on the increase in terms of number of companies offering EMI, most of the IT and NIC relief continues to be given to those in SIP schemes, as shown in Figure 3. This is because SIP is an all-employee scheme, and so more employees are awarded shares when compared to the numbers exercising EMI shares.

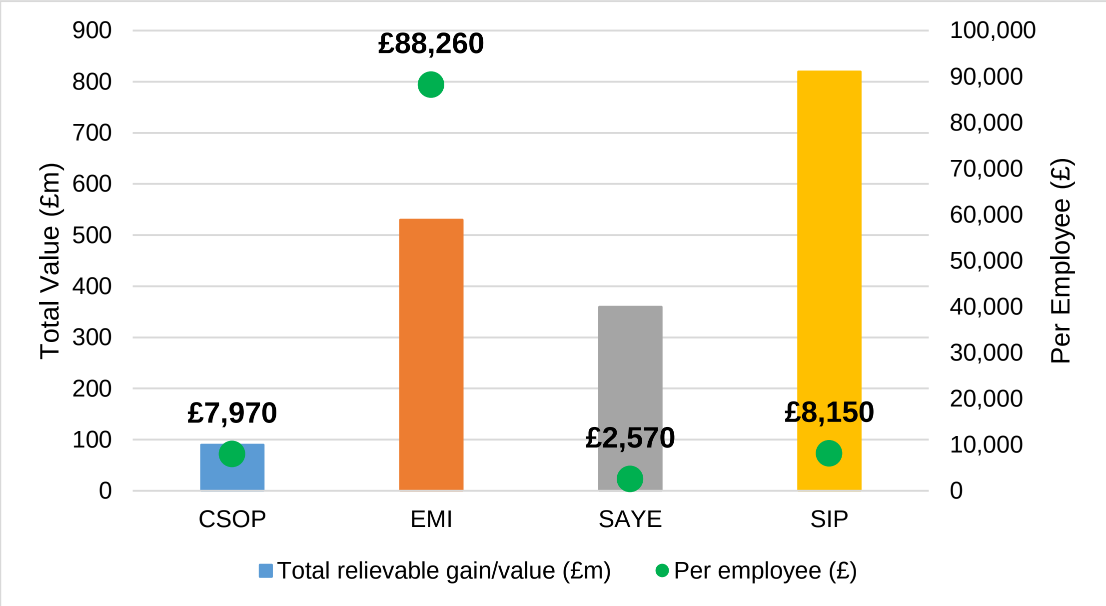
Figure 3: Amount of income tax and NIC relief by scheme, 2005-06 to 2016-17.



The average relievable gain or value per employee in each scheme (Figure 4) shows that whilst SIP has the highest total value, the average per employee is considerably higher for EMI schemes. This is because of restrictions on EMI schemes mean that fewer employees utilise them, and as the maximum value of options that can be granted is £250,000 per employee, and so the gain per employee can be much greater.

The differences between total gains and relievable gains do fluctuate slightly across the tax years. The gains were much higher in 2012-13 than in earlier years, primarily because SAYE scheme gains were much higher in this year. However, by 2016-17 these SAYE gains have fallen to a level last seen in 2011-12. EMI gains increased considerably in 2016-17, reflecting the growing nature of the small and medium enterprises (SMEs) at which it is aimed. CSOP gains have fallen in 2016-17, but have generally remained constant, with a peak seen in 2013-14.

Figure 4: Total relievable gain or value on which relief is applied by tax-advantaged schemes, 2016-17.



2.3 Combination of schemes

Some companies may be operating more than one type of scheme and this has been broken down in table 6.7.

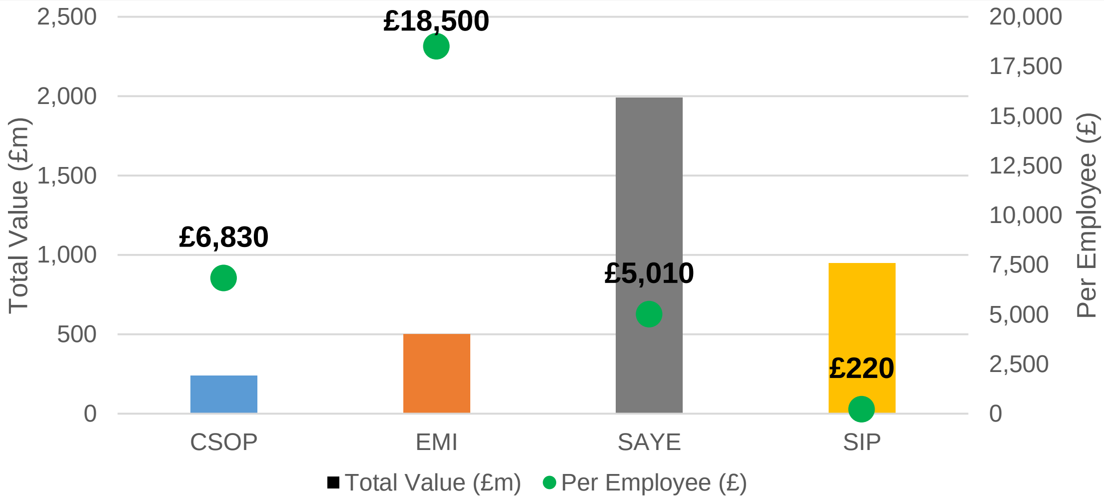
The majority of companies (11,430; 96%) only operate one type of scheme, with a much smaller number running two or three schemes, and less than ten running all four schemes.

The figures show that in 2016-17, 98% of EMI companies did not operate other tax-advantaged schemes. For companies operating EMI, SAYE and SIP schemes the most common other type of scheme that the company would operate is CSOP.

2.4 Comparisons between schemes

Figure 5 shows that SAYE schemes have the highest total value of options granted for 2016-17 at approximately £2.0bn. However, as is seen with the gains in Figure 4, SAYE schemes have a lower average value per employee (£5,010) due to the higher rate of participation. This is the same reason why the per person value of SIP shares is low (£220), despite the total value of SIP share awards being greater than the value of EMI and CSOP options granted combined.

Figure 5: Total value of options granted (shares awarded) by tax-advantaged schemes, 2016-17.

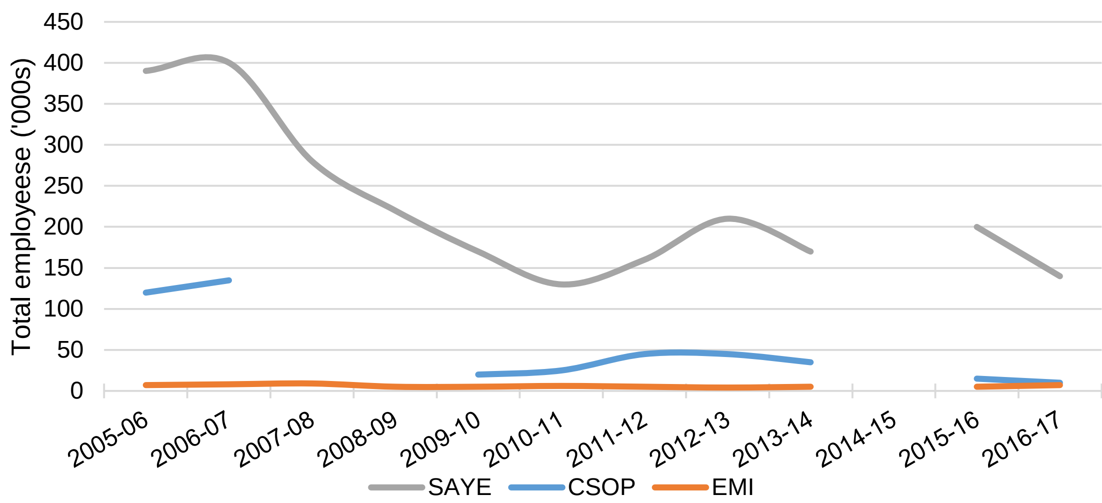


1. The number of employees is based on a sum across the annual returns and individuals cannot be deduplicated
2. For SIP share awards, only employees receiving Partnership or Free shares are counted, as Matching and Dividend shares can only be recieved by those holding another share type.

Although total value of EMI and CSOP awards are much lower, the average amount awarded per employee is higher. CSOP scheme have an average value of £6,830, but limited to £30,000. The average EMI award per employee is £18,500, and is thus the highest across all the schemes. This reflects the higher limits on the maximum amount that can be awarded under those schemes, and that discretionary schemes may be offered to select employees whereas SAYE and SIP must be offered to all employees.

Similarly, Figure 6 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 has higher numbers of employees participating. SIP has not been included, as options are not exercised under SIP. Whilst the number of employees exercising options in EMI schemes has remained relatively constant, there is an overall decreasing trend in both SAYE and CSOP.

Figure 6: Number of employees exercising options in SAYE, CSOP and EMI, 2005-06 to 2016-17.



1. Due to changes to Form 35, information about employees exercising CSOP options cannot be calculated for 2007-08 and 2008-09.

2.5 Number of companies granting and exercising

Figure 7 and Figure 8 show the numbers of companies with employees who were granted and who were exercised options respectively. Figure 7 shows that the total number of companies where employees have been granted options or awarded shares has generally been rising since 2009/10, with the rate increasing over the last three tax years. The total increase is driven by the large rise in the number of companies granting EMI options. Figure 8 shows that the total number of companies where shares were exercised remained mostly constant when compared to last year. The number of EMI and SAYE schemes where employees exercised options increased slightly, however this is countered by a decrease for CSOP schemes.

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. A drop-off between the numbers granting and exercising will also be seen is companies are not successful and cease operating, thus removing the ability for employees to exercise shares.

Figure 7: Number of companies granting options (awarding shares), 2007-08 to 2016-17.

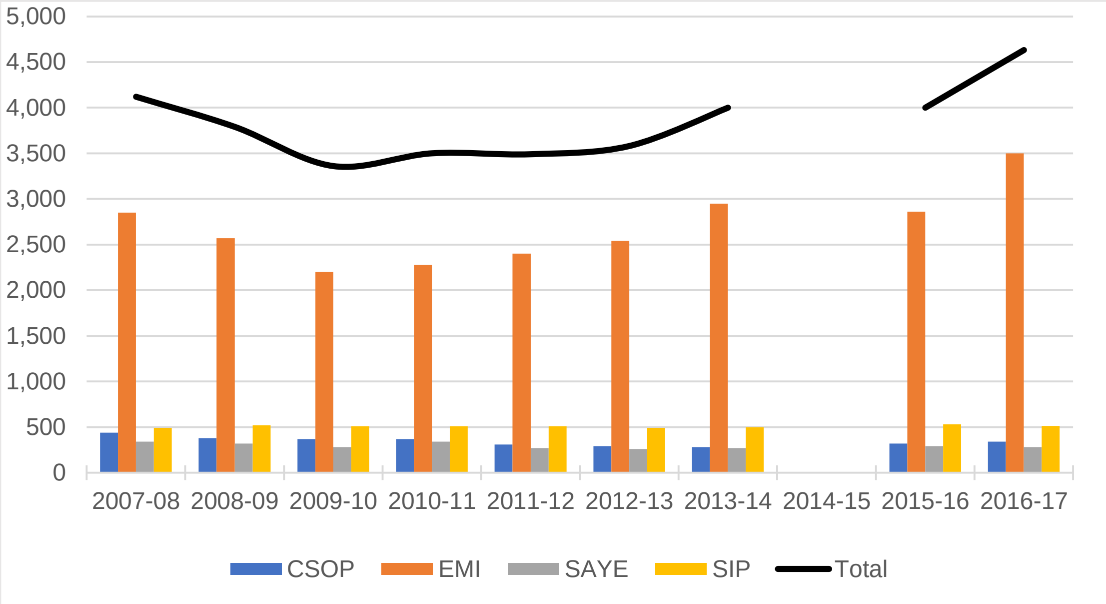
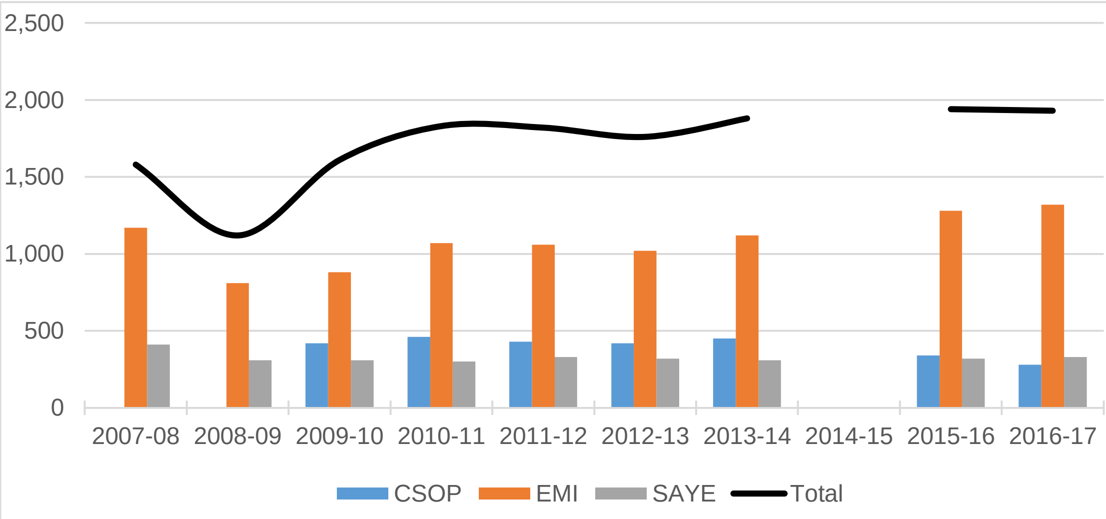


Figure 8: Number of companies exercising options, 2007-08 to 2016-17.



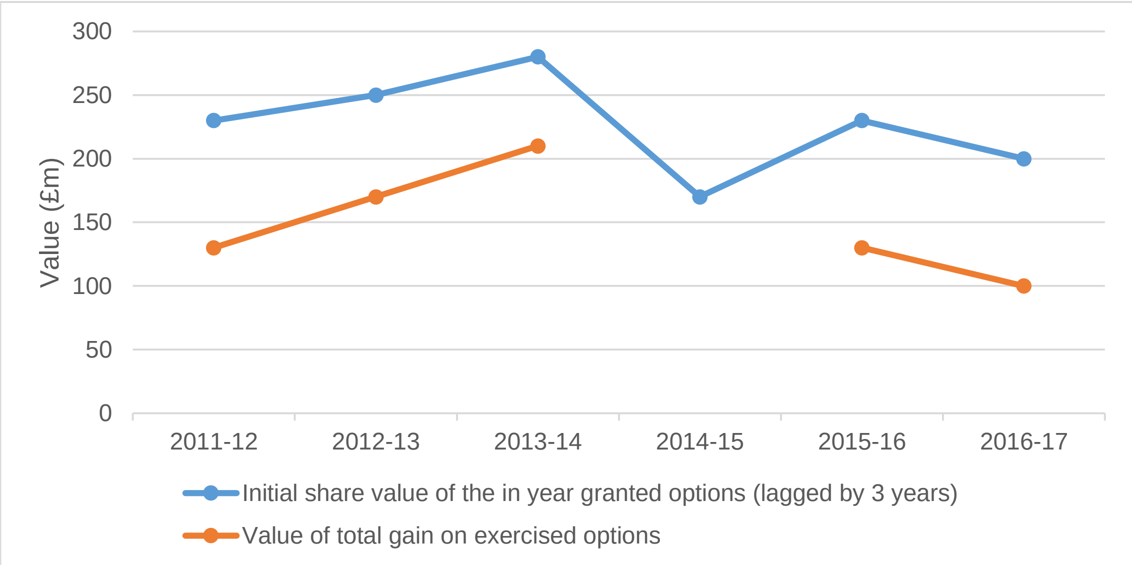
1. SIP schemes award shares rather than grant options so there are no exercise numbers.
2. Data is not available before 2009-10 for CSOP

2.6 Company Share Option Plan Schemes

The number of live CSOP schemes has declined since 2011-12, and over the same period, the total value of the relievable gain has fluctuated, but overall it has declined. The number of employees exercising options and the value of gain decreased in 2016-17. Although the initial share value held constant at £240m from 2015-16 to 2016-17, the value of total gain decreased by 23%. This disparity between granted and exercised within year is because CSOP schemes are held for a minimum of three years. A lagged comparison of value of granted and total gains shows that the trend in granted is mirrored in the trend in exercised three years later.

The lack of 2014-15 data means that robust forecasts cannot be inferred, but with the correlation of a three-year lag between granted and exercised in mind, we expect the value of gains to increase in 2017-18.

Figure 9: Comparison of the value of options exercised and options granted, lagged by three years, for CSOP schemes.



2.7 Enterprise Management Incentives

When comparing the 2016-17 EMI figures with those from 2015-16, it can be seen that there is an increase across all the metrics for the scheme. This trend has been evident since 2009-10, but has been increasing more strongly between 2011-12 and 2016-17.

There was a slight decrease in 2015-16 in the number of companies where employees were granted options, and the shape of the overall trends altered slightly, 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 4.

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. For this reason, the gains and associated value with EMI shares can be quite volatile over short periods.

2.8 Save As You Earn Share Option Schemes

The figures for awards made under SAYE have varied over the last five years. This can be explained by the contract restrictions that determine the length of time options are held. SAYE schemes are exercised 3, 5 or 7 years after the options were granted, depending on the length of the initial contract. Analysis suggests that most employees exercise after 5 years, and there is a positive correlation between the value of exercised options and the value of the granted options lagged by five years.

The relatively large changes in the value of relievable gains throughout recent years can be partially explained by the fact that 2008-09 to 2010-11 were popular years for participation in SAYE schemes. At this time, share prices were broadly declining and would have presented employees with an opportunity to benefit from any future recovery in share prices.

2.9 Share Incentive Plans

The number of employees awarded free shares and the value of these shares increased substantially 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 decreased by 60% in 2015-16, however this trend has continued in 2016-17 with a further decrease from the previous year of 50%. The value of Partnership and Matching shares have both decreased by 16% since 2015-16. The value of dividend shares remain unchanged from 2015-16.

The trend is slightly different when looking across the period from 2011-12 to 2016-17, reflective of the varying nature of the awards by larger SIP schemes. In this period the value of Free shares has decreased by 52%, the value of Partnership, Matching and Dividend shares has increased by 30%, 44% and 44% respectively. The number of employees awarded shares has fallen by 63% and 7% across this same period for Free and Dividend shares, but increased by 3% and 14% for Partnership and Matching shares.

The estimated costs of relief for income tax and national insurance contributions remain higher than those seen in previous years before the sharp increase in 2013-14, but are declining. In 2016-17 the IT and NIC relief decreased by 11% and 15% respectively when compared to 2015-16, and by 20% and 23% respectively when compared to the 2013-14 peak.

3 Background Information for Employee Share Schemes

3.1 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 (CGT). 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.

Scheme Name	Introduced	Description	Type	Relief given
EMI	2000	Options awarded	Discretionary	IT / NICs
CSOP	1996	Options awarded	Discretionary	IT / NICs
SAYE	1980	Savings with option to buy shares	All employees	IT / NICs
SIP	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 later 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 into which they save.

3.2 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[1]. For CSOP, the value of the share options that may be held by an employee at any one time is limited to £30,000. This limit takes into account the value of shares in options held under any other tax-advantaged CSOP scheme). In addition, 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.

No Income Tax or National Insurance is chargeable on the exercise of CSOP options if they are exercised three or more years after the date they were granted.

3.3 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

[1] Statistics for DSOP and CSOP are available in the CSOP statistical table

they need to grow and succeed. EMI is open to qualifying companies or groups with gross assets not exceeding £30m (increased from £15m on 1 January 2002).

The main features of EMI are that:

- In a three year period, each employee can be granted options over shares worth up to:
    - £250,000 for options granted on or after 16 June 2012
    - £120,000 for options granted on or after 6th April 2008
    - £100,000 for options granted before 6th April 2008
- Companies can have up to £3m 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% of their working time and who have no material interest in the company.

No IT or NICs 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.

3.4 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 6th 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
- Any increase in the market value of underlying shares between the dates on which the option was granted and exercised.

CGT may be payable if shares acquired through a SAYE scheme are later sold or disposed.

3.5 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[2]. 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 two 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 IT or NIC 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 IT and NIC charge on growth in value. If they take them out of the plan within 3 years, IT and NIC are payable on the market value of the shares at the time the employee takes them out. The value of the dividends can be reinvested in more plan shares. If these reinvested shares stay in the plan for three or more years, then there is no IT charge. No CGT is payable on any increase in value while the shares are in the plan. When the shares are sold, the cost for calculating CGT liability (if any) is the market value of the shares on exit from the plan and not the market value at acquisition.

3.6 Approved Profit Sharing Scheme (not used since December 2002)

From 1978, employees under APS schemes received the special tax treatment for share awards, but this was phased out following the introduction of Share Incentive Plan. No new profit sharing schemes were approved after 5 April 2001. Awards under

[2] A final version of the APS table produced in July 2005 is available on the HMRC website at https://www.gov.uk/government/statistics/approved-profit-sharing-schemes

existing schemes ceased in 31 December 2002 although employees can continue to hold tax-advantaged shares from past appropriations.

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

3.8 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. If shares are transferred, then there is no charge to CGT. 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.

3.9 Policy changes

Policy changes that may affect the statistics are summarised below:

Policy Change	Date	Impact on Statistics
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. 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 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	The change will have allowed employees to make larger grants of shares, and 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. The higher level of grants is likely to feed through to higher exercises, accumulating over the ten-year period after the policy change due to the time in which employees can exercise options with a tax-advantage.
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.
The employee contribution limit for SAYE schemes increased from £250 to £500 per month. 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.	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.

3.10 Further information

Detailed guidance on employee share schemes can be found at https://www.gov.uk/topic/business-tax/employment-related-securities

4 Analysis Methodology and Data Quality

4.1 Data source

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 2016-17 is taken from the return templates submitted online for the 2016-17 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.

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 to 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.

4.2 Number of companies

For 2015-16 onwards, the number of companies with any type of scheme 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 scheme types.

For years up to 2013-14, the number of companies for SAYE, CSOP and SIP was taken from a database of schemes that 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 that 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 as that used for the other schemes 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.

4.3 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.

4.4 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, 6.4, 6.5, and 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 that 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, in most cases where no national insurance number is provided individuals can be uniquely identified, 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 three-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. In addition, they would 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 that 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. 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 and missing values. More information on this can be found in the section on quality below.

SIP

Under SIP, employees are awarded shares directly, rather than options to purchase shares. Those shares are then held in the SIP plan and appropriated by the employee at some point in the future. 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 that 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.

4.5 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 IT and NIC 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 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 increased accuracy of the 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 is calculated by counting the number of unique National Insurance numbers for exercised options on the annual return. 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 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 statistics that are more accurate.

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 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.

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 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).

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 4.4.

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, from which the estimated costs are produced by multiplying the net value by the average Income Tax and National Insurance rate.

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”.

4.6 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. Prior to 2014-15, when the online submissions began, an error might be made in keying in the values from the form at the data entry stage.

To identify these errors we check the data for outlying 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 that 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 4.5.

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

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.

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.

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 do, 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. It also led to changes in some cases to how we were estimating missing values.

Cleaning the data is a large manual task, so 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 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 any estimate the number of employees participating in SIP schemes is taken as an upper bound.

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

The published costs within this commentary 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.

5 Statistics Users and User Engagement

We published the findings from our user consultation in 2012, and this 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 to meet the needs of the users better. 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 had options granted or exercised. 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.

6 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 significant methodological change.

For EMI prior to 2013-14, we had a database that 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, however retrospective changes are not made during the course of compiling these statistics.

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.

7 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 SIP and SAYE schemes, and ISAs, as these shares may be transferred into an ISA at the end of the scheme. There is also a relationship with 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.