



HM Revenue
& Customs

Consultation: Office of Tax Simplification: Review of unapproved share schemes

Summary of Responses
December 2013

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Foreword

In July 2011 I asked the Office of Tax Simplification (OTS) to review the tax rules for employee share schemes, to identify where these are complex and to tell us how they could be simplified. Following the first part of this review (on the four tax advantaged employee share schemes) the Government implemented a large number of the simplification measures recommended by the OTS and I know these have been welcomed by businesses and experts in this area.

The second part of the OTS review, published earlier this year, concerned non-tax advantaged (or unapproved) employee share arrangements. The tax rules in this area are recognised to be complex, but we want to make it as simple as possible for employers and employees to apply the rules and pay the tax that is due when shares or other employment-related securities are awarded.

Following this part of the OTS review, we consulted on five changes. These covered share for share exchange arrangements, the taxation of employment-related securities received by internationally mobile employees, corporation tax relief for employee share acquisitions, the rules concerning making good of amounts paid by an employer in respect of tax and share valuation. The OTS recommendations were well received by consultation respondents and alongside this summary of responses we are publishing draft legislation on these changes where appropriate for Finance Bill 2014, as well as draft legislation on another OTS recommendation – online filing of annual share scheme returns.

Work is also proceeding to improve HMRC guidance in areas identified by the OTS and to further consider the OTS recommendations in relation to the ‘marketable security’ and the employee shareholding vehicle. Further details are set out in this summary.

The work of the OTS in this area has coincided with the Government’s establishment of the employee shareholder employment status, which has been available since September. Taken together with the simplification measures recommended by the OTS, I believe that the changes we are making in this area represent the most significant package of reform to the tax rules for employee share schemes for many years.

I am grateful to the OTS for helping to make this simplification possible through its expert consideration of this complex area of the tax code, and also to those businesses and advisers who responded to the consultation and contributed to the development of these proposals.



David Gauke
Exchequer Secretary to the Treasury

1. Introduction and next steps

The consultation

1.1 Income tax and National Insurance Contributions (NICs) are generally due where an employer awards share options, shares or other employment-related securities (ERS) to employees. The tax rules in this area are designed to ensure that employment income paid in the form of ERS or options is subject to income tax and NICs where appropriate. There are also a number of information and administrative obligations associated with the award of ERS and options, and in certain circumstances corporation tax relief is available to companies in respect of employee share acquisitions.

1.2 The OTS published the final report of its review of unapproved employee share schemes on 16 January 2013, and this can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/198440/ots_unapproved_employee_share_schemes_final.pdf.

1.3 Following the publication of this report, the Government consulted on five changes, in order to obtain views and further evidence about their potential impacts, costs and benefits. The Government published a consultation document on 24 May 2013, which can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/200910/Unapproved_share_schemes.pdf

Consultation responses

1.4 The Government received 19 responses to its consultation: eight from professional advisers, seven from representative bodies, three from businesses and one from a share plan administrator. Annex A contains a full list of respondents.

1.5 The Government is grateful to respondents for their contributions to the consultation and for taking the time to respond. These responses have contributed to a better understanding of the potential costs, impacts and benefits of these proposals.

1.6 Chapter 2 outlines points made during the consultation and the Government's response.

Next steps

1.7 The Government intends to proceed with the changes proposed in the consultation. Where appropriate, draft legislation for Finance Bill 2014 is being published alongside this summary of responses and the Government welcomes technical comments on this by 4 February 2014. Comments should be sent to: shareschemes@hmrc.gsi.gov.uk.

1.8 On the valuation of listed company shares, respondents made a number of additional suggestions which may have potential to provide further simplification in this area. HMRC is evaluating these suggestions further in consultation with its Employment-Related Securities Stakeholder Forum and the OTS.

1.9 Some of the recommendations made by the OTS in its report were not included within this consultation, for example because they could be taken forward without consultation or because further time was required to assess the proposal. Where appropriate, an update on these recommendations can be found in Chapter 3.

2. Summary of responses

Introduction

2.1 The Government sought further views and evidence on potential impacts of the OTS recommendations in relation to:

- share for share exchanges and rollovers;
- the availability of corporation tax relief following takeover of a company;
- the taxation of ERS and options awarded to internationally mobile employees;
- section 222 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) and the rules concerning the making good of amounts paid by an employer in respect of tax; and
- the valuation rules for listed company shares.

Consultation questions

2.2 For each of the proposals, the Government welcomed views and evidence on **the impact of the proposed change for businesses and individuals, in terms of one-off or ongoing tax or administrative costs/savings.**

2.3 Concerning the taxation of ERS awarded to internationally mobile employees, the Government also sought views and evidence on **the impact upon the number of internationally mobile employees subject to UK income tax on ERS.**

Share for share exchanges and rollovers

2.4 The OTS pointed out in its report that while rollover provisions in tax legislation may prevent an income tax charge arising when options over ERS held by an employee are exchanged for new options, similar rollover provisions are not available in relation to an exchange of restricted securities or nil or partly paid shares. The OTS reported that this can lead to income tax charges where these securities are exchanged, or that companies may undertake complex and costly arrangements to prevent such a tax charge arising. The OTS recommended that new rollover provisions should be applied for restricted securities (including forfeitable securities) and for nil and partly paid shares.

2.5 During the consultation, there was unanimous support for this proposal among respondents who expressed a view. A representative response came from an advisory firm who told us:

The proposed change would establish consistency... This will potentially have a positive impact for business in that they will be able to consider proposals for exchange/ rollover of awards on a purely commercial basis.

2.6 Several respondents drew attention to previous work undertaken by HMRC in 2008/09 to rationalise the rules on nil and partly paid ERS, and said that this earlier work should be revisited.

2.7 No respondents identified any additional costs or unwelcome impacts for businesses from this proposal.

2.8 Some respondents suggested broader changes should be introduced, such as rollover provisions for convertible ERS or new provisions that would apply in cases where options over ERS are exchanged for ERS.

Government Response

2.9 The Government proposes to take forward the OTS recommendation and introduce a new rollover relief for cases in which restricted securities (including forfeitable securities) are exchanged for other restricted securities. As suggested by consultation respondents, the Government has also reviewed earlier work on the rules for nil and partly paid ERS and the discharge of notional loans, including those cases in which ERS are disposed of at a price which reflects any unpaid amounts. It intends to simplify the rules in this area, as well as implementing the new rollover provision recommended by the OTS. Draft Finance Bill clauses are being published alongside this summary of responses.

2.10 The Government also considered the case for extending the rollover relief beyond those situations set out in the OTS recommendation, as suggested by a small number of respondents. However, it believes that an extension to other cases, such as on the exchange of convertible securities, risks adding disproportionate complexity to the existing legislation. It does not therefore propose to apply new rollover reliefs other than in those cases identified by the OTS in its recommendation.

Corporation tax relief following takeover of a company

2.11 Corporation tax relief is currently available for employee share acquisitions, subject to certain conditions. The OTS pointed out that, in certain circumstances, relief may not be available on the acquisition of shares following the takeover of a company by an unlisted company.

2.12 The OTS reported that this means that relief can be lost in some cases, and that there can be complexity for companies who wish to structure a takeover deal so as to secure relief. It therefore recommended that the corporation tax relief for employee share acquisitions should, where appropriate, be available for a specified period (90 days) following takeover by an unlisted company.

2.13 There was unanimous support for this proposal among respondents who addressed this issue. The response from one representative body was typical:
This simplification is welcome in that it will ensure that corporation tax relief is available to all companies, without having to take expensive professional advice... and give certainty when structuring takeover deals.

2.14 No respondents identified any additional costs or unwelcome impacts for businesses from this proposal.

2.15 Several respondents suggested that the period following a company takeover during which relief can be available should be extended to 6 months (rather than the 90 days recommended by the OTS), in line with the maximum period for exercising options under the Save As You Earn share option scheme. Other respondents called for a wider extension of the current relief for employee share acquisitions, for example so that it would apply in relation to a broader range of shares.

Government Response

2.16 The Government proposes to take forward the OTS recommendation by extending the current corporation tax relief so that it can apply for share acquisitions that take place by exercise of share options within 90 days of the takeover of a company. Draft Finance Bill clauses are being published alongside this summary of responses.

2.17 As regards the other suggestions made by consultation respondents, the Government acknowledges that there may be a small number of instances where employees exercise share options more than 90 days after a change of control of a company. However it believes that 90 days, as recommended by the OTS, should be sufficient time to allow for the exercise of options in the vast majority of cases, and notes that many companies wish to secure the orderly and prompt exercise of options following a change of control. The Government also believes that it remains important for reasons of cost and effective targeting to apply certain requirements in relation to the type of shares for which relief is available. It considers that the current requirements remain appropriate and has no plans to revisit these as part of this simplification package.

Internationally mobile employees

2.18 The taxation of ERS and options awarded to internationally mobile employees (IMEs) is recognised as a complex area of the tax rules. The tax position generally depends upon the residency status of the employee at the time that ERS are awarded or options granted. The OTS pointed out that the current rules:

- may lead to UK tax not being chargeable on ERS or options that relate to UK employment, or to UK tax being chargeable on ERS or options that relate to work carried out overseas; and
- are not aligned with those which apply for other forms of employment income earned by IMEs, and that this misalignment can create complexity.

2.19 The OTS recommended that the tax (and NICs) treatment of ERS awarded to IMEs should be more closely aligned with that for other forms of employment income. It also recommended changes to the corporation tax rules so that, where appropriate, relief linked to the amount chargeable to income tax on the shares would be available where an employee of an overseas company is seconded to work for a UK company.

2.20 This proposal was broadly supported by respondents who addressed this issue, although some emphasised the need to avoid additional complexity. One business told us:

[This] is clearly a complex area, with different types of share award being taxed differently. Any efforts to simplify this area would therefore be beneficial for business. The treatment of such income should also be fair, such that the income is only taxed once in total across all jurisdictions.

2.21 One advisory firm commented:

[We] welcome the move towards simplification. This is not to say the sourcing of awards to internationally mobile staff is ever going to be easy, because of the different factual interpretations taken by different countries. If all parties are satisfied that a reasonable and clearly symmetrical approach is taken, avoiding both double taxation and double non-taxation, that should be taken as an acceptable basis.

2.22 Potential simplification benefits identified by respondents included the removal of current difficulties in assessing for tax purposes whether an award to an IME is a 'legal option'. Respondents welcomed the proposal that all agreements involving options over ERS should be taxed in the same way.

2.23 Almost all respondents commented on the issue of aligning NICs with the tax rules. Some pointed to potential limitations to any alignment as a result of international social security agreements. However, most supported the objective of aligning NICs as closely as possible with the tax rules in this area.

2.24 A few respondents suggested there would be a significant one-off impact on employers, in terms of the costs of amendment to systems, the need for professional advice and familiarisation with the new rules. One advisory firm warned that:

the costs of the changes will be substantial because of the amount of learning and training required to understand the new system. In addition there are likely to be substantial costs in amending tax, payroll and record keeping processes and systems to deal with the changes.

2.25 However, other respondents considered these initial costs worthwhile in order to achieve simpler rules which could reduce complexity and costs in the longer term.

One advisory firm commented:

Businesses will see ongoing administrative cost savings under a more consistent tax regime and where there is greater clarity the cost of professional fees should also be reduced, once the new regime is well-established and understood.

2.26 Many respondents made clear that there should be transitional arrangements and a reasonable lead-in period to support implementation of the changes, and some suggested that these could help to control the administrative costs of adjusting to the new rules.

2.27 The OTS recommendation in relation to corporation tax relief was generally welcomed by respondents, with most agreeing that relief should be available to a UK host company where, and to the extent that, an overseas secondee's shares are subject to income tax in the UK.

2.28 Other issues raised by respondents included the treatment of 'split years' (in which an IME either leaves the UK to live or work abroad or comes from abroad to live or work in the UK). One respondent mentioned the interaction between income tax and capital gains tax (CGT). The question of short stays by an employee in UK was also mentioned, in particular the potential difficulty if employers are required to track long term share-based remuneration plans for these employees. One business told us:

the proposed changes will create additional administrative burdens for immaterial tax liabilities. In particular, those who come into the UK for very short periods of time and are not covered by... [the] Short Term Business Visitors Agreement.

2.29 Respondents were generally unable to estimate the potential impact on the number of inbound or outbound IMEs who would be subject to UK income tax on ERS or options under this proposal. Of those that did address this question, one respondent said that there would be an impact on inbound workers from the US, as in certain circumstances they may be unable to claim credit in the US for tax paid in the UK. However, one business suggested that the proposed changes could support the assignment of IMEs to the UK. It told us:

the current treatment of some employment related share income in the UK (RSUs) [Restricted Stock Units] is such that more than 100% can be taxed globally and this gives a signal that is detrimental to international assignments to the UK.

Government Response

2.30 The Government proposes to take forward the changes on IMEs recommended by the OTS. Draft Finance Bill clauses for income tax and corporation tax changes are being published alongside this summary of responses, and further details of the proposed changes to the NICs rules will be published shortly. It is proposed that, where appropriate, the rules for NICs will be aligned as closely as possible with the new rules on taxation of ERS and options.

2.31 Given the complexities that can arise in this area, the Government believes that consultation on this draft legislation is a particularly important stage in the development of this measure and encourages businesses and specialists to take the opportunity to comment. Details of how to do so can be found at paragraph 1.7.

2.32 Under the proposed approach to income tax, it is intended that 'relevant periods' will be applied for each category of ERS, reflecting the period within which the ERS income has been earned. These will be used for the purposes of apportioning on a time basis between ERS income to be treated as earned in the UK and that which is not. Where appropriate, these relevant periods will be based on those currently in operation for the remittance basis of taxation. This will be subject to an override in cases where the result provided by this approach is not just and reasonable.

2.33 The Government notes the view expressed by some consultation respondents that the proposed change could create new burdens for businesses. It remains committed to working with businesses and specialists in the sector during consultation on the draft legislation to ensure the rules and the implementation of these changes are as effective as possible, and that any additional costs are proportionate.

2.34 The Government agrees that these new rules should be subject to appropriate transitional arrangements and therefore proposes to apply these changes only in relation to ERS and options awarded or granted after 1 September 2014. It is proposed that the changes to income tax, NICs and corporation tax in relation to IMEs will be applied simultaneously to minimise the changes required by businesses. This approach should provide an appropriate lead-in period before the new rules take effect, and help businesses to manage compliance costs. It will also mean that no changes will be required in relation to current ERS awards or options.

2.35 In relation to other points raised by consultation respondents, the Government confirms that the new rules will provide for 'split year' treatment in line with the statutory residence test. The Government acknowledges that, under its proposed approach, short postings in the UK could require businesses to track the location of more employees than is currently the case. However, it regards this as an inevitable consequence of these broader simplification proposals.

Section 222 of ITEPA and making good

2.36 Where PAYE is due on notional (non-cash) payments such as ERS, employers are unable to deduct the relevant amount in the same way as they would for cash payments, such as salary. In such cases, the employer must seek to deduct the full amount of tax due in respect of the notional payment from other PAYE income paid to the employee. Where this is not possible, the employer must pay to HMRC the balance of the PAYE amount due on the notional payment. This balance is treated as earnings of the employee from the employment and is subject to an income tax charge under section 222 of ITEPA, but only if the employee does not make good the relevant amount to the employer within 90 days.

2.37 This is an anti-abuse provision, designed to put the employee in broadly the same position as if they had received a cash payment of an equivalent amount to the taxable value of the notional payment. Such a cash payment would be received net of the deduction of PAYE tax. Similarly, if the employee makes good the PAYE tax in relation to a notional payment, they retain the net value.

2.38 The OTS said that a charge under section 222 can apply in cases where there is no real loss of tax. It also said that in cases where the relevant PAYE amount is ultimately made good by the employee, but beyond the 90 day limit, the charge under section 222 appears out of proportion to the circumstances. The main OTS recommendation in this area was that ERS should be removed from the scope of section 222 in cases where the employee makes good the relevant amount, and that this area should be policed through the rules that apply to employment-related loans.

2.39 However, the Government consulted on a modified version of the alternative recommendation made by the OTS in relation to section 222. The consultation proposal was that the deadline for an employee to make good outstanding amounts to their employer should be changed to 90 days after the end of the tax year in which the tax liability arises (6 July), in order to align with the deadline for the submission of a P11D by an employer. The Government proposed retaining Class 1 NICs on charges under section 222 of ITEPA and applying the new deadline to all notional payments - not just those relating to ERS. It also confirmed that, as recommended by the OTS, HMRC guidance on making good would be updated.

2.40 Around half of respondents who commented on this issue supported the proposal or offered qualified support. One business told us:

The modified approach... would be a simplifying step and a welcome administrative easement.

2.41 One advisory firm told us:

Moving the deadline to 6 July following the tax year makes sense, as the employer will need to make a decision whether to report any tax not made good on the employer's form P11D by this time.

2.42 Other respondents preferred alternative approaches, many involving fundamental change to section 222 or its removal. For example, one respondent said that the Government should remove ERS from the scope of section 222 unless there was an avoidance motive. By contrast, one business told us:

having different rules for employment related securities versus general earnings should be avoided where possible.

2.43 Several respondents agreed with the OTS that any PAYE amounts not made good by an employee should be treated as an employment-related loan. One representative body told us:

In cases where the new deadline cannot be met, we regard it as fair and reasonable that the amount due should be given the same treatment as notional loans and that the full tax charge should only be applied in circumstances where the notional loans are written off – or deemed to be written off.

2.44 While arguing for this position, one business also told us:

any changes to lessen the impact of this legislation are welcome, and therefore the proposals... would be better than no change at all.

2.45 One respondent said that extending the deadline for making good to 180 days from the current start date would be preferable to a single deadline that would allow employees different lengths of time to make good the relevant amounts.

2.46 Respondents had differing views as to whether errors which might currently give rise to a charge under section 222 would be picked up before the proposed new deadline. One tax advisory firm reviewed 17 client cases featuring notional payments and found that only two would have been identified by businesses before the proposed deadline.

2.47 Another respondent suggested that the current 90 day deadline should be retained, but should commence on the day the employee and employer became aware that a relevant amount had not been made good.

2.48 Many respondents welcomed the announcement in the consultation document that HMRC planned to update its guidance on what constitutes making good. One told us:

additional and updated guidance on “making good” could potentially help those who cannot, or through oversight do not, comply with the deadline.

Government Response

2.49 The Government has decided to take forward the change to section 222 set out in its consultation document, which was based on the alternative recommendation made by the OTS in this area. It recognises that section 222 is not a popular provision with many businesses and advisers, but believes that it remains necessary to prevent abuse and discourage employers from funding employee tax liabilities.

2.50 The Government considers that section 222 should cover all non-cash assets, including ERS, and that the alternative approach suggested by some respondents – of treating any amounts not made good by an employee as an employment-related loan – risks further complicating the legislation in this area. However, it believes that the proposed changes to section 222 could simplify the position and may avoid application of a charge in some cases. A fixed deadline of 6 July, alongside the process of reporting grants of ERS and options and the submission of Form P11D, provides a focal point that incentivises businesses to review the circumstances of any notional payments made during the previous tax year.

2.51 On the other approaches suggested by respondents, the Government believes that extending the current deadline to 180 days would not resolve the problem identified by the OTS and many respondents - that a moving deadline can easily be missed. The Government also believes that commencing the 90 day period at the point the employer and employee became aware that the tax was not made good is a fundamental departure from the current provision that could lead to abuse.

2.52 The Government has published draft clauses for Finance Bill 2014 alongside this summary of responses. HMRC expects to publish revised guidance on making good in draft shortly, for comment by stakeholders on its Employment-Related Securities Stakeholder Forum and more generally.

The valuation rules for listed company shares

2.53 The current rules provide that where it is necessary to value listed shares for tax purposes, the lower of the 'quarter up' value or the halfway point between the highest and lowest bargains for the relevant date is usually to be applied. However, legislation and HMRC guidance also provides scope for alternative methods to be used, for example where there are special circumstances that mean that prices quoted in the Stock Exchange Daily Official List do not provide a proper measure of market value.

2.54 The OTS reported that the 'quarter up' method of establishing the market value of listed shares is complex and difficult to explain to employees. It therefore recommended a method for valuation of listed shares based on the closing price of the shares on the day of trading. This would apply for other relevant tax purposes, including CGT, as well as the income tax and NICs chargeable on employee shares.

2.55 A majority of those who addressed this recommendation supported it. Several respondents said that closing price would be a simpler measure of value. One business told us that they:

... wholly support the idea of moving to a simplified 'closing price' basis of valuation. ...the effectiveness of reward schemes is compromised when employees do not understand the scheme.

2.56 Some respondents argued that the relevant closing price should be that on the previous trading day. One business said:

the market value [should] be the closing price on the last trading day before exercise as it will provide certainty for the participant.

2.57 Some respondents preferred the current position to the proposed change. One told us:

we have reservations about the impact on smaller quoted companies whose shares are often thinly traded. The proposed new approach could result in higher tax charges for employees of these companies.

2.58 A representative body said:

our preferred option would be to ensure that companies and their advisers are aware of the choice available to them through clearer guidance issued by HMRC.

2.59 Several respondents pointed out that alternative valuation methods were already used by businesses, and some argued that other methods should also be permitted. Valuation methods mentioned by respondents included:

- the actual price, where shares are sold by the employee;
- the average price, if shares are sold by the employee over several days; and
- extending the existing period for averaging the price to a period longer than 5 days.

Government Response

2.60 The Government proposes to take forward the change recommended by the OTS for the valuation of listed shares. It proposes to replace the current legislative reference to the two methods of valuing listed shares for tax purposes ('quarter up' value and the halfway point between the highest and lowest bargains) with a reference to a single method based on the closing price of the shares on the day of trading. It is not proposed, however, to remove the scope currently provided in legislation or HMRC guidance for alternative methods to be applied in certain circumstances.

2.61 The Government also believes that there may also be simplification potential in some of the additional valuation suggestions made by respondents. HMRC is considering these suggestions in further detail, in consultation with its Employment-Related Securities Stakeholder Forum and the OTS. Details of any further changes will be published shortly.

3. Other recommendations made by the OTS

Introduction

3.1 Some of the recommendations made by the OTS were not included within the Government's consultation, for example because they could be taken forward without formal consultation or because further time was required to assess their potential impact. This Chapter updates on work in relation to these recommendations.

Form 42 and PAYE

3.2 The OTS recommended that, in the short term, the annual ERS return required from businesses (Form 42) should be filed online, and made available at the start of the year - so that companies can complete the form throughout the year. These OTS recommendations will be implemented for returns covering 2014-15 and subsequent years. Draft clauses for Finance Bill 2014 are being published alongside this summary of responses.

3.3 The OTS also recommended that the online Form 42 should be based on 'intelligent filing' that directs the user through the form depending on their inputs to specific questions. The Government confirms that this is the approach it intends to take for its online ERS forms.

3.4 In the longer term, the OTS recommended that online submission of Form 42 should be integrated into declarations of PAYE information under Real Time Information (RTI). It also recommended that the statutory deadline for the reporting of ERS income should be extended to 60 days after the end of the relevant tax month. The Government will consider these recommendations further once RTI and the new online filing system have bedded in.

3.5 Several respondents to the consultation asked that Form 42 should be reviewed, to ensure that only information necessary to HMRC is required from businesses. The Government confirms that its review of Form 42 includes a consideration of the information required on the form, to ensure that this is relevant for HMRC and proportionate in terms of the burdens it imposes upon businesses.

Marketable security

3.6 The OTS recommended a change to the taxation of ERS so that the default position would be that ERS are only subject to income tax and NICs when they become 'marketable' – which would generally be when they become capable of sale to a third party. It acknowledged that this measure would require wide consultation and may therefore be for consideration for Finance Bill 2015, rather than earlier. Many respondents to the consultation expressed their support for this proposal.

3.7 The Government believes that this idea has simplification potential, and HMRC is currently assessing its potential Exchequer cost and exploring any anti-abuse safeguards that would be necessary. This will allow the Government to consider whether to proceed with legislation for 2015.

Employee Shareholding Vehicle (ESV)

3.8 The OTS recommended that the Government should introduce model rules for the provision of a holding vehicle for employee shares, and provide for this vehicle to be outside certain tax provisions. Many respondents to the consultation expressed their support for this proposal.

3.9 HMRC has discussed this proposal in detail with the OTS and work is ongoing to establish whether such a vehicle could be designed in a way that does not create potential for abuse or significant additional Exchequer costs. This proposal is being considered alongside tax changes that are designed to support employee ownership, and the Government will update further on its consideration of this recommendation once this has progressed further.

Valuation recommendations

3.10 The OTS recommended improvements to HMRC's guidance on valuation, including the provision of outline valuation methodologies and a checklist and procedure for valuation. HMRC has worked with the valuation subgroup of its Employment-Related Securities Stakeholder Forum to identify the priorities for improvements to its valuation guidance, and draft updated guidance will be made available shortly for comment by stakeholders.

3.11 The OTS also recommended that HMRC should make a pre-transaction valuation service available to companies in a wider range of circumstances than currently. This recommendation will be considered further once HMRC can better assess the impact on its valuation resources of the new employee shareholder employment status, which was made available in September 2013.

Annex A: List of stakeholders consulted

The following businesses and representative bodies responded formally to the consultation:

- Association of Accounting Technicians
- Association of Taxation Technicians
- Capita IRG Trustees Ltd
- Chartered Institute of Taxation
- Deloitte LLP
- Diageo Plc
- Employee Share Ownership Centre
- Employer Consulting Group
- Ernst & Young
- ESSO UK Ltd
- Fidessa
- Institute of Chartered Accountants Scotland
- KPMG LLP
- MM & K Ltd
- New Bridge Street
- Pinsent Masons
- PricewaterhouseCoopers LLP
- Quoted Companies Alliance
- Share Plan Lawyers Group