Update on changes to UK annual share reporting process

HMRC has introduced online share registration and online share reporting for the 2014/15 tax year. This means that employers will no longer file paper copies of the Forms 34, 35, 39, 40 and 42. Instead, employers will need to register their share plans online and then file all share plan activity online through the HMRC online portal.

Employers should note that there are some differences in the data being requested, as well as the format required. HMRC has recently published updated guidance regarding the data requirements, however, advance planning is recommended to address the risk of penalties for incorrect returns and to ease the data collation process.

Key considerations | recommendations
► Employers need to ensure online registration is completed prior to 6 July 2015 to enable online share reporting. We would recommend registration well in advance of the deadline.
► Employers should ensure all tax advantaged plans are also registered online to avoid loss of tax advantages.
► Due to the additional data requirements and format change, we would recommend that employers review, and amend as necessary, their data collation process.
► In some cases employers may need to request different or additional information from share plan administrators or parent companies.
► Employers will need to adapt existing data and share reporting schedules to ensure returns are prepared in the correct format.
► HMRC is now able to impose automatic penalties for late or incorrect returns.
► HMRC has introduced an online checking service to enable employers and agents to confirm schedules have been prepared in a format suitable for submission.
► It is anticipated that HMRC will now be able to more easily cross check share reporting data with payroll data, Self-Assessment Tax Return data and/or Corporation Tax Return data. We would recommend employers consider a review of their share plan compliance to be confident that there are no payroll failures.

Please note, HMRC has indicated that companies with schedules where transactions on any one tab are in excess of 10,000 lines will not be able to use the HMRC template and will have to create their own. Due to the strict format requirements for upload companies should consider this as soon as possible.
Online share reporting

Data requirements
Following discussions with agents and companies, HMRC has published amended guidance and will be publishing schedules with amended headings early in 2015. The guidance clarifies some of the data requirements in the HMRC template schedules. Companies need to ensure they understand, based on their share plans, which parts of the template schedules require information and which may not need completing.

Companies should also ensure that new data fields are identified and captured during data collation processes to avoid forms being rejected, or penalties being imposed for incorrect returns. Additional data may include (but is not limited to) information such as:

► Tracking and reporting details of the company that granted the awards, as well as the employing company and the company whose shares are under option/award.
► Identification of any transactions where an adjustment was made through payroll for non-UK taxable income.
► Valuation details (where shares are not listed on a recognised stock exchange).
► Information regarding length of restrictions in the event shares acquired are restricted.
► Confirmation of whether shares acquired through a tax advantaged plan were sold on the same day as acquisition.
► Identification of any individuals granted awards in excess of the limits of the tax advantaged plans.

Online checking
As a result of the feedback received on the new templates, HMRC has launched a checking service. This will enable companies and agents to upload data in a safe environment (data will not be saved to HMRC’s systems) and check whether schedules prepared contain any formatting errors which could otherwise lead to the schedules being rejected.

Use of this checking system is recommended to minimise the risk of incorrect returns and penalties. The system is available throughout the tax year and therefore companies should consider using this service during their data collation process.

What should companies be doing to address this?
Due to the significant changes in data requirements and format of the share reporting, we recommend all companies review these changes in the context of their share plan compliance processes. Advance planning is recommended so that complete data is obtained in time for the deadline.

We can provide tailored assistance ranging from a comprehensive review of a company’s share plan compliance process, to guidance around identification of changes required to data collation processes, and/or completion or review of share reporting returns.

For further information please contact:

<table>
<thead>
<tr>
<th>Name</th>
<th>Phone Number</th>
<th>Email Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Giles Capon</td>
<td>T: +44 20 7951 8082</td>
<td><a href="mailto:gcapon@uk.ey.com">gcapon@uk.ey.com</a></td>
</tr>
<tr>
<td>John Mackay</td>
<td>T: +44 20 7951 2779</td>
<td><a href="mailto:jmackay@uk.ey.com">jmackay@uk.ey.com</a></td>
</tr>
<tr>
<td>Lorna Jordan</td>
<td>T: +44 118 928 1688</td>
<td><a href="mailto:ljordan@uk.ey.com">ljordan@uk.ey.com</a></td>
</tr>
<tr>
<td>Anita Eunson</td>
<td>T: +44 131 777 2478</td>
<td><a href="mailto:aeunson@uk.ey.com">aeunson@uk.ey.com</a></td>
</tr>
<tr>
<td>Catherine Bond</td>
<td>T: +44 117 981 2136</td>
<td><a href="mailto:cbond@uk.ey.com">cbond@uk.ey.com</a></td>
</tr>
<tr>
<td>Ceri Ross</td>
<td>T: +44 20 7951 4572</td>
<td><a href="mailto:cross3@uk.ey.com">cross3@uk.ey.com</a></td>
</tr>
<tr>
<td>Andrew Morgan Jones</td>
<td>T: +44 117 981 2136</td>
<td><a href="mailto:amorganjones@uk.ey.com">amorganjones@uk.ey.com</a></td>
</tr>
</tbody>
</table>

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP
The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.
© 2015 Ernst & Young LLP. Published in the UK.
All Rights Reserved.
ED None