# Deloitte.

# Getting share incentives right Rob Jennings

**Global Employer Services Turn It Up** 



## Welcome & Introduction



© 2025 Deloitte LLP. All rights reserved.

Getting share incentives right

2

## UK taxation of conditional share awards

What charging provision applies?

Awards are 'rights to acquire securities' (Chapter 5)

### Awards are not 'rights to acquire securities' (S62)

- When determining which provision applies, need to consider  $\bullet$ 
  - Are the awards defined as being a 'right to acquire securities'?
  - What accounting treatment applies?
  - Is the intention/practice to settle in shares? Is there a cash alternative?
- HMRC has reiterated that the tax position is dependent on facts and circumstances (ERSM110025)

While the *income tax* treatment is similar under Chapter 5 and S62, there are significant differences in the NIC treatment, the calculation of CGT base cost, the application of the remittance basis and deductibility for Corporation Tax purposes. Reporting on the UK Employment Related Securities annual return is also different

### **National Insurance**

- *Chapter 5* NIC apportionment NIC applies to UK insured period only
- *S62* NIC on 100% of earnings if UK insured when earnings received
- NIC elections can only be made if award is taxed under Chapter 5

### **CGT** base cost

- *Chapter 5* base cost equal to amount liable to UK income tax – CGT may be due on shares disposed of to settle UK PAYE (but FTCs may be available) plus impact on share pooling – at a minimum a reporting issue and may give rise to additional UK tax
- **S62** base cost equal to market value of shares on acquisition

### **Remittance basis**

- *Chapter 5* share award evaluated separately from earnings – overseas workday relief will be lost entirely if UK shares (subject to change from April 2025)
- *S62* in principle, share related income aggregated with all other general earnings

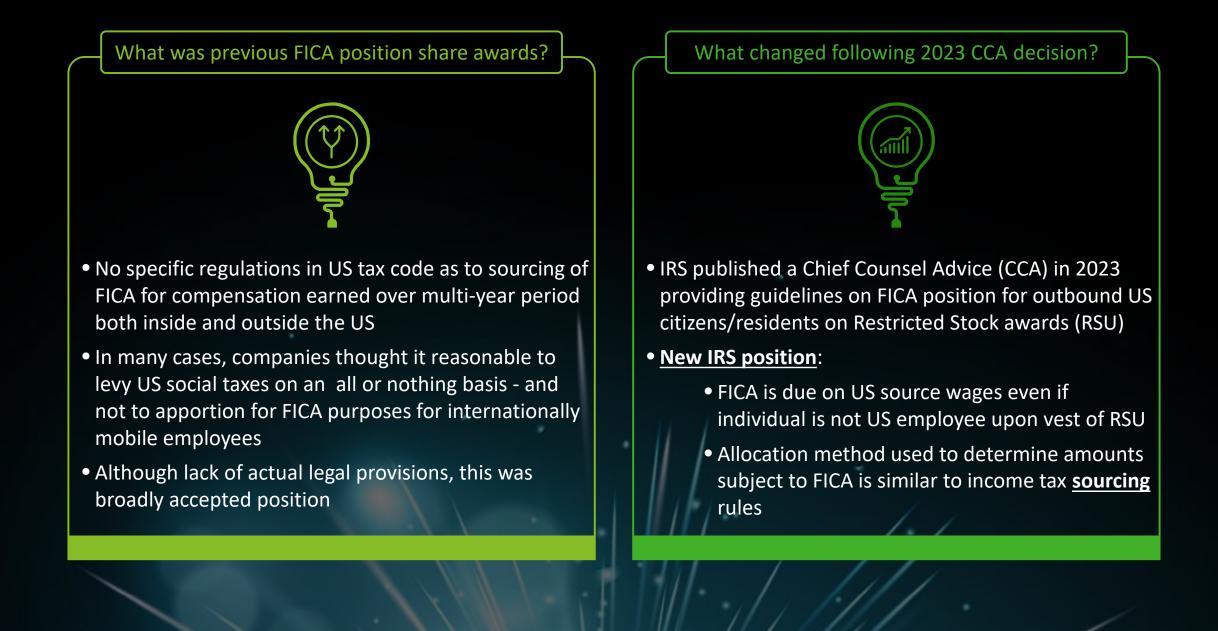
- likely

### **Corporation tax**

• *Chapter 5* – Potential CT deduction on full gain if employee resident on grant of award, otherwise apportionment

• **S62** – CT deduction on an apportioned basis only

## US social security (FICA and Medicare) – changes and impact



Getting share incentives right

4

## US social security (FICA and Medicare) – changes and impact

What is the impact of this US change in position for UK Global Mobility population?

Guidelines	<ul> <li>The CCA relates to a specific tax payer and fact pattern and does not have precedential value.</li> <li>The law has not changed but expectation is that technical analysis in CCA will be considered assessing a taxpayer FICA positions.</li> <li>Deloitte US view – in the event of an audit, any approach that does not follow the CCA may</li> </ul>
Considerations	<ul> <li>Although it concerns US social security, this might have a substantial impact on UK Global M of <u>movement between US and UK</u></li> <li>CCA <u>only refers to RSU</u> so question remains if guidelines can also be applied to other forms cash awards</li> <li>CCA <u>only mentions outbound</u> employees. However, Deloitte US now think it supportable to employees moving in to the US</li> <li>Impact of <u>totalization agreements</u> is unclear</li> </ul>
Actions	<ul> <li>Mapping current positions taken on FICA for share and cash awards earned over multi-year</li> <li>Mapping impacted Global Mobility population from UK / Global perspective</li> <li>Seek specific advice to understand risks and take appropriate positions</li> </ul>

e as such by local IRS agent when

be subject to challenge

lobility given the high level

of share awards and/or

apportion US FICA for

period

Getting share incentives right

## Employment related securities annual return – 2024/25 No change for the current tax year – yet...

### What?

**Employment Related Securities** (ERS) return – annual employer reporting obligation whereby transactions involving shares, securities and options are reported to HMRC. This includes vesting (delivery) and/or exercise of share settled awards.

### When?

ERS return must be filed online with HMRC by 6th July following the end of the relevant tax year (i.e. July 6th 2025 for UK tax year 2024/25).



### **Considerations?**

- $\bullet$ plans with HMRC
- $\bullet$
- $\bullet$ (sourcing period)

 $\bullet$ 

Correct upfront **<u>registration</u>** of new share plans or amendments to existing Data gathering – identify internal stakeholders (HR, payroll, legal, tax,...) and start well in advance collecting the relevant information required to complete the ERS return Data review - identify reportable share transactions, identify relevant population and in particular International Mobile Employees Make sure ERS is accurate and in line

with PAYE/NIC records and keep all back-up documentation

## **HMRC** activity

A very modest uptick in HMRC activity

### Why?

We have seen a modest increase in HMRC audit activity.

### No set approach

 In one case, HMRC asked a generic list of questions about the plans operated by a company.  $\bigcirc$ 

 In another case, HMRC asked about specific transactions reported on ERS returns and asked for back up documentation – plan rules and award documents, payslips, apportionment calculations etc



### Actions

Need to ensure that robust systems and processes are in place for payroll reporting and share plan annual returns (whether in the UK and/or other locations)

Getting share incentives right

## Meet GAIN

## The intelligent choice for addressing incentives tax withholding

GAIN is Deloitte's next-level solution for addressing tax withholding for incentive compensation.

Developed and delivered by tax, incentive and mobility experts, GAIN draws on decades of expertise, and a deep understanding of our clients' needs. The result is a fast, automated, configurable solution that saves time, improves compliance and reporting, and enhances the employee experience.

GAIN works for organizations of all sizes. If you're looking to manage incentive plan tax withholding with ease, GAIN is the intelligent choice.

### The GAIN opportunity for you

#### **Custom-fit compliance**

GAIN solves incentive tax unknowns with certainty. It is led by Deloitte's incentive plan and global tax experts, and is designed to meet the needs of real clients from companies of all sizes. Our clients trust us to provide solutions for their specific needs.

#### Get back time and energy

With GAIN, it's easy and efficient to manage compliance. GAIN eliminates unnecessary work and confusion around tax withholding, simplifying complex situations.

#### Constant control, constant compliance

GAIN will prepare you for changes in rules and regulations across domestic and global markets, placing you in the best position to easily address and adapt to new rules.

#### **Enhance employee experience**

GAIN provides real-time tax calculations, enabling companies to provide employees with advance notice of tax impacts, and allowing for settlement of the most complex calculations at the same time as the simplest.

#### Deloitte service

GAIN is more than a technology tool, it's a service provided by experts. GAIN helps us support you through your challenges, no matter how small or large your population, no matter how simple or complex your incentives.

### **Platform features**



### Speed

GAIN is incredibly fast. It can run thousands of calculations in minutes, to give you and your employees, the information you need, when you need it.

#### 0 Automation

The GAIN tax engine works in real-time. Providing a touchless experience, giving you back time.

#### Intelligence

GAIN combines global tax, mobility and incentive expertise, with decades of real-world client service experience.



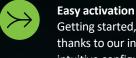
(47)

#### Flexibility

GAIN is highly configurable and works with businesses of all sizes.

#### Comprehensive

GAIN calculates compliance across all incentive types. These include RSUs, performance awards, stock options, dividend equivalents, purchase plans, and cash incentives/bonuses (both long and short-term).



etc.).

## C/D

GAIN has been specifically designed to provide a seamless, intuitive, and userfriendly experience.



Specialization

Intuitive

Getting started, and setting up GAIN is easy, thanks to our intelligent data wrangling, intuitive configuration UI, and robust reporting capabilities. GAIN boasts many pre-existing standardized connections to related incentive ecosystems (HRIS, payroll, stock administrators,

GAIN is more than tax and compliance. It's run by incentives specialists who understand the rules and challenges of managing incentives, and who have a deep understanding of employee experience.

Getting share incentives right

# Deloitte.

This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

© 2025 Deloitte LLP. All rights reserved.

Designed by CoRe Creative Services. RITM1620560