

SIP and SAYE - Call for Evidence



Murray Tompsett – Head of ProShare

We are *really* pleased that the government listened to the case ProShare has been making consistently over the last few years and that the Chancellor, Jeremy Hunt, included a full Call for Evidence on SIP and SAYE in his first Spring Budget. While we can't claim direct insight into his motivation, we are confident that ProShare played a major role in his decision through our tireless campaigning to raise the profile of share plans and the need for change.

Our Head of External Affairs, David Mortimer, has met with more than 50 MPs, to explain why change is needed and to secure support across all the main parties at Westminster. We have also been instrumental in raising the profile of the issues with Treasury through a steady stream of Parliamentary questions to the Chief Financial Secretary to the Treasury over the last two years, as well as correspondence from supportive MPs putting our case directly to the Minister.

As a result, share plans, particularly all-employee share plans, have been discussed more in the House than they have been for decades, including last Summer's Westminster Hall debate led by Sir George Howarth MP, and the introduction of our Cost-of-Living share plan which was proposed in a Parliamentary 10-minute rule bill last year.

Reforming share plans can seem technical, but the importance of preserving and reforming them appeals both to our current government and to the opposition. Those who lean towards the right politically engage more on the concept of an aspirational shareholder society, and those to the left as a way for employees and workers to receive a return on their labour, and a fairer share of the financial success of their employer.

So, naturally, we were very pleased - and quite excited - to see the announcement of the SIP and SAYE Call for Evidence.

The last time something similar to this happened was some 11 or 12 years ago, when the Office of Tax Simplification (The OTS) ran a review of all Tax Advantaged schemes, with ProShare sitting on the consultative committee. This review led to updates such as the removal of the requirement for HMRC to actively approve each new plan - companies could self-certify instead - and it led to the introduction of online filing of share plan tax returns, and an update to retirement age within share plan rules, to comply with age discrimination legislation.

But that was 12 years ago, and it *wasn't* a call for evidence. A call for evidence seeks expertise from *all* people, and *any* organisation or stakeholders with knowledge of a particular issue or topic. Clearly SIP and SAYE are long overdue a re-examination, and the case for this became even clearer after the EMI review, which subsequently led to the CSOP review.

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What do we know?

- “The government will use the call for evidence to consider opportunities to **improve and simplify** the schemes.”
- This is probably the widest consultation on these plans since the introduction of SIP way back in 2000.
- Currently we do not have a date for the release of the Call for Evidence document, although we are expecting it to be issued before early Summer. We don’t know the exact parameters, although ‘improve and simplify’ is clear as a broad theme.
- ProShare has a bit of a head-start – in 2021 we sponsored a key report from the Social Market Foundation called [A stake in success: Re-imagining employee share plans for the 2020s](#). The report contained 14 recommendations for share plan reform under headings such as *Modernising share plans to reflect the 21st Century labour market*, *Getting lower income workers on board*, and *Getting government to lead the charge*, which proposes that the Government should establish an Employee Ownership Commission, tasked with developing the necessary institutional support needed to widen rates of employee ownership.
- We have shared the most popular recommendations with the HM Treasury team compiling the Call for Evidence document. You won’t be at all surprised to hear that the reduction of the SIP tax efficient holding period from five years to three years is the number one priority!

Next Steps

So, as mentioned, we don’t currently have a date for the release of the Call for Evidence document. But, as soon as it is made available, ProShare will examine the details and the questions, we’ll create a timetable of actions, and we will ensure that we liaise with all sectors of our diverse membership and take whatever steps we can to gather the share plan industry together.

- We will co-ordinate the industry to align over shared submission themes. We’ll all be more successful at pushing for change where we agree, and having the backing of employers and share plan issuers will be key in getting the need for reform across to government. Of course, organisations will submit ideas which are unique to their own business viewpoint, and there will be differences. And we are very much aware that there may be differing views across the market, including the speed with which any plan changes can be implemented.
- We will encourage our members to submit their own responses and incorporate similar messages where there is agreement. ProShare members should start considering who they want to involve within their organisations regarding their response.
- A Call for Evidence is normally open for two to three months, and working its way through Parliament will take time, but we are keen to have this completed promptly to allow for recommendations to be adopted before the next election.

What can we expect?

The 2021 EMI Call for Evidence had 18 very open questions. For instance, question 14: *In your view, how could the government improve the other tax advantaged employee share schemes to help support high growth companies?* (Naturally, this is where we stormed in with all our suggestions and requested a similar review of SIP and SAYE!) We hope very much that the SIP and SAYE Call for Evidence will use a similar format.

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We flagged with HMRC Share Scheme team that the EMI Call for Evidence was quite a drawn-out affair between initial announcement and report delivery, but they advised that it should not be seen as an accurate guide to timings as there was an awful lot of governmental and ministerial 'churn' at that time. Things have now (largely) settled down again.

Other related activity

Sir George Howarth's 10-minute rule bill regarding share plan reform - a date for second reading is still TBC.

- In March ProShare supported a letter to the Chancellor from high-profile Conservative MPs, including Jonathan Djanogly, Sir Graham Brady and Esther McVey which, alongside the request for a root-and-branch review of SIP and SAYE, also called for a Cost-of-Living share plan. This type of share plan has wide support across ProShare's members.

To be sure to keep up to date do sign up for our regular newsletters if you have not already, and encourage your colleagues to do the same [here](#). And we regularly update our LinkedIn page, so please do follow us [here](#).

So, all in all, an exciting time within the share plan world, and the potential for real and meaningful reform.

Will employers be able to give gig economy workers an opportunity to participate?

Can government address the harsh accounting treatment of SAYE scheme?

Will SIP contribution limits increase?

And, of course, will we finally see success in decreasing the holding period on SIPs from 5 years to 3 years?

Do get in touch if you'd like to discuss any of the above – team@proshare.org