ProShare meeting with the OTS

On 19th November, as we mentioned in our latest newsletter, Murray, David and I met with the Office for Tax Simplification. This was a long-standing meeting arranged as part of our engagement with their review of Capital Gains Tax, but was given added interest following the publication of their first report: Simplifying by design on 11th November. This report garnered some widespread and rather attention-grabbing press comment, and we asked Janet Cooper of Tapestry Compliance to join us to give a practitioner perspective. Thanks to Janet for her time and contribution.

I am pleased to report that we came away feeling rather more comfortable than we anticipated, as the OTS team were clear with us that it is not their intention to disadvantage or threaten tax-advantaged all-employee plans and I suspect that they were less than happy with some of the press comment. They accept that there are sound social policy reasons for tax-advantaged all-employee plans, although they expressed some scepticism as to the degree to which they can be shown to have a positive effect on productivity in isolation from other good corporate employee practice. This is, in particular, in the light of some academic research from Loughborough University. However, they accepted our argument that there are social benefits and other more positive research about productivity benefits; we have arranged to provide them with further research to support this point and cautioned against unintended consequences of change.

I should add that we focussed the meeting on all-employee schemes, SIP and SAYE, for which these arguments are stronger. It is clear, however, that the OTS do have concerns about some of the 'growth' employee share models, some of which they perceive to be more associated with disguised remuneration than with capital investment return and it seems clear that schemes of this sort are more likely to be at risk. The next steps in the process will be consideration by HM Treasury of this first report and the development by OTS of their second report, looking in more detail at some of the technical issues surrounding CGT.

David took the opportunity to mention our ongoing parliamentary engagement which has underscored MPs positive support for all employee schemes and their positive impact. For the next phase of their report, the OTS team asked that we surface any specifically CGT related issues that our members believe disincentivise employees from joining share plans. We have an opportunity to put these forward, so do, please, let Murray or I know of any that have come to your attention.

ProShare will continue to engage with the OTS team – this was the first meeting in a developing relationship – and with HM Treasury as proposals for change work their way through the system. One issue on which we will certainly push ahead with some research is to obtain some evidence about the average income for users of all employee schemes. There is a lot of anecdotal evidence that lower-paid colleagues benefit, but some hard evidence, ideally supported with case studies, would undoubtedly strengthen our case if data is available. Reducing CGT relief could have a negative impact on employee share plans, so we need to keep a careful eye on this issue.

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