Your guide to

UK SHARESAVE

Helping employees save direct from their net pay for a set period with an option to buy shares at a fixed and discounted price.

Sharesave (otherwise known as Save As You Earn or "SAYE") is a HM Revenue and Customs (HMRC) all-employee share plan that offers certain tax advantages, provided the plan meets the requirements of the legislation in Schedule 3 of the Income Taxes (Earnings and Pensions) Act 2003 and is also registered and reported via HMRC's ERS Online filing service. Introduced under the 1980 Finance Act, it allows employees to acquire shares in their employer on potentially advantageous terms with no income tax or National Insurance Contributions (NICs) payable on any bonus or closure interest applicable to the Sharesave saving contract.

According to the latest ProShare report (June 2018) there were 412 companies operating a Sharesave Plan in the UK with approximately 750k participating employees.

Why introduce a Sharesave?

- To reward employees for the contribution they make to any success of the company
- To provide a convenient savings vehicle for employees (that helps instil good savings habits) with an option to buy shares in the longer term.
- It can encourage employees across various operating divisions to identify more closely with the overall performance of the Group.
- Provides employees with an opportunity to take a stake in their employing company to help promote a culture of shared ownership and generate greater loyalty which helps with recruitment and retention objectives.
- It enables Reward Teams to deliver a benefit which is affordable to all and available to eligible employees on the same terms.

Key features

- Must be made available to all employees who satisfy the eligibility criteria set by the company. Employers can specify a qualifying period of up to 5 years continuous employment.
- Invitations to apply are generally issued by companies following an announcement of results or when a company goes public with an 'Initial Public Offering'.
- Choice of 3 and / or 5 year saving contracts.
- Monthly saving limits are set by HMRC – currently between £5 and £500 per month (the maximum applies to all Sharesave contracts an employee may have running at any one time).
- Employees cannot vary the savings amount or length of saving contract once their application has been accepted.
- Employee contributions to Sharesave are taken from net salary by payroll each pay period and paid over to the employee's personal Sharesave account held at Yorkshire Building Society.
- Employee contributions are eligible for protection under the Financial Services Compensation Scheme (subject to applicable limits and exclusions).
- The fixed price at which employees can buy shares at the end of their chosen saving contract is set at the outset and can be discounted by up to 20%.
- Employees can either buy the shares or simply take back their savings at the end of their chosen saving period.
- Employees can close their account and take back their savings at any time during the saving period but they will lose the option to purchase shares immediately.
- Employees can take a payment holiday of up to 12 months during the saving period but the date on which they can buy shares will then be deferred accordingly.
- If more than 12 payments are missed the employee loses the right to purchase shares.
- Employees may still be able to buy a reduced number of shares if they leave the company in certain circumstances but the option to buy shares will lapse immediately for all employees leaving the company on a voluntary basis.

An opportunity to reward employee loyalty by providing them with a chance to buy shares at a discount of up to 20%.

What about tax?

Contributions to Sharesave are made from after tax pay and so no income tax or NICs is payable whenever savings are withdrawn from the plan. Any bonus payable at the end of the saving period or interest payable on early account closure will not be subject to income tax either.

There is normally no income tax liability when an employee chooses to take up the option to purchase shares. However, if the employee has an opportunity to purchase shares within three years of the date the option was originally granted (e.g. if the company that the employee works for is taken over), then the employee may have to pay income tax on any gain.

If the employee chooses to buy shares and then decides to sell them for a profit they may have to pay Capital Gains Tax (CGT) on part of that profit, if the gain (the difference between the sale price and the purchase price) takes them above the CGT exempt amount for that tax year. When calculating the gain they have made, employees are able to offset any costs of buying or selling the shares.

YBS Share Plans Sharesave Services

- Act as both Administrator and Deposit Taker
- Dedicated account manager (single point of contact)
- Project planning and management
- Communication and engagement campaign management
- Onsite presentations and workshops
- Application and maturity instruction processing
- Employee helpline
- Employee portal for inquiries and transacting
- Receipt and allocation of employee contributions to individual accounts
- Payroll training and admin support
- Leaver administration
- Payment maintenance and closure reports
- Assistance with annual HMRC returns
- Option register and FRS20 / IFRS2 reporting
- Access to online self-serve reporting suite
- Annual statements
- Corporate Action management
- Maturity share dealing and nominee services
- Financial education and wellbeing services
- Continual service enhancement through proactive use of client and customer feedback

WANT MORE INFORMATION?

If you want to learn more about YBS Share Plans and the types of share plans we administer you can:-

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