Inspiring. Independent. Trusted.

We work collaboratively with our clients and their advisors to support the implementation and ongoing administration of a diverse range of employee incentive arrangements.

Save As You Earn (SAYE) Share Option Plan

Working in Partnership with Employers

What are SAYE Share Option Plans?

SAYE share option plans (commonly called "Sharesave" plans) are UK tax-advantaged plans available to listed companies and to independent private companies (i.e., those not under the control of another company).

All qualifying employees and directors must be permitted to take part in a Sharesave plan on similar terms, though no employee is obliged to participate.

How does an (SAYE) Share Option Plan work?

Under the plan the employer grants an option to the employee to buy shares in the company in three or five years' time, with an exercise price equal to the market value at the date of grant, or, if the employer wishes, at a discount of up to 20% of that price.

The employee opens a special savings account with a bank or building society. Deductions are then made each week or month from the employee's earnings (after tax) through the payroll and paid into that account. The employee can save up to £500 per month in this way.

At the end of the savings period the employee can choose either to apply the accumulated funds, together with any interest or bonus added by the bank, in paying the exercise price of the option and receiving shares, or to take the savings in cash.

Wherever there is a shared belief in the growth potential of the company the right of an option holder to realise the value of that growth, at relatively low tax rates, can be a powerful incentive. This is particularly so in the case of a private company where a sale or flotation of the company may be considered once that growth is achieved.

There is a range of design choices for the employer:

> The employer can impose a minimum qualifying period of employment before an employee may participate, of up to 5 years, so that short term, temporary workers and those on probation, etc. can be excluded;

> The exercise price may be set at a discount of up to 20% of the value of the shares at the date of grant. The level of discount chosen will have an impact on the value of the expense charged in the company's accounts for the awards and this should be considered as part of the planning for the plan;

> The employer must decide whether to invite employees to save for 3 or 5 years, or to offer them a choice;

> The employer can decide to offer participation annually or at longer intervals if preferred, but the £500 monthly limit applying to all savings in Sharesave plans cannot be exceeded;

> The employer may limit the maximum levels of participation of employees by setting limits which are proportionate to their rates of pay and/or to their length of service;

> Employees who leave for certain specified "good" reasons (e.g., illness, redundancy, retirement, etc.) during the savings period must be allowed to exercise their options on leaving. Those who leave for "bad" reasons (e.g., they leave to join competitors) lose their options if they leave within 3 years of the grant date but the employer may choose in designing the plan whether employees who

The main conditions for Sharesave tax relief are as follows:

This is a brief summary and should not be relied on alone.

> The company must either be listed or not under the control of another company;

> Company directors must work at least 25 hours a week to be eligible. Other employees have no minimum working time condition;

> The plan must be registered with HMRC;

> The employer must make annual online returns to HMRC of all relevant events in the plan.

Advantages for the employees:

- No income tax or national insurance contributions (NIC) liability arises on grant of the option;
- Provided the option is not exercised before the third anniversary of the date of grant (or on the employee becoming a "good leaver" if earlier), no income tax or NIC arises on exercise of the option;
- If the value of the shares increases between the grant and exercise that gain is not charged to income tax or NIC on exercise;
- When the employee sells the shares capital gains tax will be due on any gain realised on that sale, subject to any otherwise unused annual exemption (£12,300 for the 2020/21 tax year), normally at a rate of only 20%. But even that liability may be avoided by either transferring the shares to a pension plan or into a tax advantaged Individual Savings Account (where the shares satisfy the rules for investments in those plans);
- HMRC will agree a valuation of the shares in advance of the grant of the option so that the employer and employee can have certainty on the tax treatment on exercise of the option.

Advantages for the employer:

- On exercise of the option, the company will normally benefit from a deduction from its profits in calculating its corporation tax liability, equal to the employee's gain, even though the company does not incur any cash cost in providing the benefit.
- The employer is entitled to a deduction for corporation tax for the costs of setting up the plan.

Why Choose Fiduchi?

Working in partnership with you

Independence

As a management-owned business, Fiduchi is well positioned to provide flexible solutions to clients. In addition, our independence allows us to work with the best advisors, and other third parties, for each individual client.

Experience

As a core Fiduchi service, the Employee Incentives team has vast experience helping a broad range of employers achieve their employee attraction, retention and motivation goals through their incentive arrangements.

Personal Service

We believe in the value that a personal approach to client servicing brings. Clients have clear lines of communication with team members who understand their specific requirements.

Scope of Service Offering

With true expertise in each area of our service offering we are uniquely positioned to apply our solutions driven approach to satisfy multiple service requirements in a seamless manner.

Regulation

Services are provided from Jersey and London giving clients the comfort that stable, well regulated jurisdictions, which have been at the forefront of employee incentives servicing for decades, brings. Fiduchi Limited is regulated by the Jersey Financial Services Commission.

If you would like to know more about our Employee Incentives or about Fiduchi, please contact:

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