



Employment-related securities ('ERS') reporting – action may be required by 6 July 2024

For companies who operate any share plans or in the past tax year have issued shares or securities (including share options) to employees, it is important to consider whether you are required to submit an employment-related securities ('ERS') report to HMRC.

Reportable events

Companies are required to disclose any "reportable events" to HMRC on a designated form. In terms of what HMRC considers a "reportable event", the scope is wide and can include the following:

- Any individual who has acquired securities by reason of their employment or directorship – this includes shares and loan notes;
- Any activity related to share options during the 2023/24 tax year, including the grant, exercise, assignment, or release of options;
- The lifting or variation of any restrictions attaching to any securities already held by employees or directors;
- Any conversion of securities;
- Any securities disposed of;
- Any artificial enhancements of the market value of securities.

Although the rules are wide-ranging, HMRC specify that the following events may not need to be reported, provided certain conditions are met:

- Newly incorporated companies – this includes the allocation of initial subscriber shares, allotment of further shares or shares acquired directly from the agent forming the company prior to the company commencing trading;
- Transactions which are not connected to employment (i.e. through family or personal relationships).

Compliance

ERS schemes or arrangements have to be registered with HMRC. Once the scheme has been registered, there will be a yearly reporting requirement to file an Annual Return (previously known as 'Form 42') by the 6 July following the end of the tax year. A company is still required to file a nil return for a registered scheme even if there has been no reportable activity in the tax year, until the scheme is closed.

As with other reporting obligations, HMRC can charge penalties for late submissions. This includes

an initial penalty of £100 for missing the 6 July deadline, a £300 penalty issued on 6 October if the report is still outstanding and an additional £300 on 6 January (i.e. 6 months late). Daily penalties of £10 can accrue from 6 April 2025 until the report is submitted.

Penalties can also be issued for returns which contain inaccuracies of up to £5,000.

How can we help?

As highlighted above, it is crucial to ensure that companies are on top of their ERS obligations to avoid any penalties or additional attention from HMRC. Forbes Dawson can help with completing and filing your ERS report in a timely and accurate manner. If you would like us to assist with this or if you would like to discuss whether you have a reporting obligation for 2023/24, please get in touch.

To discuss how we can help, please contact:



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