

Budget 2009



**HM Revenue
& Customs**

BN30

22 April 2009

SAVE AS YOU EARN PROCESS SIMPLIFICATION

Who is likely to be affected?

1. Banks, building societies and European institutions authorised by HM Treasury to provide Save As You Earn (SAYE) savings contracts to employees participating in HM Revenue & Customs (HMRC) approved SAYE share option schemes offered by companies.
2. Share scheme administrators providing SAYE related services to those companies.

General description of the measure

3. Legislation will be introduced in Finance Bill 2009 to transfer the process of specifying bonus rates and early leaver interest rates on SAYE savings and of authorising savings providers from HM Treasury to HMRC.
4. The legislation will also provide that, following a change of bonus rates, HMRC may specify in a notice of withdrawal or variation of certified savings arrangements that certain savings contracts using the previous bonus rates will be valid even though they are entered into after the date the new rates come into effect.
5. The legislation will also modernise the process by allowing electronic communications with the banks and building societies when issuing revised or updated SAYE notifications with new bonus or interest rates.
6. The minimum period between a date when a notice with revised SAYE certifications including interest rates is issued and the date when the new rates come into force will be reduced to 15 days.

Operative date

7. The changes will have effect on and after 29 April 2009; the day after the Budget Resolutions are passed.

Current law and proposed revisions

8. Legislation in Chapter 4 of Part 6 of the Income Tax (Trading and Other Income) Act 2005 (ITTOIA) allows HM Treasury to certify the SAYE savings arrangements provided by banks, building societies and European authorised institutions. Interest and bonuses payable under a certified SAYE savings arrangements linked to HMRC approved SAYE option schemes are free of income tax. HM Treasury may also withdraw or vary the certifications and connected requirements. In addition, HM Treasury authorises the savings providers, so that they can offer savings contracts to employees; and may withdraw or vary those authorisations. To enable HMRC to take over these administrative functions, references in the legislation to HM Treasury will be replaced with references to the Commissioners for HMRC.
9. Section 706 of ITTOIA provides for the withdrawal or variation of the savings arrangements which form part of the SAYE scheme. This measure will amend section 706, so that the notices of withdrawal and variation may specify that where savings contracts with the withdrawn or varied interest and bonus rates have been entered into after the date of withdrawal or variation they will be valid in certain specified circumstances. This will, for example, allow employees to enter into savings contracts at the bonus rate set out in the savings invitation, even if they enter into their contract on or after the date of the change in bonus rates.
10. Currently the notices relating to the withdrawal and variation of certifications and connected requirements and the withdrawal and variation of authorisations of savings providers have to be made by post. This requirement in sections 706 and 708 of ITTOIA will be removed, to allow electronic communications of the notices.
11. Notices to savings providers under section 706 of ITTOIA to withdraw or vary certifications have to be issued at least 28 days before the notice comes into effect. This period will be changed to 15 days, to allow more prompt adjustment of bonus rates to reflect market conditions.

Further advice

12. Draft legislation and explanatory notes have been published today, under the title 'Certification of Save As You Earn savings arrangements', on the HM Revenue & Customs website at www.hmrc.gov.uk
13. If you have any questions about this change, please contact Andrew Ellis on 020 7147 2658 (email: shareschemes@hmrc.gsi.gov.uk). Information about Budget measures is available on the HM Revenue & Customs website at www.hmrc.gov.uk