

Name

Tax reference

Fill in these boxes first

If you want help, look up the box numbers in the Notes.

Share options

Read the Notes, pages SN1 to SN4 before filling in the boxes

■ **Approved savings-related share options**

		Name of company	Tick if shares unlisted	Taxable amount
● Exercise	2.1		2.2	2.3 £
● Cancellation or release	2.4		2.5	2.6 £

■ **Approved discretionary share options**

		Name of company	Tick if shares unlisted	Taxable amount
● Exercise	2.7		2.8	2.9 £
● Cancellation or release	2.10		2.11	2.12 £

■ **Unapproved share options**

		Name of company	Tick if shares unlisted	Taxable amount
● Grant	2.13		2.14	2.15 £
● Exercise	2.16		2.17	2.18 £
● Cancellation or release	2.19		2.20	2.21 £

Shares acquired

Read the Notes, page SN4 before filling in the boxes

● Shares received from your employment	2.22	Name of company	2.23	2.24 £
● Shares as benefits	2.25		2.26	2.27 £
● Post-acquisition charges	2.28		2.29	2.30 £

● Total of the taxable amounts boxes (boxes 2.3 to 2.30)				total column above 2.31A £
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● Any taxable amounts included in boxes 2.18 or 2.24 which are on your P60 or P45(Part 1A)				2.31B £
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Total taxable amount				box 2.31A minus box 2.31B 2.31 £
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Additional information

You must complete a separate copy of this Page for each taxable event in the year ended 5 April 1997 that relates to your share options or shares acquired. If you had more than one taxable event in the year, ask the Orderline for more copies, or photocopy this Page. (If you use a photocopy, please put your name and tax reference at the top.)

Share options

Read the Notes, pages SN2 to SN4 **before** filling in the boxes

Name of company

Class of share (for example, 10p Ordinary)

2.32

2.33

	Grant	Exercise	Cancellation/Release
2.34 Date option was granted	/ /	/ /	/ /

2.35 Date option was exercised

2.36 Number of shares

2.37 Exercise price/option price per share £ .

2.38 Amount paid for option £ .

2.39 Market value per share at date the option was granted £ .

2.40 Market value per share at date the option was exercised £ .

2.41 Amount received in money or money's worth £ .

Shares acquired

Read the Notes, page SN5 **before** filling in the boxes

Name of company

Class of share (for example, 10p Ordinary)

2.42

2.43

	Shares acquired	Post-acquisition charge
2.44 Date shares acquired	/ /	/ /

2.45 Number of shares

2.46 Amount paid per share £ .

2.47 Market value per share at date of acquisition £ .

2.48 Give details of the nature of the post-acquisition event

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HELP SHEETS AND LEAFLETS

Help Sheets and leaflets giving more detailed information about particular tax rules for share schemes are available from the Orderline.

- *IR16: Share acquisitions by directors and employees - explanatory notes*
- *IR95: Approved profit sharing schemes - an outline for employees*
- *IR97: Approved Save As You Earn share option schemes - an outline for employees*
- *IR101: Approved Company Share Option Plans - an outline for employees*
- *IR216: Shares as benefits*
- *IR217: Shares acquired: post-acquisition charges*
- *IR218: Shares acquired: operation of Pay As You Earn (PAYE)*

Filling in the Share Schemes Pages

These Notes will tell you in what circumstances you have to pay tax on share options or shares you get free or cheaply by reason of your employment. Each taxable occasion is a 'taxable event'. **You must complete a copy of Page S2 of the Share Schemes Pages for each event.** Ask the Orderline for further copies, or you can use photocopies. (If you use a photocopy, please put your name and tax reference at the top.)

You only need to fill in one copy of Page S1 of the Share Schemes Pages - it is a summary of all your taxable events for the year. For example, you may exercise options in an approved savings related scheme twice in one year, over shares in two different companies. In this case:

- fill in a copy of Page S2 for each event
- enter one company name in box 2.1 on Page S1 and the other in the 'Additional information' box
- tick box 2.2 if the shares in either company are unlisted
- add up the taxable amounts and put the total figure in box 2.3.

Gather together the material you need such as:

- copies of share option certificates
- copies of exercise notices
- any correspondence or other explanatory information received from your employer about the share transaction
- information on the market value of the shares at the relevant dates.

If you do not have this information, the company whose shares are involved or your employer may be able to help.

The amount of information you need to give on the Share Schemes Pages depends on the type of employee share scheme you benefit from, or the circumstances in which you receive shares or benefits relating to them. The notes below give details about tax rules and tell you which boxes you should complete.

If you have only exercised an option under an approved savings-related scheme, see pages SN2 and SN3 of these Notes.

The following pages enable you to work out the taxable amount of benefits under your employee share or share option scheme.

Tick the relevant boxes on Page S1 of the Share Schemes Pages if any shares are 'unlisted'. 'Unlisted' shares means all shares not listed on a recognised Stock Exchange.

Remember, the Share Schemes Pages do not cover the Capital Gains Tax which might be due when you sell shares (you should ask the Orderline for the Capital Gains Pages, if you disposed of assets during the year (including shares) worth more than £12,600 in total or your chargeable gains (including gains from shares) were more than £6,300).

Do not include dividends from shares received through employee share schemes. These should be included on page 3 of your Tax Return.

Employee share schemes

Some employee share schemes are approved by the Inland Revenue, others are not. The tax rules differ according to whether or not the scheme is approved.

■ **Approved share schemes**

There are three types of approved share schemes. If certain conditions are met, you will not be taxable on:

- the receipt of free shares
 - the grant of an option to buy shares
 - the exercise of an option to buy shares
- under approved employee share schemes.

(Remember, though, you will still be taxable on any dividends and you might have to pay Capital Gains Tax when you sell your shares.)

Page SN2, overleaf, tells you when you will be taxable.

■ **Approved profit sharing schemes**

Shares given to you under an approved profit-sharing scheme will be taxed **only** if they are not kept in the Scheme Trust for three years (five years for periods up to 28 April 1996). In this case, tax will normally be deducted under PAYE. The trustees of the profit-sharing scheme, or your employer, will let you have details of the amount on which tax has been charged and how much tax has been deducted. **These amounts should not be included in the Share Schemes Pages.** Instead, include them in boxes 1.10 and 1.11 in the Employment Pages when you complete them.

Share options■ **Approved savings-related share option schemes**

You need to include information about an option under one of these (Save As You Earn) schemes in the Share Schemes Pages **only** if you have exercised the option:

- within three years of receiving it, **and**
- because the company, or the part of the business, you work for was sold or taken over.

In this case you will be taxable on the difference between the market value of the shares at the time the option is exercised and the amount paid for the shares.

Example 1

1.1.95 You agree to save £100 per month for five years and you are granted an option over 3,000 shares in the parent company. The option price is £2 per share.

1.1.97 The parent company sells the company you work for to another group. You are able to exercise the option up to the amount you have saved so far, through the savings scheme.

1.3.97 You exercise the option using the £2,700 (27 months at £100) saved so far and buy 1,350 shares at £2 per share. The market value of the shares is £3 per share.

The taxable amount is:

- market value of shares bought $£3 \times 1,350 = £4,050$
- minus price paid for shares $£2 \times 1,350 = \underline{£2,700}$
- **taxable amount** **£1,350**

If you exercised an option in these circumstances, complete:

- **boxes 2.1 and 2.2** on Page S1, and **boxes 2.32 and 2.33** on Page S2, and
- **boxes 2.34, 2.35, 2.36, 2.37 and 2.40** (in the 'Exercise' column).

Then use Working Sheet 1 to calculate the taxable amount.

Working Sheet 1

Market value per share (box 2.40)	A £
Number of shares bought (box 2.36)	B
	A x B
Total market value of shares bought	C £
Option price per share (box 2.37)	D £
	D x B
Total price paid for shares	E £
	C minus E
Taxable amount (copy to box 2.3)	F £

If you have **not exercised** your approved scheme option but have received something for giving up the option or for not exercising the option, do not fill in the boxes set out above. Instead refer to the section 'Cancellation or release of options' on page SN3.

■ **Approved discretionary share option schemes**

Approved discretionary share option schemes include:

- approved executive share option schemes, **and**
- approved company share option plans.

If you were granted an option under an approved discretionary share scheme during the year ended 5 April 1997 you need to include the grant in the Share Schemes Pages only if the option price (at which you can buy the shares) is less than the market value of the shares at the date the option was granted to you. If this applies to you, please refer to the notes on 'Unapproved share option schemes - Grant of a share option' on page SN3, to work out the taxable amount and enter it in box 2.15 on Page S1 of the Share Schemes Pages.

You need to include information about an option under one of these schemes in the Share Schemes Pages **only** if you have exercised the option, and:

- when you exercised the option the scheme was no longer approved, **or**
- when you exercised it, it was less than three years, or more than 10 years, after the date it was granted to you, **or**
- you exercised it less than three years after the date on which you exercised an option under any approved discretionary share option scheme for which Income Tax relief was given.

In this case you will be taxable on the difference between the market value of the shares at the time you exercised the option and the amount paid for the shares.

Example 2

1.1.92 You are granted an option over shares in the company you work for.

1.1.94 You are granted a second option over 2,000 shares in the company. The option price is £3 per share.

1.3.95 You exercise the first option.

1.3.97 You exercise the second option and buy 2,000 shares at £3 per share. The market value of the shares is £5 per share. The exercise of the first option gets relief from Income Tax. The exercise of the second option does not get tax relief because it is within three years of the exercise of the first option, and so it needs to be included in the Share Schemes Pages.

The taxable amount is:

- market value of shares bought $£5 \times 2,000 = £10,000$
- minus price paid for shares $£3 \times 2,000 = \underline{£6,000}$
- **taxable amount** **£4,000**

If the exercise of an option under this scheme is taxable, fill in:

- **boxes 2.7, 2.8** on Page S1, **boxes 2.32, 2.33** on Page S2, and
- **boxes 2.34, 2.35, 2.36, 2.37, 2.38 and 2.40** (in the 'Exercise' column).

Then use Working Sheet 2 to calculate the taxable amount.

Working Sheet 2

Market value per share (box 2.40)	A £
Number of shares bought (box 2.36)	B
	A x B
Total market value of shares bought	C £
Option price per share (box 2.37)	D £
	D x B
Total price paid for shares	E £
Amount paid for option (box 2.38)	F £
	C minus E minus F
Taxable amount (copy to box 2.9)	G £

If you have **not exercised** your approved scheme option but have received something for giving up the option, or for not exercising the option, do not fill in the boxes set out above. Instead, refer to the next section.

■ All share option schemes

● Cancellation or release of options

If you receive something in return for:

- transferring your option, **or**
- cancelling your option, **or**
- releasing your option, **or**
- otherwise not exercising your option,

you will have to pay Income Tax on the cash or value you receive. Leaflet *IR16: Share acquisitions by directors and employees*, available from the Orderline, gives more details.

You will be taxable on what you receive, whether or not the option was granted under an approved scheme.

Example 3

1.10.95 You are granted an option over 1,000 shares in the company you work for. You pay £1 for the option.

1.2.97 You receive £2,500 in return for the option being cancelled.

The taxable amount is:

- | | | |
|---|---|---------------|
| • amount received for release of option | = | £2,500 |
| • minus amount paid for option | = | £1 |
| • taxable amount | | £2,499 |

If any of the above circumstances apply to you, complete:

- **boxes 2.4 and 2.5** (approved savings-related share options), **or boxes 2.10 and 2.11** (approved discretionary share options), **or boxes 2.19 and 2.20** (unapproved share options)
- **boxes 2.32 and 2.33**
- **boxes 2.34, 2.38 and 2.41** (in the 'Cancellation/Release' column).

Then use Working Sheet 3 to calculate the taxable amount.

Working Sheet 3

Amount received (box 2.41)	A £
Amount paid for option (box 2.38)	B £
Taxable amount	C £ <i>A minus B</i>

Then enter the taxable amount C at:

- **box 2.6** (approved savings-related share options), **or**
- **box 2.12** (approved discretionary share options), **or**
- **box 2.21** (unapproved share options).

■ Unapproved share option schemes

If the scheme under which it was granted was not approved you may be taxable on both:

- the grant of a share option, **and**
- the exercise of a share option.

● Grant of a share option

You need to include the grant of a share option on Page S1 of the Share Schemes Pages **only if**:

- you can exercise the option to buy shares more than seven years after the date it was granted to you, **and**
- the option price (at which you can buy the shares) is less than the market value of the shares at the date the option was granted to you.

In this case you will be taxable on the value of the option minus the price, if any, that you paid for it. The minimum value placed on the option by the special tax rules is the difference between the option price and the market value of the shares. You should use this figure unless you think the option had a higher value.

Example 4

1.10.96 You are granted an option over 1,000 shares in the company you work for. The option entitles you to buy the shares between 1.10.1999 and 30.9.2006 (three to ten years later). The market value of the shares is £3 each. The option price is £2 per share. You pay £1 for the option.

The taxable amount is:

- | | | |
|---|---|--------------|
| • value of option 1,000 x £1 (£3 less £2) | = | £1,000* |
| • minus paid for option | = | £1 |
| • taxable amount | | £ 999 |

* this is the minimum value placed on the option at 1.10.1996.

If this applies to you complete:

- **boxes 2.13, 2.14** on Page S1, **boxes 2.32, 2.33** on Page S2, **and**
- **boxes 2.34, 2.36, 2.37, 2.38 and 2.39** (in the 'Grant' column).

Then use Working Sheet 4 to calculate the taxable amount.

Working Sheet 4

Market value per share (box 2.39)	A £
Option price per share (box 2.37)	B £
	A minus B
	C £
Number of shares (box 2.36)	D
	C x D
Value of option*	E £
Amount paid for option (box 2.38)	F £
	E minus F
Taxable amount (copy to box 2.15)	G £

* This is the minimum value placed on the option. If you think the value of the option was higher enter your valuation at box E.

● Exercise of a share option

You need to include the exercise of any option from unapproved schemes on Page S1 of the Share Schemes Pages.

In this case you will be taxed on the difference between the market value of the shares at the time you exercised the option and the amount you paid for the shares (including the cost, if any, of the option).

Example 5

1.10.95 You are granted an option over 1,000 shares in the company you work for. The option price is £2 per share. You pay £1 for the option.

1.2.97 You exercise the option and buy 1,000 shares at £2 per share. The market value of the shares is £5 per share.

The taxable amount is:

- market value of shares bought $£5 \times 1000 = £5,000$
- minus price paid for shares $£2 \times 1000 = £2,000$
£3,000
- minus amount paid for option $£1$
- **taxable amount** **£2,999**

If you have exercised an option under an unapproved scheme complete:

- **boxes 2.16, 2.17** on Page S1, **boxes 2.32, 2.33** on Page S2, and
- **boxes 2.34, 2.35, 2.36, 2.37, 2.38** and **2.40** (in the 'Exercise' column).

Then use Working Sheet 5 to calculate the taxable amount.

Working Sheet 5

Market value per share (box 2.40)	A £
Number of shares (box 2.36)	B
	A × B
Total market value of shares bought	C £
Option price paid for shares (box 2.37)	D £
	D × B
Total price paid for shares	E £
Amount paid for option (box 2.38)	F £
	C minus E minus F
Taxable amount	G £

Enter the taxable amount **G** in box 2.18. If PAYE has been operated on this amount already, you will also need to enter the taxable amount **G** in box 2.31B.

If you have not exercised your option, but have received something for giving up the option or for not exercising the option, do not fill in the boxes set out above. Instead refer to the section 'Cancellation or release of options' on page SN3.

Shares acquired

You will be taxable on shares (or interests in shares) you get free or cheaply by reason of your employment.

The notes below tell you when you will be taxed. Enter details on Pages S1 and S2 of the Share Schemes Pages.

- Shares received from your employment

boxes 2.22 to 2.24

If you receive shares, or interests in shares, free or cheaply from your office or employment, you will be taxable on the difference between the market value of the shares at the time you acquired them and the price you paid for them.

Example 6

1.10.96 You are given the opportunity to buy 1,000 shares in the company you work for at a price of £2 per share. The market value of the shares is £3 per share. The opportunity arises as part of a share purchase scheme provided by the company for employees. The taxable amount is

- market value of shares bought $£3 \times 1000 = £3,000$
- minus price paid for shares $£2 \times 1000 = £2,000$
- **taxable amount** **£1,000**

If this applies to you complete:

- **boxes 2.22, 2.23** on Page S1, **boxes 2.42, 2.43** on Page S2, and
- **boxes 2.44, 2.45, 2.46** and **2.47** (in 'Shares acquired' column).

Then use Working Sheet 6 to calculate the taxable amount.

Working Sheet 6

Market value per share (box 2.47)	A £
Number of shares (box 2.45)	B
	A × B
Total market value of shares bought	C £
Price paid per share (box 2.46)	D £
	B × D
Total price paid for shares	E £
	C minus E
Taxable amount	F £

Enter the taxable amount **F** in box 2.24. If PAYE has been operated on this amount already, you will also need to enter the taxable amount **F** in box 2.31B.

Employees are often given priority allocations of shares in a public offer. If you pay the same price as the public you will not normally have to pay Income Tax on the benefit to you of getting the extra shares. For further information read Chapter 3 of leaflet IR16.

- Shares as benefits

boxes 2.25 to 2.27

If you acquire shares for less than their market value, and the benefit from doing so is not otherwise chargeable to Income Tax, the amount of the undervalue is treated as a loan. If you acquire 'partly paid' shares you are treated as if you had received an interest-free loan equal to the difference between the market value of fully paid shares and the sum actually paid. If this applies to you, ask the Orderline for *Help Sheet IR216: Shares as benefits*.

If your employer has enabled you to sell shares for more than their market value, the benefit to you will be included on your P11D or other information supplied by your employer. You should have entered the figure in box 1.22 of your Employment Pages.

- Post-acquisition charges

boxes 2.28 to 2.30

If you acquire shares, or an interest in shares, by reason of your employment you may be taxed later when:

- rights or restrictions attached to any shares are altered, or
- shares in certain subsidiary companies are kept for seven years, or if sold earlier, when the shares are sold and they have increased in value since you acquired them, or
- 'special benefits' are received by virtue of your ownership of shares.

If this applies to you ask the Orderline for *Help Sheet IR217: Shares acquired: post-acquisition charges*.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.