

• Shares acquired from your employment

You will be taxed on shares (or interests in shares) you get free or cheaply by reason of your employment. This Help Sheet gives you information to help you fill in boxes 2.22 to 2.30 of the Share Schemes Pages.

There are various ways your employer can pass shares to you, and the tax treatment may be different depending on the method used. In each case the shares may be in the company for which you work, or in any other company.

- You may be granted an option to buy shares.
- The shares may be given to you free.
- You may be given the opportunity to buy the shares for less than their market value.

This Help Sheet does not deal with share options (see the Notes on Share Schemes pages SN2 to SN5), or shares acquired through an approved profit sharing scheme (see page SN2).

If you get shares in connection with your employment which do not come from a share option or through an approved profit sharing scheme, this Help Sheet will help you to decide on what amount you will be taxed and for what year.

It does not make any difference whether you acquire your shares through a share scheme, or otherwise, so long as they are acquired from or because of your employment.

FREE OR CHEAP SHARES

If you acquire shares from your employment and the price you paid for them was less than they were worth at that time, you will be taxed on the difference between what the shares were worth and the price you paid for them.

Example 1
 1.10.98 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 x 1,000 =	£3,000
• minus price paid for shares	£2 x 1,000 =	<u>£2,000</u>
	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 to 2.47 in the 'Shares acquired' column.

Then use **Working Sheet 1** in the next column to calculate the taxable amount.

Working Sheet 1

Market value per share (box 2.47)	A	£	<input type="text"/>
Number of shares (box 2.45)	B		<input type="text"/>
Total market value of shares bought	C	£	<input type="text"/>
Amount paid per share (box 2.46)	D	£	<input type="text"/>
Total amount paid for shares	E	£	<input type="text"/>
Taxable amount	F	£	<input type="text"/>

Formulas for boxes:
 box A x box B = box C
 box B x box D = box E
 box C minus box E = box F

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

SHARE INCENTIVE SCHEMES

Under these schemes you may be promised or allocated a number of shares but you will not acquire the shares until certain conditions are met. In these cases you will be taxed when the conditions are satisfied and you acquire the shares. 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 to 2.47 in the 'Shares acquired' column.

Then use **Working Sheet 1** to calculate the taxable amount.

PUBLIC OFFER SHARES

Employees are often given priority shares in a public offer. If you pay the same price as the public you will not normally be taxed on the benefit to you of getting the extra shares. Further information is available in Chapter 3 of booklet *IR16:Share acquisitions by directors and employees* available from the Orderline.

SHARE PURCHASE SCHEMES

Employees are often given the opportunity to buy shares in their company at full market value through a share purchase plan run by their employer. If the savings you put into the plan are taxed in full (under PAYE), you will not normally be taxed on the purchase of the shares. If your employer pays the costs of the share dealing that will be a benefit to be included in your P11D.

RESTRICTED SHARES

You may acquire shares from your employment on the condition that they cannot be sold for a period of years, or are subject to other conditions. They may be worth less at the time you acquire them, than shares with no conditions attached. You will need to obtain a valuation of the restricted shares. You will be taxed on the difference between their value taking into account the restrictions and the amount you paid for them. 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 to 2.47 in the 'Shares acquired' column.

Then use **Working Sheet 1** to calculate the taxable amount.

RESTRICTED SHARE SCHEMES - SHARES SUBJECT TO FORFEITURE

Under these schemes you may acquire shares which may be forfeit at some future time. If the shares cannot be forfeit more than five years from the date they were acquired you will be taxed when the risk of forfeiture is lifted, or when the shares are disposed of before the risk of forfeiture is lifted and not at the time that the shares are acquired. You will be taxed on the value of the shares at the time the risk of forfeiture is lifted or, if earlier, you sell the shares, minus any amount you have paid for the shares. If you have acquired shares on or after 17 March 1998 and forfeiture has been lifted in the year to 5 April 1999, this applies to you and you should complete:

- boxes 2.28, 2.29 on Page S1, boxes 2.42, 2.43 on Page S2, and
- boxes 2.44 to 2.47 in the 'Post-acquisition charge' column.

Then use **Working Sheet 2** in the next column to calculate the taxable amount.

Working Sheet 2

Market value per share at date of acquisition or date forfeiture lifted (box 2.47)	A	£	<input type="text"/>
Number of shares (box 2.45)	B		<input type="text"/>
Total market value of shares at date of acquisition or date forfeiture lifted	C	box A x box B	£ <input type="text"/>
Amount paid per share (box 2.46)	D	£	<input type="text"/>
Total amount paid for shares	E	box B x box D	£ <input type="text"/>
Taxable amount	F	box C minus box E	£ <input type="text"/>

Enter this taxable amount F in box 2.30. If PAYE has been operated on this amount already, you will also need to enter the amount on which PAYE has been operated in box 2.31B.

If forfeiture has been lifted in the year to 5 April 1999 on shares which you acquired **before 17 March 1998** you should not enter any amount in this year's return, but let your Tax Office know the full circumstances in which you acquired the shares as there may be tax to be paid for the year in which you first acquired the shares.

If you have acquired shares subject to risk of forfeiture where the risk can last more than five years, you will be taxed when you acquire the shares on the difference between the value of those shares (taking into account all the restrictions including forfeiture) and any amount you have paid for the shares. 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 to 2.47 in the 'Shares acquired' column.

Then use **Working Sheet 2** to calculate the taxable amount.