

- Shares acquired:
Operation of Pay As You Earn (PAYE)

This Help Sheet explains how to fill in the Share Schemes Pages of your Tax Return if:

- **you have received free or cheap shares either directly or from the exercise of a share option, or**
- **you have received something for the cancellation or release of a share option, and**
- **tax is due in respect of those shares or the value received, and**
- **some or all of that tax has been paid to the Inland Revenue under the PAYE system.**

APPROVED SHARE SCHEMES

— 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. In this case tax will be accounted for under PAYE. The trustees of the profit sharing scheme, or your employer, will let you have details (on your P60, or P45 Part 1A if you are a former employee) of the amount on which PAYE has been operated and of how much tax has been accounted for. These amounts should not be included in the Share Schemes Pages. Instead **include them in boxes 1.8 and 1.11 in the Employment Pages.**

— Approved savings-related share option schemes and approved discretionary share option schemes

— Exercise of a share option

Your employer will not operate PAYE on any taxable amount you receive on the exercise of an option under an approved share option scheme.

• Cancellation or release of a share option

Your employer will operate PAYE on any taxable amount you receive in the form of cash or 'readily convertible assets' (see next column), for cancelling or releasing an option under an approved scheme. Your employer will let you have details (included in your P60 or P45 Part 1A if you are a former employee) of the amount on which PAYE has been accounted for. **Enter these amounts in boxes 1.8 and 1.11 in the Employment Pages.**

You also need to follow the instructions on page SN3 of the Share Schemes Notes for 'All share option schemes - Cancellation or release of options' in case the tax due is different from the tax accounted for under PAYE.

SHARES PROVIDED OTHER THAN UNDER APPROVED SHARE SCHEMES

Your employer will operate PAYE on any taxable amount provided in the form of 'readily convertible assets'.

Shares are **readily convertible assets** if:

- the shares can be sold or otherwise realised on a recognised investment exchange, such as the Stock Exchange, the New York Stock Exchange, or
- trading arrangements are in place in respect of the shares at the time the taxable income is provided, or
- trading arrangements are likely to come into existence in accordance with arrangements or an understanding in place at the time the taxable income is provided.

Shares in your employer company or a company which controls your employer - 'own company shares' - are excluded from readily convertible assets as follows:

- until 27 November 1996 - all own company shares
- on or after 27 November 1996 - own company shares received under approved share schemes or acquired under an option which was granted before that date.

So, **from 27 November 1996** readily convertible assets can include own company shares acquired, outside an approved share scheme, on or after that date or under an option granted after that date.

— Exercise of a share option

Your employer will operate PAYE when you receive shares on the exercise of an option granted to you **on or after**

27 November 1996 where the shares are readily convertible assets. PAYE will be operated at the time the share option is exercised. Your employer will let you have details (included on your P60, or P45 Part 1A if you are a former employee) of the amount on which PAYE has been operated and of how much tax has been accounted for. **Enter these amounts in boxes 1.8 and 1.11 in the Employment Pages.**

You also need to follow the instructions on page SN5 of the Share Schemes Notes, 'Exercise of a share option' in case the tax due is different from the tax accounted for under PAYE.

• Cancellation or release of a share option

Your employer will operate PAYE on any taxable amount you receive in the form of cash or 'readily convertible assets', for cancelling or releasing an option. Your employer will let you have details (included in your P60 or P45 Part 1A if you are a former employee) of the amount on which PAYE has been accounted for. **Enter these amounts in boxes 1.8 and 1.11 in the Employment Pages.**

You also need to follow the instructions on page SN3 of the Share Schemes Notes for 'All share option schemes - Cancellation or release of options' in case the tax due is different from the tax accounted for under PAYE.

— **Shares received from your employment**

Your employer will operate PAYE when you receive shares free or cheaply from your office or employment where the shares are readily convertible assets. PAYE will be operated at the time the shares are acquired. Your employer will let you have details (included on your P60, or P45 Part 1A if you are a former employee) of the amount on which PAYE has been operated and of how much tax has been accounted for. Enter these amounts in **boxes 1.8 and 1.11 in the Employment Pages.**

You also need to fill in Working Sheet 1 in the 'Free or Cheap Shares' section of *Help Sheet IR219: Shares acquired from your employment* (available from the Orderline) in case the tax due is different from the tax accounted for under PAYE.

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