

- 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 2.31 to 2.39 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 SN8), 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. (This does not include shares subject to a risk of forfeiture unless that risk will last more than five years, see *Help Sheet IR217: Shares acquired: post acquisition charges.*)

Example

On 1 October 2002 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 2.31 and 2.32 on Page S1
- boxes 2.69 and 2.70 on Page S3, **and**
- boxes 2.71 to 2.74 in the 'Shares acquired' column on Page S3 of the Share Schemes Pages.

Then use **the Working Sheet** in the next column to work out the taxable amount.

Working Sheet

Market value per share (box 2.74)	A £	<input type="text"/>
Number of shares (box 2.72)	B	<input type="text"/>
	box A x box B	
Total market value of shares bought	C £	<input type="text"/>
Amount paid per share (box 2.73)	D £	<input type="text"/>
	box B x box D	
Total amount paid for shares	E £	<input type="text"/>
	box C minus box E	
Taxable amount (copy to box 2.33)	F £	<input type="text"/>

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 2.41.

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 2.31 and 2.32 on Page S1
- boxes 2.69 and 2.70 on Page S3, **and**
- boxes 2.71 to 2.74 in the 'Shares acquired' column on Page S3 of the Share Schemes Pages.

Then use **the Working Sheet** above to work out 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 through a share purchase plan run by their employer. If the savings you put into the plan come from your salary and have been taxed in full under PAYE, you will not be taxed on the purchase of the shares if you buy them at their market value. If your employer pays the costs of the share dealing that will be a benefit to be included in your P11D.

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