

This form has been issued under Paragraph 6, Schedule 9 ICTA 1988. This paragraph enables the Board of Inland Revenue to ask any person to give any information that the Board thinks is necessary.

Under Paragraph 3(2), Schedule 9 ICTA 1988 the Board can withdraw approval of a scheme because of the company's failure to give the information required by this form.

Under Section 98(1) TMA 1970 the Board can start proceedings for penalties if the failure is not put right.

These notes are to help you complete this form, they have no binding force and do not affect any right of appeal. If you want help or further information, please ask the Share Schemes Unit whose address is shown on the front of the form. You may also find the following Inland Revenue booklets and leaflets helpful

- IR95, *Approved Profit Sharing Schemes - an outline for employees'*
- IR96, *Approved Profit Sharing Schemes - explanatory notes'*

You can get them from Inland Revenue Share Schemes, Room 76, New Wing, Somerset House, Strand, London WC2R 1LB
Telephone **020 7438 6718 or 4202.**

If you have access to the Internet, these booklets can be down loaded. The address is
www.inlandrevenue.gov.uk/shareschemes

Box M of form P11D does not need to be ticked for participants of Inland Revenue approved profit sharing schemes.

Note 1

Capital receipts received by trustees on scheme shares

The trustees as holders of scheme shares may become entitled to 'capital receipts', (Section 186(3) and Paragraph 4, Schedule 10, ICTA 1988). Capital receipts may be in the form of money or money's worth. For each occasion of such a receipt please enter details of the cash or value received.

Where amounts are paid by the trustees to an 'appropriate' company for taxing under PAYE enter the total amount paid. Where there is no 'appropriate' company, for example, where the participant has left the employment of the company, the trustees must make the PAYE deductions and enter the total amount subjected to PAYE.

Note 2

Disposals of shares on the direction of participants

- Enter the total proceeds received by the trustees in respect of shares sold by them on the direction of the participants.
- PAYE liability arises on the 'appropriate percentage' of the lower of the 'locked-in value' and the disposal proceeds. Enter here the total amount on which tax was charged.

- This analyses the total taxable amount by reference to the period of time after appropriation at which the disposal took place.

The appropriate percentage is

- disposal over 2 years but less than 3 years after the appropriation - 100%
- disposal on cessation of employment for injury, disability or redundancy, or on reaching the specified age at any time within 3 years of appropriation - 50%.

Note 3

Transfers of shares to participants

After the end of the period of retention and before the 'release date', a participant may direct the trustees to transfer his/her shares to them. The transfer may be made on condition that he/she first pays the trustees a sum equal to income tax at the basic rate on the 'appropriate percentage' of the 'locked-in value' of the shares at the time of the direction. In these circumstances, enter

- the total 'locked-in value' of the shares transferred, **and**
- the total tax obtained from participants in respect of such transfers at each 'appropriate percentage'.

Details of transfers to the participant after the 'release date' are not required.

Note 4

Capital reorganisations and/or reconstructions

Complete this section where, as a result of a reorganisation and/or reconstruction, shares, Qualifying Corporate Bonds or other securities are now held by the trustees in substitution for the shares that were originally appropriated.

Enter details of all reorganisations and reconstructions including particulars of

- bonus issues
- rights issues
- alterations of rights attaching to a share class
- conversion of securities including exchanges
- company amalgamations and takeovers
- reduction or reorganisation of share capital.

Where there has been a company reconstruction it is necessary to apportion the 'locked-in value' of the old 'corresponding shares' among the 'new shares'. The steps are to

- ascertain the aggregate 'locked-in value' before the reconstruction of the old 'corresponding shares' having the same 'locked-in value', **and**
- distribute that 'locked-in value' among any of the old shares that survive into the new holding, and the new shares, pro rata according to their value immediately after the reconstruction.

Any subsequent income tax charged in respect of the shares in the new holding will be by reference to their 'locked-in value' immediately after the reconstruction, calculated as set out above.

Note 5

Alterations and/or amendments to the scheme trust

If an alteration is made to the terms of an approved scheme or to its trust deed, approval will automatically cease unless the alteration is itself approved by the Inland Revenue. It is therefore essential to tell IR Shares Schemes before any alterations are effected.

You should tell IR Shares Schemes when a subsidiary company becomes, or ceases to be, a participating company. If there have been changes during the year that have not yet been notified, then give the following details for each company in a separate schedule. (Please state clearly for each company whether it has become, or has ceased to be, a participating company). Enclose two certified copies of the relevant deed and/or resolution showing

- name of company
- registered office address
- name of the Inland Revenue office that deals with the company's corporation Tax Returns and the reference number in that office
- name of the Inland Revenue office that deals with the PAYE for employees of the company and the PAYE reference number in that office.

Note 6

Exercise of powers

The trust deed may contain powers which, if exercised, could change the nature of the interests of the beneficiaries or even prejudice approval under Schedule 9 ICTA 1988. If any powers are exercised, by deed or otherwise, enter full details.

Self Assessment

Details of Income and Gains on which the trust may be charged to tax should be entered on a Self Assessment Trust and Estate Tax Return. You can get a form to complete, if needed, from your Inland Revenue Trusts office.

Chargeable Gains

There are Special provisions affecting trustees of approved profit sharing trusts.

Trustees are chargeable on gains arising on disposals of trust property, for example, in the course of changing investments. The normal rule is that when a beneficiary becomes absolutely entitled to trust property, the property is treated as having been disposed of by the trustees and reacquired by the beneficiary at its market value.

In the case of an approved profit sharing trust a participant is treated for capital gains tax purposes as being absolutely entitled to their shares from the date of appropriation. Where scheme shares are disposed of after appropriation for more than their market value at the date of appropriation, the participant may be personally liable to capital gains tax.