

ProShare responds to Chancellor's Spring Budget

Chancellor's review of the Company Share Option Plan is welcome, but a piecemeal approach misses a better opportunity to reform employee plans, says ProShare

LONDON, UNITED KINGDOM, March 29, 2022 /EINPresswire.com/ -- Responding to the Chancellor's Spring Statement, ProShare – the voice of UK employee share ownership (ESO) – is calling for a comprehensive review of all tax-advantaged employee share plans rather than the piecemeal approach proposed.

At Budget 2020, the government launched a review of the Enterprise Management Incentive (EMI) scheme to ensure it would continue to provide support for high growth companies. The Spring Statement confirms that review is now complete and the government's conclusions are that the current EMI scheme remains "effective and appropriately targeted." However, the Spring statement also said, "the scope of the review will be expanded to consider if the other discretionary tax-advantaged share scheme, the Company Share Option Plan (CSOP), should be reformed to support companies as they grow beyond the scope of EMI.[1]"

Murray Tompsett, Head of ProShare said: "While some will doubtless be disappointed there are no immediate plans to extend the Enterprise Management Incentive, there's a real opportunity here for a review and a refresh of Company Share Option Plans, updating them to ensure they support companies as they outgrow the parameters of EMI.

"Given that the £30,000 limit for CSOPs has been unchanged since they were established 27 years ago, we at ProShare say, 'About time too!' But why end the review at discretionary tax-advantaged share schemes which are, after all, a minority interest? The two key, all-employee tax-advantaged share schemes - Save As You Earn (SAYE) and the Share Incentive Plan (SIP) - have well over one and a half million participants and require urgent updating if they are to continue to bring tangible benefits to both the employee and the employer."

Recent research has captured the various benefits provided by all-employee share plans, including lower absenteeism rates and improved worker morale. An Oxera Report prepared for HM Revenue & Customs[2] demonstrates a 4.1% long-term improvement in an organisation's productivity where an SAYE is in place. Where there is both an SAYE and a CSOP in place, the research shows that productivity increases by 4.4%.

One of the most important benefits of all-employee share plans, particularly as we head into the cost-of-living crisis, is the enhanced financial resilience for plan participants. In 2021, ProShare sponsored a key report from the Social Market Foundation – ‘A stake in success - Re-imagining employee share plans for the 2020s’[3] - which demonstrated that employees participating in ESO plans are significantly better off compared to non-participants in the same income bracket. This ‘employee share-ownership premium’ – defined as the median net financial wealth of employee shareholder households vs non-shareholder households – is an average of £10,900 for those in the lowest income quartile.

Tompsett added: “Increasing employees’ financial independence and decreasing reliance on the state has never seemed like such a sensible solution. The principle of employee ownership is one of cross-party consensus; employee share plans have quietly worked to support employees and businesses for more than 40 years.

“It is sensible for the government to consider how the suite of ESO opportunities open to companies can work together to promote the benefit of employee ownership. But by reviewing these plans in a piecemeal manner, we risk allowing these key plans - open to all employees on equal terms - being left behind and atrophying.

“The Chancellor has missed a trick by not considering all-employee share plans as part of this extended review. In our response to the call for evidence on EMIs, ProShare called for such a review and gave some examples of steps that could be taken to develop a range of employee share ownership opportunities fit for modern employment trends. We will continue to push for long-overdue reforms.”

Notes to Editors:

ProShare is the voice of the employee share ownership industry in the UK. It was established in 1992 by the Government, the London Stock Exchange and a number of FTSE 100 companies to promote Employee Share Ownership. ProShare is an independent membership organisation, funded by its members and its commercial activities, and is a part of The Chartered Governance Institute UK & Ireland.

More information: www.proshare.org

[1]

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1062708/Spring_Statement_2022_Print.pdf Page 42, paragraph 4.60

[2] <https://www.oxera.com/wp-content/uploads/2018/07/Tax-advantaged-employee-share-schemes%E2%80%94report-1.pdf.pdf#:~:text=Oxera%20was%20commissioned%20by%20HM%20Revenue%20%26%20Customs,share%20options%2C%20as%20part%20of%20their%20remuneration%20package%29.>

[3] <https://www.smf.co.uk/wp-content/uploads/2021/05/A-stake-in-success-May-21.pdf>

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