

Are you ready for this year's annual share plan reporting?

Following the end of the UK tax year on April 5, 2020, annual share plan returns can now be filed online with Her Majesty's Revenue & Customs (HMRC). An annual return must be submitted for each open share plan registration, even if it is a **nil** return. This means that companies **must** submit an annual return even if there has been no share plan activity during the 2019/2020 tax year. Please note that HMRC will not send companies a reminder to file their returns.

The deadline for submission is 6 July 2020*.

Please click [here](#) for a summary of the annual share plan return process.

How to report net settlement withholding

The main change this year is that HMRC has asked for specific reporting of net settlement. HMRC expects companies who use the net settlement withholding method with respect to their non-tax advantaged share plans to inform HMRC that they are doing so in their annual returns. Companies should do this by reporting as separate entries on the "Other_Options_V3" tab:

- the number of shares delivered to the employee (net of shares withheld to cover tax); and
- (on a separate line) the value of the shares withheld and paid in cash to HMRC.

Please click [here](#) for a summary of HMRC's revised guidance on reporting the net settlement withholding method.

Corporate tax implications: We envisage that HMRC's insistence on separate reporting of net settlement is a warning that there will be increased HMRC scrutiny of the amounts that companies using net settlement withholding are claiming as a corporate tax deduction in respect of the delivery of shares to their employees.

*A quick note on COVID-19

We are aware that HMRC has been asked to extend the annual report deadline in light of COVID-19; however, HMRC has not yet made an announcement to this effect. Therefore, companies should continue to plan to meet the July 6 deadline.

We would like to thank our colleagues in London for sharing this alert.

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