



EMPLOYER COMPLIANCE – 2024/25

Employment Related Securities (ERS) Reporting

In this article, we outline the key ERS compliance deadlines coming up for employers, recent changes and common issues in relation to ERS reporting.

REPORTING EMPLOYEE SHARE SCHEMES

Employers must report annually any events that occur in relation to ERS, which include any shares or other securities (for example, loan notes or share options) that are acquired by reason of employment, including securities exchanged or acquired as part of a transaction.

The deadline for the 2024/25 tax year is 6 July 2025. However, the ERS return can be complex and can be a significant administrative burden, and so we recommend that employers start looking at this now to ensure they meet the deadline.

THE KEY POINTS TO REMEMBER INCLUDE:



1. REGISTERING NEW PLANS: For new share plan arrangements (including simple acquisitions of shares by employees, directors and non-executive directors) that occurred in 2024/25, companies must first register “a plan” online with HMRC via the ERS Online Services page. This process can take several weeks and should not be left until 5th July.



2. VERIFY OR SELF-CERTIFY: the tax-advantaged plans in place, including Enterprise Management Incentive Plans (EMIs), Share Incentive Plans (SIPs), Save As You Earn (SAYE) plans, and Company Share Option Plans (CSOPs). If you do not verify them, you risk losing the beneficial tax treatment.



3. SUBMIT ANNUAL RETURNS WITH ALL REPORTABLE EVENTS: The list of potential reportable transactions/ events includes (but is not limited to) any acquisition of shares or securities (e.g. loan notes, carried interest, etc.) made by employees or directors, the grant of share options to (or exercise of share options by) employees or directors and certain disposals of securities (where these events have given rise to income tax).



4. FUTURE PROOFING: ERS return compliance is often looked at during due diligence exercises. If returns have not been submitted this could be expensive to fix ahead of any future prospective transaction.



5. NIL RETURNS: Remember to submit a nil return for all open tax-advantaged and non-tax advantaged plans even if there have been no reportable events in the tax year. Employers should also submit a nil return for the year of grant of EMI options (assuming none of the options are exercised or lapse in the same year), in addition to separately notifying grant of those options.

RECENT CHANGES

HMRC have made several updates and changes to the ERS reporting process in recent tax years, including:

- Changes to reporting requirements of net settled awards.
- Changes to the end of year return template, including introducing a mandatory requirement to include a PAYE reference for the employer, a National Insurance number for the employee and the requirement to confirm if PAYE has been operated.
- Updated guidance notes for all templates to give more information about registering for ERS online, registering a share scheme and notifying the end of a scheme.

These additional mandatory requirements have placed further administration burdens on employers, during what is already a busy compliance period.

COMMON ISSUES RELATING TO ERS RETURNS

Some of the most common errors/issues we see occurring in ERS returns include:

- Failing to include those individuals that are not UK-based employees but carry out duties in the UK during the period of the award.
- Failing to report correctly securities that employees receive on a transaction (for example, share exchanges, loan notes etc).
- Excluding non-executive directors from the “Other” return for non-tax advantaged plans.
- Failing to review, analyse and report correctly any restrictions attached to the shares.
- Failing to report exercises and lapses of EMI options correctly.

PENALTIES

Late ERS filings will result in penalties from HMRC as follows:

IF NOT FILED BY 6 TH JULY	£100 penalty
3 months late	Additional £300 penalty
6 months late	Additional £300 penalty
9 months+ late	£10 per day

A penalty of up to £5,000 can also be charged for a material inaccuracy in an ERS return which is not immediately addressed and resolved.

HOW CAN A&M TAX HELP?

At Alvarez & Marsal Tax, our Equity Reward and Employment Tax team have extensive experience in advising employers on their ongoing employment tax and NIC obligations.

We can offer a range of advice and services to assist employers in respect of ERS and tax-advantaged share schemes annual return compliance. Please contact your usual A&M point of contact or Louise Jenkins, Chris Prout, Aya Ishikawa, Anita Eunson or Stuart Anderson.

ABOUT ALVAREZ & MARSAL TAX

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