

EMPLOYER COMPLIANCE – 2025/26

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 2025/26 tax year is **6 July 2026**. 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

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1 REGISTERING NEW PLANS: For new share plan arrangements (including simple acquisitions of shares or other securities by employees, directors and non-executive directors) that occurred in 2025/26, 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 6 July.
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2 VERIFY OR SELF-CERTIFY: Tax-advantaged plans, including Enterprise Management Incentive Plans (EMIs), Share Incentive Plans (SIPs), Save As You Earn (SAYE) plans, and Company Share Option Plans (CSOPs) require specific self-certification and/or HMRC grant notification. If you do not do this, you risk losing the beneficial tax treatment.
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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).
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4 FUTURE PROOFING: ERS return compliance is often looked at during due diligence exercises. If returns and/or grant notifications have not been submitted (and confirmation of submission kept on file) this could be expensive to fix ahead of any future prospective transaction as this information is difficult to obtain from HMRC retrospectively.
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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 the grant of those options.

RECENT CHANGES

HMRC have made several updates and changes to the ERS reporting process in recent tax years, the most recent of which includes:

- Clarification regarding reporting for Short-Term Business Visitors (STBVs). If a STBV is covered by an Appendix 4 STBV agreement, HMRC has confirmed via its ERS bulletin that there is no requirement to report information on STBVs, provided no UK income tax or NICs are due. However, employees included in an Appendix 8 special payroll arrangement still need to be included on the ERS return.
- Changes to reporting requirements of net settled awards (for reporting made after April 2026) which now only need to be reported on one line of the return. This approach may also optionally be used for late submitted 2024/25 returns, but two-line entries will also be accepted for earlier year returns.
- Adding PISCES along with AIM as 'not recognised' stock exchanges for ERS reporting purposes.

These additional mandatory requirements have placed further administrative burdens on employers, during what is already a busy employment tax 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 individuals who are not UK-based employees but carry out duties in the UK during the period of the award.
- Failing to correctly report securities that employees receive in a transaction (for example, share exchanges, loan notes etc.).
- Excluding non-executive or non-resident 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 correctly report exercises and lapses of EMI options correctly.



PENALTIES

Late ERS filings will result in penalties from HMRC as follows – the first three penalties are automatically imposed by HMRC:

IF NOT FILED BY 6 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 that 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, Anna Turner, Anita Eunson or Stuart Anderson.

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