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flash International Executive Alert

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United Kingdom – Important Changes to Form 42 Filing, Upcoming Deadlines

by KPMG LLP, London (KPMG LLP in the United Kingdom is a KPMG International member firm)

Companies have until 6 July 2014 to submit Form 42, the U.K. tax return for unapproved employment-related share incentives, in respect of any reportable events for the tax year ended 5 April 2014. Additionally the U.K. is ending paper reporting in respect of share plans and moving to online registration and reporting.¹

On Tuesday, 8 April at 10:00am (BST), Alison Hughes (KPMG LLP (U.K.) Senior Manager) and Catriona Edwards (KPMG LLP (U.K.) Manager) will be discussing these and other proposed changes to share plans. **To register for this briefing please click [here](#).**

Why This Matters

Meeting this deadline is critical as the U.K. tax authority HM Revenue & Customs (HMRC) have powers to impose potentially severe penalties and interest in the event of late or inaccurate filing of Form 42.

This year will mark the last ever paper Form 42. For the tax year ending 5 April 2015 onwards, all share plan reporting must be made electronically. Companies can begin registering online from 6 April 2014.

Form 42

Form 42 is the return for reporting all unapproved share awards and share options, including share awards and allocations made to directors and employees outside of formal plans. Events that will trigger a reporting requirement include the grant of unapproved share options, the acquisition of shares, and other chargeable events. Companies that receive a 'Notice to File a Form 42' from Her Majesty's Revenue & Customs (HMRC) and have no events to report must still complete a Form 42 as a 'nil' return. Usually the parent company of the group will make a return on behalf of all employing subsidiary companies.

For the tax year ending 5 April 2015 onwards, all share plan reporting must be made electronically.

Form 42 and the forms for tax-advantaged plans, together with guidance notes, can be found on the HMRC Web site at:

www.hmrc.gov.uk/shareschemes/ann-app-schemes.htm .

U.K. Tax-Advantaged Plans

Companies that operate an HMRC-approved share plan (renamed 'tax-advantaged' plan from 6 April 2014) such as a Share Incentive Plan (SIP), Save As You Earn scheme (SAYE), Company Share Option Plan (CSOP), or an Enterprise Management Incentives scheme, should not report events on Form 42. Instead, events should be reported on the special forms available for those types of plans. However, the deadline of 6 July 2014 still applies.

Changes from 6 April 2014

Companies will need to be registered on the new online system in order to file annual returns. The deadline for online registration is 6 July 2015, although the system will be available for companies to start registration from 6 April 2014.

HMRC has suggested the following timetable:

| Period | Companies with names beginning with letters |
|----------------------|---|
| April to May | A to E |
| June to July | F to L |
| August to September | M to S |
| September to October | T to Z |

KPMG Note

HMRC has advised that online registration could take 'up to a week' to be processed. Companies are, therefore, advised not to wait until the last minute to register, in order to mitigate the risk of missing the annual return deadline of 6 July 2015. Companies that are setting up new share plans will need to register the plan and consequently should not delay registration. In particular they are not required to wait until the time outlined above; they can register at any time.

Group companies with global plans will need to decide which member of the group should register the plans.

U.K. Tax-Advantaged Plans

From 6 April 2014, the approval process for 'HMRC-approved' share plans is being replaced with a system of self-certification. As part of the registration process, companies that operate a SIP, SAYE, or CSOP will need to self-certify that the plan meets the relevant requirements when they register on the online system, even for existing plans that were previously approved by HMRC.

KPMG Note

KPMG LLP (U.K.) can help companies with their Form 42 and share plan compliance in a number of ways, including:

- Assisting in preparing your Form 42 and tax-advantaged plan forms;
- Reviewing your Form 42 and other forms before you submit them to HMRC;
- Assisting with the online registration process;
- Assisting with ongoing share plan compliance matters, including for mobile employees;
- Assisting with PAYE settlement discussions and agreements on share plan liabilities;
- Assisting with cross-border income tax and social security reporting and withholding obligations;
- Advice on country-by-country tax, social security, withholding, and regulatory requirements for all types of share awards.

Footnote:

1 See: <http://www.hmrc.gov.uk/news/ers-admin.htm> .

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If you would like help with Form 42 or other share plan compliance issues, including in relation to the move to online registration and filing, please contact your usual KPMG adviser or one of the professionals noted below with the KPMG International member firm in the United Kingdom:

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|------------------|---|
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The information contained in this newsletter was submitted by the KPMG International member firm in the United Kingdom. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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