GMS Flash Alert

Global Compensation

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United Kingdom – HMRC Clarifies Share Plan Reporting Obligations for Certain Short-Term Business Visitors

The U.K.'s HM Revenue and Customs (HMRC) updated its "Employment Related Securities Manual"[1] to state that companies are required to report share awards granted to internationally mobile employees covered by an Appendix 4 Short Term Business Visitor (STBV) agreement (which, broadly, is an arrangement that relaxes payroll reporting obligations in respect of qualifying business visitors from jurisdictions with which the U.K. has a double taxation agreement).

This makes clear that share-based awards held by such mobile employees should be included in the annual Employment Related Securities (ERS) return, regardless of their limited U.K. presence or the other reduced employer reporting obligations under an Appendix 4 agreement.

Organisations that face disproportionate additional burdens complying with HMRC's newly-stated reporting position may wish to consider raising this with their HMRC Customer Compliance Manager (if they have one), or otherwise engaging directly with HMRC, to make this known.

WHY THIS MATTERS

The clarification is significant as many employers will have excluded such awards from their returns on the expectation that the administrative easements under Appendix 4 extend to share plan reporting.

Organisations with internationally mobile workforces and cross-border employee share plans should consider reassessing their compliance frameworks. There is a possibility of increased administrative workload, potential penalties for non-compliance, and the need to coordinate more closely across functions such as payroll, HR, and tax.

Update from HMRC

- Reporting Requirement: HMRC recently updated its "Employment Related Securities Manual" to confirm that annual share plan returns should include share awards held by internationally mobile employees who are covered by Appendix 4 STBV agreements.

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- Reporting practice: Some employers will not have included share awards held by Appendix 4 STBVs in their historical annual share plan returns.

- HMRC's Position: HMRC expects these awards to be reported, even if no U.K. income tax arises.

Compliance Expectations

- Process Review Needed: Employers should review and consider whether to adjust share plan return processes for 2025/26 and beyond. A wider review of the process of dealing with STBVs may also be merited.

- Penalty Risk: HMRC can impose penalties of up to £5,000 for returns that contain material inaccuracies which are not corrected without delay. 'Material inaccuracy' is not defined but might be taken to be an inaccuracy that is significant enough to affect HMRC's ability to determine the relevant tax due. As no U.K. income tax ultimately arises in respect of share awards held by Appendix 4 SBTVs, employers might conclude that any omission from earlier years' share plan returns does not give rise to a material inaccuracy for these purposes.

Immediate Implications for Employers

- Increased Administrative Burden: Employers with many Appendix 4 STBVs may end up facing greater administrative demands if they comply with HMRC's newly-stated requirement.

- Identification & Tracking: Employers should assess the feasibility of identifying STBVs, tracking share awards, and reporting all related events.

- Process Overhaul: Employers should review existing STBV reporting processes to foster compliance.

KPMG INSIGHTS

This HMRC clarification means that companies that do not currently include Appendix 4 STBVs on employee share plan returns should now treat Appendix 4 STBVs similarly to other employees for the purposes of annual share plan reporting, despite the administrative relief provided in other areas by an Appendix 4 agreement.

Taking Action

In light of the change to HMRC's published guidance, U.K. businesses may wish to consider seeking professional advice and:

- conduct a thorough review of their current processes for identifying and reporting share-based awards held by Appendix 4 STBVs
- assess the feasibility of collecting all relevant information and reporting in line with HMRC's expectations.

What's Next?

- Organisations that face practical challenges as a consequence of HMRC's newly-stated position may choose to provide feedback directly to HMRC in the hope that HMRC would better understand the implications of changing its position – this could be helpful before the 2025/26 returns are due next year.
- Employers should remain vigilant and adapt their processes as necessary in response to any additional guidance or changes in legislation.

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FOOTNOTE:

1 See GOV.UK website, *"Employment Related Securities Manual,"* updated 10 July 2025.

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