

# GEO UK Chapter Meeting

8 June 2010

## The Impact of the General Election on Share Plans

Nicholas Greenacre (White & Case)  
Judith Greaves (Pinsent Masons)

## Agenda

- GEO Update
- Session on the impact of the general election on share plans
- Discussion
- Drinks

# The Global Equity Organization

Update  
Spring 2010

## About GEO

- The Global Equity Organization (GEO) is an international, not-for-profit membership organization, established in 1999 to support corporate executives and stock plan professionals who deal with the challenges of creating and managing global equity-based compensation plans and programs.
- ~3200 members, representing almost 1500 companies in 62 countries as of May 2010

Join • Learn • Share

# About GEO

## Geographic Distribution (May 2010)



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## Membership in GEO

- GEO offers a number of membership options designed to meet the needs of equity compensation professionals
  - Corporate Issuers
    - Designed for professionals who support their organization's employee share plans
      - Human Resources
      - Compensation Program Design
      - Stock Plan Administration
      - Taxation and Legal Compliance
      - Employee Communications
  - Service Providers
    - Firms providing support to employee share plans
      - HR and compensation consultants
      - Client/account managers
      - Lawyers/attorneys
      - Brokers/trustees
      - Accountants
  - Academic Researchers and Government Officials

## Member Benefits

- Join
  - Exclusive access to GEO's online membership & provider directories
  - Access to 1800+ articles and updates from 65 countries
- Learn
  - Unique monthly series of internet-based webinars
  - Conference/chapter meeting presentation archive
  - Periodic podcasts and other presentations
- Share
  - Annual International Conference, last held in Chicago
  - Participate in any (or all) of 16 active chapters in 10 countries
  - Follow G

[www.globalequity.org](http://www.globalequity.org)

## GEO's 11th Annual Conference

- 394 delegates from 18 countries
- Three strategic plenary presentations
- 45 breakout sessions
  - Presentation archive available for download from online CyberCafé
- Issuer-only luncheon & presentation
- Exhibit Hall featuring 27 service providers with global reach
  - Virtual Exhibit Hall available online
- Unique networking events and GEO Awards celebration

CHICAGO  
CONFERENCE  
2010



## 2010 GEO Awards



- Visit [www.geoawards.org](http://www.geoawards.org) for photos and full details
- Look for our new GEO Awards Showcase, appearing online in Summer 2010

## Recent and Upcoming Events

- Chapter Meetings
  - 27 May – Boston, USA
  - 8 June – London, UK
  - 10 June – Atlanta, USA
  - 17 June – Amsterdam, Netherlands
  - 18 June – Paris, France
- Regional Events
  - 10 June – Northern California Regional Meeting

visit [www.globalequity.org](http://www.globalequity.org) for more information or to register

## The Year Ahead

- New and revitalized local chapters
  - New York City
  - Pacific Northwest (Seattle/Portland)
  - Scandinavia
  - Toronto
- Expansion of GEO website capabilities to include blogs, discussion boards and job board
- Enhanced thought leadership distribution
  - Monthly e-newsletter
- New educational opportunities
- 12<sup>th</sup> Annual Conference – Amsterdam, June 2011

# The Impact of the General Election on Share Plans

## Introduction

*“We will significantly accelerate the reduction of the structural deficit over the course of a Parliament, with the main burden of deficit reduction borne by reduced spending rather than increased taxes.”*

(HM Government, The Coalition: our programme for government, May 2010)

## Income Tax

*“We will announce in the first Budget a substantial increase in the personal allowance from April 2011, with the benefits focused on those with lower and middle incomes... We will further increase the personal allowance to £10,000, making real steps each year towards meeting this as a longer-term policy objective. We will prioritise this over other tax cuts, including tax cuts to Inheritance Tax.”*

## Income Tax (cont.)

- Increase in personal allowance to £10,000 (from £6,475).
- Only benefit for low/modest earners. Full allowance does not apply to incomes > £100,000.
- To be phased in. Perhaps up to c.£7,250 for 2011/2012.
- Upper end of basic rate band (£37,500) likely to change.

## National Insurance Contributions

*“...will be funded with the money that would have been used to pay for the increase in employee national insurance thresholds”*

- 1% rise in employee’s NICs likely to go ahead from 6 April 2011 (contrary to Conservative manifesto), so up to 12% headline and 2% above £844/£43,888.
- 1% rise in employer’s NICs still likely – i.e. up to 13.8% - but threshold for employer contributions may be increased to compensate.



## National Insurance Contributions (cont.)

- National Insurance Contributions Bill announced in Queen's Speech.
- Approved plans – only benefit may be lack of NICs?

## Capital Gains Tax

*“We will seek ways of taxing non-business capital gains at rates similar or close to those applied to income...”*

- Timing – 6 April 2011, 6 April 2010 or 22 June 2010?
- Increase in rate(s).
- Removal/reduction of individual exemption?
- Business and non-business assets – what are they? Previous definition included most employee shares.
- Possible re-introduction of taper relief.

## Capital Gains Tax (cont.)

*“...with generous exemptions for entrepreneurial business activities”*

- Will the £2m entrepreneur’s relief (10% on lifetime gains) increased from 6 April 2010 remain in place?
- Possible maintenance of 18% rate for business owners. What would constitute ownership of a business?
- SIPs – benefits may still be valuable.

## Non-dom's

*“We will review the taxation of non-domiciled individuals”*

- Difficult to anticipate action.

## Tax avoidance measures

*“We will make every effort to tackle tax avoidance, including detailed development of Liberal Democrat proposals”*

- Lib Dem Manifesto included a pledge to tackle *tax avoidance and evasion, with new powers for HMRC*, with specific reference to property-related stamp duty.
- EBTs: *“The Government today announces that it intends to take action to tackle avoidance through the use of trusts and other vehicles to reward employees”* (24 March 2010 budget).
- EFRBs?

## Pensions

*“We will phase out the default retirement age and hold a review to set the date at which the state pension age starts to rise...”*

- Pensions and Savings Bill announced in Queen’s Speech
- Phasing out of default retirement age (65)
- Set timetable for raising state pension age, depending on outcome of review (up to 66 no sooner than 2016 for men and 2020 for women). Under current legislation, state pension age due to increase to 66, 2024 - 2026, then two further increases at ten-year intervals.

## Pensions (cont.)

- Annuities no longer compulsory at age 75 (in Coalition Agreement but not in bill).
- “Explore the potential” to allow early access to personal pension funds.
- Possible reduction in £150,000 threshold for higher rate relief. Lib Dem Manifesto wanted to restrict all tax relief to basic rate.
- Beware
  - ☠ special annual allowance this year
  - ☠ accidental slippage above threshold, e.g. option gains
  - ☠ simplification!
- Possible action to reverse Brown’s withdrawal of dividend relief.

## Banking Levy

*“We will bring forward detailed proposals for robust action to tackle unacceptable bonuses in the financial services sector; in developing these proposals, we will ensure they are effective in reducing risk”*

- Financial Services Regulation Bill outlined in Queen’s Speech. No mention of banking levy or bonus-related changes in law.
- On 7 June, finance ministers across the world agreed to drop proposals for a worldwide banking levy, following considerable pressure from a number of countries, notably Canada.
- Banking levies are still expected to be introduced in UK, US and most EU countries.



## Co-operatives and public services

*“We will support the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enable these groups to have much greater involvement in the running of public services. We will give public sector workers a new right to form employee-owned cooperatives and bid to take over the services they deliver. This will empower millions of public sector workers to become their own boss and help them to deliver better services.”*

- Postal Services Bill - Vince Cable to explore opportunities to give workers a real share in the future of the company.

## Discussion