

Wood Guidance

Employee Share Plan

Tax Guide – UK (Scotland Only)



Wood Guidance Employee Share Plan Tax Guidance – UK Employees

This information is for guidance only and may differ according to your personal circumstances. Other than in the “Income tax and NIC (National Insurance Contributions) for mobile employees” section below, it assumes that for tax purposes you are a domiciliary, national and resident of the UK and have been/will be at all material times – i.e. from the date on which you purchase your first shares in the Plan until the end of the Plan period 24 months later – this is known as the Holding Period.

The “Income tax and NIC for mobile employees” section outlines the tax treatment for your shares if you have spent time working outside the UK – for these purposes it is assumed that you are tax resident in the respective countries where you are working at the relevant times.

This is not tax advice tailored to your personal situation. If you require confirmation of your personal tax position, you should contact a professional tax advisor.

This information is understood to be correct as at 6 November 2018. Any future changes to legislation or tax rates may affect this information.

Income tax and National Insurance Contributions (NIC)

Will I have to pay income tax or NIC in respect of my Shares?

The table below sets out the point at which tax will be paid, and the taxable amount for the shares received, under the Plan:

Income tax and NIC		
	Point at which tax will be paid	Taxable amount
Purchased Shares	No income tax or NIC will apply.	N/A
Matching Shares	Income tax and NIC will be payable when your Matching Shares are delivered to your personal account following the end of the Holding Period. This is known as the Delivery Date.	The amount subject to income tax will be the market value of the shares on the Delivery Date. NIC will also be payable - on the same amount which is subject to income tax.
Dividend Shares	You will be taxed upon receipt of the cash dividend used to acquire Dividend Shares. No NIC will be payable on this amount.	The amount subject to income tax is the cash dividend received and used to acquire the Dividend Shares.

How do I pay the income tax and NIC due in respect of my Shares?

Your employer will withhold the income tax and NIC payable on the Matching Shares. Your employer will **not** withhold any income tax due on the dividend income used to acquire the Dividend Shares. You are responsible for any income tax due on the dividend income. From April 2018, no income tax is due on the first £2,000 of dividends received per tax year.

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Income tax and NIC for mobile employees

Will I have to pay income tax or NIC in respect of my Shares if I have only spent a portion of the Holding Period working in the UK?

The tax treatment for the Purchased Shares and Dividend Shares is generally the same as specified above. Whether you will be taxed in the UK on your Dividend Shares depends on your residency status at the time when you receive the cash dividend used to acquire the Dividend Shares.

For Matching Shares, the amount subject to income tax will be the market value of the shares on the Delivery date, but then apportioned based on your UK workdays during the Holding Period. NIC will be payable on the same value, but the apportionment will instead be based on the days during the Holding Period when you were within the UK NIC system. This may differ from the tax position, as the two are not fully aligned.

How do I pay the income tax and NIC due in respect of my shares?

Your employer will withhold the income tax and NIC payable on the Matching Shares. Your employer will **not** withhold any tax due on the Dividend Shares. You are responsible for any tax due on dividend income used to acquire the Dividend Shares.

Sale of shares

Will I incur a further tax liability when I sell my Shares?

You may be liable to pay capital gains tax on any gains arising when you sell your shares. The taxable gain is calculated as the difference between your sale proceeds and the total of: (i) the amount that you paid for the shares (for your Purchased Shares and Dividend Shares) and (ii) any amount previously subject to income tax (for your Matching Shares).

Current legislation exempts from tax the first £11,700 of total capital gains in the tax year.

You are responsible for reporting any chargeable gains and paying any tax due via your personal tax return (see below).

Reporting

Will I have any reporting requirements?

Yes, but only if you normally complete a tax return or if an obligation to complete a tax return is triggered. You may trigger such an obligation if you have capital gains above the £11,700 annual exemption and/or you receive dividends above the £2,000 annual exemption in the tax year 2018/19. HM Revenue & Customs (HMRC) will not normally contact you if you trigger an obligation to file a tax return.

If you are required to file a tax return, you should include details of the taxable amounts (as referred to above) in your return. The filing deadline is normally 31 October (for paper returns) or 31 January (for online returns) following the end of the tax year. You should then pay any tax liability to the tax authorities by 31 January following the end of the relevant tax year.

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Appendix – relevant tax rate summary

This appendix sets out the relevant tax rates in the UK, for the tax year ending 5 April 2019.

Income tax		
	Maximum effective tax rate	Notes
Income tax	46%	<p>Personal allowance: £11,850</p> <p>Income above the personal allowance and up to £2,000 per year - Starter rate: 19%;</p> <p>From £2,001 to £12,150 per year - Basic rate: 20%;</p> <p>From £12,151 to £31,580 per year - Intermediate rate: 21%;</p> <p>From £31,581 to £150,000 per year - Higher rate: 41%;</p> <p>Over £150,000 - Top rate: 46%.</p> <p>Please note that personal allowance reduces where income is above £100,000 – by £1 for every £2 of income above the £100,000 limit.</p>

Social tax		
	Tax rate	Notes
National Insurance Contributions (NIC)	12% (and then 2%)	<p>12% for amounts between the weekly primary threshold (GBP162 per week for 2018/19 tax year) and the upper earnings limits (GBP892 per week for the 2018/19 tax year).</p> <p>2% for amounts above the upper earnings limit. In the UK, social security is known as National Insurance Contributions (NICs).</p>

Dividends and capital gains tax		
	Maximum effective tax rate	Notes
Dividends	38.1%	0% on the first £2,000 on dividends, over £2,000, basic rate tax payers will pay 7.5%; higher rate 32.5% and additional rate of 38.1%
Capital gains tax	20%	Only payable above an annual exemption of £11,300.