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David Gauke MP (Exchequer Secretary)
HM Treasury
1 Horse Guards Road
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Thursday 13 February 2014

Dear David,

Re: Share Incentive Plan (SIP) & Save As You Earn (SAYE) employee share plan saving limits

On behalf of the millions of UK employees participating in all-employee share schemes in the UK today and the millions more who are likely to do so in the future, thank you very much indeed for taking the long overdue decision to increase the maximum savings limits for both SIP and SAYE employee share schemes from April 2014.

Having actively campaigned for these increases since 2008, ***ifs*** *ProShare* naturally welcome the action Government has taken to enable employees to save and invest more for their own futures via employee share schemes as this will benefit employees, employers and the wider economy as a whole.

However, it is imperative that this important change is future-proofed by increasing the maximum savings limits annually in line with inflation. This would put SAYE and SIPs on an equal footing with other tax advantaged savings vehicles such as ISAs, which have been increased annually in line with inflation for several years.

I realise this will have a cost implication and that funds are far from limitless, but this must be weighed against the obvious benefits. Share ownership forms a key part of many households' savings portfolios and a key engine of business investment is household saving. Annual increases are therefore likely to have a positive knock on effect for the wider economy because they will boost the savings ratio. Furthermore, higher saving limits will inevitably mean people take greater financial responsibility for their own futures wherever possible.

There is also a question of fairness - why should ISAs increase annually in line with inflation when share plans do not? This inherent unfairness becomes even more pronounced as time passes as was demonstrated by the 22 years that have passed between the last SAYE limit increase in 1992 and the increase due next April. As well as being inherently unfair it results in a year-on-year erosion in value for millions of hard working employees. This situation must not be permitted to arise again and annual increases will avoid such a situation from being repeated.

In short, we would be grateful if you would give serious consideration to granting employee share schemes parity with ISAs and look forward to receiving confirmation that SIP and SAYE schemes will enjoy further increases, at least in line with inflation, in April 2015 and every April thereafter.

With this in mind I enclose a 2014 Budget Submission that has been amended since our last submission in November 2013 to reflect these changes.

I look forward to receiving your comments on this and our other share plan recommendations and as always trust you will not hesitate to contact me should you have any queries or require any further information.

Yours sincerely,

Phil

Phil Hall
Special Adviser to ***ifs*** *ProShare*