



LIBERAL DEMOCRATS ADOPT NEW POLICIES ON EMPLOYEE SHARE OWNERSHIP

The Liberal Democrat Party today voted to adopt a raft of policy proposals to encourage greater levels of employee share ownership and general employee ownership in the UK.

Employee ownership, mutualism and employee share ownership through employee share plans are three very different although often confused concepts. However, they have a major common factor in that they help to achieve the diversification of ownership structures.

Policies adopted by the Liberal Democrats today include two key reforms that *ifs ProShare*, the voice of the employee share ownership industry in the UK, has been calling for since 2008 – permitting private equity backed companies to offer HMRC approved all-employee share plans and reducing the amount of time Share Incentive Plans (SIPs) need to be held before employees can benefit.

ifs ProShare figures suggest that thousands of companies in the UK offer some form of tax advantaged employee share plan and more than 2 million employees are currently saving and investing in such plans. However, the number has been steadily declining.

Three million employees are currently prevented by law from participating in an all-employee share plan simply because they work for a private equity backed company.

Phil Hall, Special Adviser to the *ifs*, said,

“Many private equity-owned companies used to operate HMRC approved share plans before they were acquired by new private equity owners, for example house builder Crest Nicholson and retailers Debenhams and Boots. Such change of ownership makes tax advantaged plans unavailable resulting in an immediate and acutely felt loss to these employees.

There are also companies which have always been backed by private equity who, by virtue of their ownership model, have never had the opportunity to allow their staff to share in their success through employee share ownership.

We are delighted that the Liberal Democrats have recognised this inherent unfairness and have adopted a clear cut policy to address the matter.”

According to a 2007 report from the British Venture Capital & Private Equity Association (BVCA), companies that have received private equity funding account for the employment of around 3 million people in the UK, equivalent to some 16% of the UK private sector workforce.

Another issue addressed by the Liberal Democrats new policies is that of the Share Incentive Plan (SIP) holding period. SIP is an employee share plan introduced in 2000 by the then Chancellor Gordon Brown. Over 800,000 employees currently participate in a SIP. At present employees must participate in a SIP for at least 5 years to gain from their tax advantaged status. In contrast other share plans only require a three year minimum holding period.

Phil Hall commented that, *“ifs ProShare has long felt that reducing the five year period to three years is likely to increase the number of companies operating SIPs, to greater participation by employees in SIPs and would end the anomaly of SIP not being in line with the other HRMC approved plans. We have therefore been campaigning for this change for a number of years and again are very pleased that the Liberal Democrats have recognised the merits of making this change.”*

Key Liberal Democrat Policy announcements at Conference 2012:

- Employees of all companies limited by shares with over 250 employees have the right to request an employee share scheme in which all employees can participate.
- There will be a change in the law to enable private equity-owned companies to have HMRC tax advantaged employee share schemes.
- A reduction in the time period during which SIPs have to be held from five to three years to make them consistent with other HMRC schemes.