ProShare

Saffron House
6-10 Kirby Street
London EC1N 8TS

+44 (0)20 7612 7081
murray@proshare.org
proshare.org

Rt Hon Jeremy Hunt

Chancellor of the Exchequer

HM Treasury

1 Horse Guards Road

London

SW1A 2HQ

21 November 2023

Dear Chancellor,

Call for Evidence: SIP holding period to change from 5 to 2 years

The companies who have signed this letter have asked that we write to you on their behalf. These are companies who all operate Share Incentive Plans (SIPs) for their employees and we urge you to consider introducing a simple but vital reform to these plans to encourage greater participation: the reduction of the SIP holding period from five to two years.

As you will be aware, SIP participants benefit from two tax reliefs; to National Insurance and Income Tax. However, in order to qualify for these reliefs in full, the employee must hold the shares in the SIP trust for the full five years. This five year holding period has now, for a growing number of employees, become a barrier to participation in the SIP. You will be aware from HMRC's own data that the number of employees who are awarded or purchase shares in a SIP is falling. The trend over the last decade - comparing the most recent available data (2020-21) with the 2010/11 data - is one of declining participation. HMRC data shows the number of employees who purchased partnership shares fell from over 4m to under 3.5m over the decade, and the number who awarded matching shares also fell, from almost 2.7m to 2.43m.

These companies know from conversations with their own staff, and from wider sector data, that young people in particular are put off investing in SIPs. Job tenure is falling and many don't expect to be at the same company for more than three years, let alone five, and for many companies tenure is also considerably shorter for lower paid workers. With the prospect of penalties for early exit from the SIP, committing to a five year investment means the plan is not relevant for many employees, with the issue exacerbated for younger and lower paid groups. The more employees participating in a SIP, the more motivated and productive our workforces will be. SIP participation should be a carrot not a stick. Participation in a SIP increases employee loyalty and engagement, and is proved to increase company productivity. But the current five year holding period locks staff into plans for longer than many are comfortable with, and takes away the benefits if they choose to exit early.

SIPs have the potential to directly support the government's policy-making agenda. Employee share plan participants are spread across the UK, so increasing the use of the SIP by all groups of employees, including removing barriers for lower paid employees, share plans can form part of the approach towards Levelling Up - tackling large disparities in relative prosperity and productivity across regions in the UK.
These companies are committed to good corporate governance and fostering strong employment relations. The SIP is a fantastic tax-advantaged way for us to do this, but the current rules are limiting the rates of participation. It is 23 years since the SIP was first introduced and it has been a huge success over that time, benefiting many millions of employees. But it must now change with the times. Reducing the SIP holding period to two years will help us unleash a new wave of employee share ownership for the next twenty years. As you consider reforms to share plans, following the Treasury's Non-Discretionary Tax Advantaged Share Schemes Call for Evidence, we hope that you give serious consideration to this proposal.

Yours sincerely,

Murray Tompsett

Murray Tompsett
Head of ProShare

SIP plan issuers supporting this letter include:

abrdn
ACHILLES THERAPEUTICS
Admiral
AVIVA
babcock™
BAE SYSTEMS
Bally's
bango®
BAT A BETTER TOMORROW

beazley

c&c group plc

Coca-Cola EUROPACIFIC PARTNERS

CRODA

DIAGEO

easyJet

Funding Circle

HALEON For Health. With Humanity.

Halma

Harbour Energy

HELICAL

HOWDENS

informa

JUPITER ASSET MANAGEMENT

Kingfisher

Legal & General

lendinvest

M&G

nationalgrid

Employee share plan industry organisations supporting this letter include: