

Factsheet – Save As You Earn

Save As You Earn (also known as ‘SAYE’ and ‘Sharesave’) came into existence with the Finance Act of 1980. It is one of two all-employee tax-advantaged share plans in the UK, the other being the Share Incentive Plan or ‘SIP’ (see our separate factsheet for details).

SAYE in a nutshell

Under a Save As You Earn (SAYE) plan employees are given the right (‘option’) to buy a certain number of shares in the company at a future date at a purchase price (the “exercise price”) that is determined when the option is granted. The exercise price must not be less than 80% of the market value of the underlying shares at the time of grant. Participating employees are required to save between a minimum of £5 and maximum of £500 per month under a SAYE savings contract with an approved bank or building society savings carrier. These SAYE contracts last for three or five years. Any bonus or interest earned on these savings is tax free.

The lump sum resulting from the SAYE contract can be used to buy the shares if the employee chooses to exercise their options after 3 or 5 years, depending on the terms of the option. Employees are not obliged to exercise their options and would normally choose not to do so if the prevailing share price is lower than the exercise price at which the option entitles the employee to buy shares. If the option is not exercised, the employee receives the proceeds of the SAYE contract – i.e. the savings plus any tax-free bonus or interest, if applicable.

SAYE plans which meet the requirements of the legislation in Schedule 3 of the Income Taxes (Earnings & Pensions) Act 2003 and registered and reported online via HMRC’s ERS Online service are able to offer certain tax advantages. Employees do not pay Income Tax or National Insurance on: the bonus or interest received under the SAYE contract; the benefit from being able to buy shares at a discounted price; or at grant or exercise, except in limited circumstances. Capital Gains Tax may be payable when the shares are sold.

Compliance

Companies offering an SAYE scheme will need to register their scheme and certify that it meets the requirements of all relevant legislation via HMRC’s ERS Online service. They must also complete an annual share scheme return. More information may be found here:

<https://www.gov.uk/guidance/tell-hmrc-about-your-employment-related-securities>

Further information on compliance requirements may be found in HMRC’s share schemes manual here: <https://www.gov.uk/hmrc-internal-manuals/employee-tax-advantaged-share-scheme-user-manual/etassum30000>

HMRC’s specimen SAYE rules may be found here:

http://www.hmrc.gov.uk/gds/etassum/attachments/etassum39100_schedule_3_saye_rules.doc

Key stakeholders involved in running an SAYE scheme

At the plan issuer company: HR, Finance, Company Secretariat, Payroll, Internal Communications.

External stakeholders: legal and tax advisers to the company, plan administrator, savings carrier, design and/or communication consultants.

Sources of help and support

If you and your team are new to running SAYE or share schemes of any kind or if you wish to extend or refresh existing knowledge, ProShare can help!

- We run regular training sessions for in-house teams and individuals.
- We can help you benchmark existing share schemes against our Annual SAYE & SIP Report.
- We can help you find a plan administrator or advisor.

Do get in touch with us at team@proshare.org