Tax due on Share Incentive Plans

National Insurance and Income Tax due on shares throughout the lifecycle of a Share Incentive Plan (SIP).

<table>
<tr><th></th><th>When you get the shares</th><th>If you leave the SIP within 3 years</th><th>If you leave the SIP between 3 and 5 years</th><th>If you leave the SIP after 5 years</th></tr>
<tr><td>Partnership shares
You buy shares from your pre-tax salary, worth up to £1,800, or 10% of your salary each year (whichever is the lower).</td><td>You don't pay NICs or Income Tax on the money you use to buy the shares.</td><td rowspan="3">You pay NICs and Income Tax on the market value of the shares at the time you take them out.</td><td>You pay NICs and Income Tax on the lowest of:
• The pay used to buy the shares.
• The market value of the shares when you take them out of the plan.</td><td rowspan="4">You don't pay NICs or Income Tax.</td></tr>
<tr><td>Matching shares
Your employer gives you a free share when you buy Partnership Share(s).</td><td rowspan="2">You don't pay NICs or Income Tax on the shares that are given to you.</td><td rowspan="2">You pay NICs and Income Tax on the lowest of:
• The market value of the shares at the time you got them.
• The market value of the shares at the time you took them out of the plan.</td></tr>
<tr><td>Free shares
Your employer can give you shares worth up to £3,600 each year.</td></tr>
<tr><td>Dividend shares
If your employer pays dividends during the SIP, yours may be given as cash, or they might be used to buy you more shares.</td><td>You don't pay NICs or Income Tax on dividends used to buy the shares.</td><td>Typically, you can't take your dividend shares out of the plan, and you will get access to these three years after they're bought for you.</td><td>You don't pay NICs or Income Tax.</td></tr>
</table>

You can use this table to explain the tax implications of your SIP to your colleagues (although it doesn't cover colleagues who leave the business).
If you'd like further help in communicating your share plan(s), reach out to us!

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