



Equity Incentives: News from Capital Strategies on share-based rewards

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Reducing your NICs Liability on Share Options – action may be strongly advisable

When the Social Security (Share Options) Bill becomes law, it may well help you **significantly reduce** your potential NICs liabilities on share options granted between 6 April 1999 and 19 May 2000.

In certain situations, you **must** consider taking action under this measure, for the following reasons:

- If the options were underwater on 7 November 2000, you can ensure that your NICs liability will be zero.
- If your company's shares were not Readily Convertible Assets (ie not listed or about to list on a recognised Stock Exchange, and with no other market for the shares) on 7 November 2000, you can ensure that your NICs liability will be zero – even if your shares do subsequently become Readily Convertible Assets.
- If your company's shares have increased in value since 7 November 2000, your NICs liability will be capped according to the value on 7 November.
- If your company's cashflow is poor, or if you are at all concerned about the unpredictable nature of your NICs liability, you can settle that liability as at 7 November 2000, regardless of any share price movement since then.

Companies will have to notify the Inland Revenue of their intention to pay a "Special NI Contribution" within 92 days of the Bill receiving Royal Assent (date as yet unknown but anticipated within the next few weeks).

If you would like to be notified of the date the Bill receives Royal Assent, please email robert.postlethwaite@capitalstrategies.co.uk.

You can also register through the Revenue's website to receive notification of Royal Assent (<http://www.inlandrevenue.gov.uk/shareschemes/shareoptionsbill.htm>)

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If you want to find out more about using share schemes generally to incentivise your employees, contact Robert Postlethwaite on (+44) (0) 20 7256 8000 or email him on robert.postlethwaite@capitalstrategies.co.uk.

For more information about Capital Strategies please visit our website <http://www.capitalstrategies.co.uk>.

This document is intended as a general guide on complex subjects. It is not intended as a comprehensive review. It should not be relied upon as a substitute for advice in a particular circumstance.

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