Vol 23 No 8 September 2011

it's our business

newspad of the Employee Share Ownership Centre

Civil Service Pensions joint-venture mutual faces delay

Ministers acknowledge that the birth of of the Coalition's first joint-venture mutual - My Civil Service Pension Ltd (MyCSP) - which will employ up to 500 people who are currently civil servants – may be delayed for several months.

Although four private sector organisations were shortlisted in July as potential partners to deliver civil service pensions after the spin-out of MyCSP from the public sector, the original September target for the launch is unlikely to be met.

Unlike an outright employee-owned organisation, MyCSP will be part-owned by staff and the private sector firm, with the government retaining a share in the organisation.

The success of My Civil Service Pension Ltd will be crucial to the Coalition's drive to mutualise large chunks of the public sector.

The staff at the mutual joint venture will be offered co-ownership of their organisation, which is looking for a private sector partner to inject equity and business expertise into the organisation.

The four firms shortlisted were: Xafinity, Capita, JLT and Wipro, but the 'winner' has not yet been selected.

Planning was not helped when some civil servants in the pensions service went on strike over the plan to turn their organisation into a joint venture.

A Cabinet office spokesperson said: "MyCSP continues to make excellent progress on establishing MyCSP Ltd as a mutual joint venture and a strong sustainable business for the future.

"In July, MyCSP Limited and the MyCSP Trustee Company Limited were incorporated, and the Shareholders Agreement signed between the Minister for the Cabinet Office and the MyCSP Trustee Company Limited and MyCSP Limited. A tender exercise is well underway to appoint a private sector partner. We are now following the necessary process to ensure fair competition, progress is being made and the successful bidder will be announced in due course."

But the spokesman added: "*There is a lot of work to do, given the ground breaking nature of this reform; our focus remains on creating a successful sustainable organisation, and decisions will be taken based on that basis.*"

Leeds based MyCSP ceo Phil Bartlett had previously said: "There's no blueprint for this. From September, we will be trading as My Civil Service Pension Ltd, as opposed to My Civil Service Pension, the business within government."

Cabinet Office minister Francis Maude said earlier that the proposals encapsulate the Big Society approach, and praised the "entrepreneurial zeal" of Bartlett and his senior management team. Mr Maude said: "MyCSP busts the old-fashioned choice between state control and privatisation. It is a partnership which brings together all the strengths of all the sectors and gives staff clout when decisions are taken. The evidence is clear - when staff have a stake in their business, productivity rises and innovation flourishes. Mutuals are more stable than other businesses and just as profitable. This means a better service, better value for taxpayers and more rewarding careers for employees."

The Cabinet Office has set up a specialist taskforce with £10m of funding to encourage other organisations

From the Chairman

David Poole has been appointed national director of the Centre with responsibility for activities in the British Isles, joint events with STEP and the monthly newsbrief. He works alongside Fred Hackworth, the international director who writes newspad, arranges World and EU events and liaises with the European Commission.
David joined the Centre from the Guardian, having studied Chinese and Russian in London and Cambridge. I am delighted how quickly he has made his mark. He aims to move the Centre forward at pace.

Malcolm Hurlston

The ESOP Centre Ltd, 65 Kings Cross Road, London WC1X 9LW
tel: 020 7239 4971 fax: 080 8280 1938 e-mail: esop@hurlstons.com
www.hurlstons.com/esop

to do the same. "We're the pathfinder; we're blazing the trail," Bartlett said. "It's a double-edged sword, because it means that we're dealing with things for the first time. The structure of the company will split ownership three ways, with a third retained by the government, a third owned by the joint-venture partner, and a third owned by employees themselves. *Employees will receive a share on joining the company, and forfeit it on leaving. They will not be able to buy and sell their shares. Instead, the shares will be held in trust by an employee benefit trust, based on the John Lewis model: staff will receive dividends on their shares each year, with their value dependant on the company's performance. The trust will be chaired by a professional director, who the company will select.*

Meanwhile, the staff will elect representatives to an employee-partnership council, and two members of that council will join the board of the EBT alongside the director. A representative from the employee-partnership council will sit on the company's executive board alongside the ceo, the chief finance officer and the ceo. But on the main shareholder board – the new company's key strategy-setting body – the employees will be represented by the appointed director from the EBT, acting as a non-executive director.

Bartlett is working with a team of Cabinet Office advisers to put the appropriate mechanisms in place. The head of the Cabinet Office's 'Enterprise Incubator', Vincent Geake, has been assisting with management processes, while his colleague Frank van Baar has assisted with the shareholder structures. Bartlett speaks frequently to Stephen Kelly, the Cabinet Office's crown representative for mutuals and meets his Cabinet Office advisers once a week to role-play decision-making for the company on its 'shadow shareholder board': a thinking exercise designed to work out how a mutualised MyCSP would operate, and to prepare structures which can take over the strategic management role when the time comes.

MyCSP kicked off the bidding process at the end of May, and held an investors' day in early June to drum up interest in the model. In a sign of the Cabinet Office's commitment to the process, the event was attended by several ministers.

EU probe may delay postal employees' shares plan

The EU Commission has delayed the government's plan to award at least ten percent of the Royal Mail's equity to postal staff, as part of an impending privatisation, by launching an investigation into whether the proposed restructuring of the Royal Mail breaks EU rules on state aid.

The Commission wants to know whether the Coalition's flagship policy on Royal Mail (RM) would distort market competition and whether its future shareholders would be making sufficient contributions to its pension fund deficit.

The Commission's concerns centre around the Coalition's plans to wipe out RM's £1.7bn debt and to let taxpayers assume responsibility for its £8bn pension fund deficit.

Minister for postal affairs Edward Davey said: "State aid approval is the next critical step in our plans to put Royal Mail on a secure footing. This announcement was expected and is the start of the EU's state aid procedures. It is only right that the Commission has opened the State aid process to properly investigate the case. However, we are keen to resolve the case as soon as possible and are seeking a resolution by March 2012. The Commission will now begin a dialogue with us and also invite views from relevant stakeholders such as Royal Mail's competitors and European counterparts."

Postal expert David Stubbs said: "It is really quite a tall order for the Government to convince business that it not providing sub-commercial advantages. It is sending out two messages - firstly, the Post Office is in an awful mess and secondly, we want somebody to buy it."

The EU Commission said in a statement: "The UK authorities have not convincingly demonstrated that the submitted restructuring plan would comply with the guidelines." It said that while it has previously authorised states helping their postal service with pension deficits, Royal Mail's problems stem from declines in the stock market, an issue for all UK companies."

The Mail Competition Forum, representing private-sector operators such as TNT, UK Mail, DHL and DX, has said it would make clear to Brussels its "serious reservations" over the planned bail out and demand that conditions be attached to a write-off.

Capita Fiduciary buys AIB Jersey Trust

Capita Group is to acquire **AIB Jersey Trust Ltd** for £12.5m, on a cash-free, debt-free basis, subject to regulatory process and approval. Owned by the AIB Group, Jersey Trust provides trust services to private and corporate clients worldwide.

On completion, which is expected in September, the business will integrate into Capita Fiduciary Group, headquartered in Jersey, employing around 160 members of staff, with a further 150 in London, Dublin, the Netherlands and Luxembourg.

All 65 members of staff at AIB Jersey Trust will keep their jobs post the takeover, according to an interview published in the *Jersey Evening Post.*

This news follows the recent announcement about Capita Group's acquisition of Dublin based AIB international financial services. Capita is in an expansionist mood in the trust services sector and other acquisitions cannot be ruled out.

"The acquisition is a natural fit for Capita, in terms of our client base, client services and professional staff. It further demonstrates Capita's commitment to, and investment in, Jersey and the financial services industry," said Paul Pindar, Capita's ceo. "The increased capacity will help ensure our continued growth in this sector and we expect the acquisition to bring clear benefits to both new and existing customers. We look forward to welcoming the team to Capita."

AIB Jersey Trust said: "The Employee Solutions teams, which provide offshore trustee and share plan administration services, will fully integrate to become one of the most experienced teams in the Channel Islands supported by colleagues in Capita Registrars, the UK's largest provider of share registration services, acting as registrar to more than 50 percent of listed UK companies."

AIBJT made an operating profit for the year ended December 31 2010, after adjusting for overheads, of £2m on turnover of £7.7m. The deal is subject to approval by the Jersey Financial Services Commission and the Jersey Competition Regulatory Authority. Capita Fiduciary Group's ceo, Chris Searson, said: "The combined business is staffed by people with a depth of experience and professional qualifications, including chartered accountants, chartered secretaries, tax and legal expertise, as well as other professional staff. This will allow the business to adopt a client centric approach which will fully complement the services we provide." For further information about Employee Solutions, contact either Grant Collins on 01534 847470 or Franck Matthews on 01534 883155.

New member

The Centre is pleased to welcome its first Norwegian member, **Norse Solutions AS**, a leading employee equity software company. Those who attended the Davos global employee equity forum earlier this year will have met already the company's CEO Arne Peder Blix, who gave an interesting presentation on employee equity and corporate governance. Norse Solutions is the largest supplier of software and services for the efficient administration of share-based compensation plans in the North European region and claims the longest IFRS2 experience in the world today. Norse Solutions offers plan administration and tailored outsourcing of all types of share-based programs to fit the needs of any given client. Norse covers all aspects related to corporate finance, accounting, corporate tax, disclosure and HR-functions as well as information about and interaction with employees and financial institutions. The software and advisory services are fully compliant with IFRS 2, IAS 12 (deferred tax) and IAS 33 (dilution) and can be set up to communicate with other plan administration systems and deliver all relevant reports and accounting data. The company states: "If you are looking for an efficient and reliable way to handle any and all aspects of your share-based payment programs, Norse Solutions is your best option. Norse can help you to: *Reduce the burden of plan administration; *Improve the quality of financial reporting; *Reduce the cost of administration and accounting; *Integrate and simplify all internal, external and employee processes related to granting, exercising, accounting and reporting and; *Lower your business risk and liability."

Norse Solutions also offers its experience and competence related to:

*Valuations of financial instruments in compliance with IFRS 2 or IAS 32 and IAS 39

*Advice on share-based payment programmes

*Financial transactions through co-operating financial institutions

Norse Solutions invites you to contact them for more information on how they can meet your needs. E-mail: info@norse-solutions.com | Ph.: +47 67532940

Contacts:

- Jonas Saltnes, Advisor - Jonas.saltnes@norse-solutions.com
- Karine Sandberg, VP Communications and Business development - Karine.sandberg@norse-solutions.com
- Arne Peder Blix, President and CEO, Co-founder - apb@norse-solutions.com

On the move

Alison Drew has joined Petrofac as deputy company secretary after leaving Wolseley plc's group services division, where she held a similar position.

Share registry services provider and Centre member Computershare said it was cautious about its outlook for the current financial year owing to market volatility. Despite a ten percent fall in net profit for the year ending June, revenue lines such as register maintenance, employee share plans, communications services, voucher services and deposit protection schemes had held up very well, ceo Stuart Crosby announced. Lower earnings were primarily a result of weaker corporate activity globally, a lack of large transactions in the US mutual fund proxy business and reduced filings in the US bankruptcy administration business. Crosby said that completing Computershare's proposed purchase of BNY Mellon's shareowner services business in the US - the largest ever by the company at $550m - was a significant near-term priority, but obtaining anti-trust approval was a complex and hard process. "I don't think our prospects of success have changed materially from when we undertook the transaction," he added.

On September 5 2011, **RBC Corporate Employee & Executive Services** is moving its London office to: Riverbank House, 2 Swan Lane London EC4R 3BF. Six members of RBC cees staff will be moving there. All existing phone numbers and e-addresses will remain the same.

SAYE regains ground

A major survey of 445 UK companies, including 79 from the FTSE 100, revealed that the number of company employees investing in SAYE share schemes increased by five percent last year, to more than 1.4m. Forty-four percent of eligible employees are participating in at least one SAYE share scheme, an increase from 38 percent the previous year, the survey by ifs ProShare showed. The average amount of money being invested into SAYE schemes was down slightly from £107 in 2009 to £101 in 2010, although this was still significantly higher than 2008 average of £86 per share plan. The survey contacted 429 companies offering Share Incentive Plans (SIP). It found that more than 900,000 employees participated in some form of SIP out of a total of 1.6m who were eligible. More than 350,000 employees received free shares from their employers with a reported total value of £239m. While the trend for companies offering free SIP shares continued to fall, from 24 percent in 2009 to 14 percent in 2010, the number of participating companies offering matching shares rose from 46 percent to 53 percent.

Disguised remuneration: draft HMRC guidance

HMRC has opted for flexibility in its latest draft guidance on how it will interpret key terms such as *earmarking* and *tax avoidance purpose* on the Finance Act 2011 disguised remuneration rules, said Centre member **Deloitte**. The extensive guidance incorporates and confirms the interpretations offered in the updated Frequently Asked Questions (FAQs) published on July 5 and helpfully offers further examples of common benefits provided by third parties that HMRC considers are not caught under the new legislation. But HMRC wants to operate the arrangements flexibly against what it sees as tax avoidance arrangements and declines to offer any non-statutory gloss on how it will interpret key terms such as 'earmarking' and 'tax avoidance purpose' in the context of the legislation. Deloitte expects the guidance to be expanded and updated as users learn to live with DR in practice, with specific further points added when HMRC's internet version is published, expected October. The corresponding NIC Regulations and associated guidance have not yet been published, so there's more to come, but for now at least, the treatment of share incentives, deferrals and basic pay and benefits and pensions will be considered by many to be more certain........in most respects. Consequently, with some arrangements uncertainty remains over basic questions such as whether or when funds or assets contributed by an employer to a third party are to be taxed as employee reward, although employee share scheme funding arrangements appear now to be well protected by specific legislative exclusions. See http://tinyurl.com/3bovtut

Eso's wider role in society

As part of submission on corporate governance, the Commission's **Financial Services Users Group**, reminded politicians and financial institutions that Eso has a major part to play in corporate governance. Chairman Mick McAteer, who spoke at Cannes last year, sent guidance on the issue to the European Commission: "The recent economic crisis has encouraged many institutions and companies to re-examine the role and purpose of corporate governance. Employee financial participation (EFP) provides a natural route towards a model where labour and capital are more closely linked. Shareholding encourages long-term employee interest in the company's progress and performance. Employee share ownership can lead to employee participation in the corporate decision-making processes. This can only lead to increased scrutiny of company policies by those who have a vested interest in avoiding excessive risk taking. EFP can provide a model for business succession using an employee benefit trust or similar vehicle. Despite these clear benefits, EFP remains at the fringe in all but a handful of the EU member states. With further encouragement it could play a much larger role in social, economic and industrial policy. Measures could be adopted to encourage increased anticipation, including more focused financial education and targeted tax measures. If employee share ownership is to be encouraged, then the first objective must be to increase awareness and the availability of relevant financial education for employees especially those who work in hard to reach smaller businesses. An example of educational initiatives can be found in the work of the UK think-tank, the ESOP Centre. For many participants in employee share schemes the financial value of shares received through plans can be a life-changing sum. However, those at the lower end cannot afford financial advice on how best to invest their gains. Employees face a large risk in both holding a large amount of shares in and being employed by the same company. Financial services providers could do more to provide advice on how to diversify properly to employee shareholders. Indeed, increasingly as pensions fall away the savings based share plans, such as SAYE Sharesave in the UK, are seen as a way to supplement pensions. Facilitating a transfer of assets from a share plan into a pension plan, preferably using a tax-neutral method, would encourage many more people to take up offers of EFP in their company."

COMPANIES

Car insurance specialist **Admiral** has again announced another bumper equity payout to its employees after recording record half-year profit and continued strong growth. Admiral said profit before tax at £160.6m was 27 percent ahead of what was recorded during the same period last year, while turnover rose by 53 percent to £1.1bn. The Board is declaring a record interim dividend payment of 39p per share. More than £8m worth of shares will now be distributed to over 5,700 staff through its Eso scheme. Henry Engelhardt, ceo, said: "Over £1bn turnover in six months! It wasn't so long ago that we were pleased to report over £1bn turnover for a full year. This is an incredible achievement and is credit to the hard work of everyone at Admiral." A few months ago Admiral Group shared a bonus payout of £1.6 million among its 2,500 employees. The payout was made up of dividends paid to staff participating in the car insurance group's approved Share Incentive Plan and a bonus linked to staff holdings in its discretionary free share scheme (DFSS).

James Murdoch could soon earn a cash bonus of up to $12m from **News Corporation** on top of his $3m salary even though the part of the company he has run has been mired in the phone-hacking scandal, shut one of its flagship British newspapers and been forced to abandon the bid for BSkyB in the wake of cross-party hostility in the UK. His father Rupert is entitled to a cash bonus of $25m on top of his salary of $8.1m, depending on the company's assessment of his performance in the year to June 30. Rupert Murdoch told MPs he was experiencing "the most humble day of my life" when questioned by a parliamentary committee about the phone-hacking crisis. News Corp declined to respond to questions from the *The Guardian* whether either man would be content to take any bonus in the light of the recent chain of events. Although both Murdochs are unlikely to be awarded the maximum amount by News Corp's compensation committee, the idea behind the bonus scheme is that James Murdoch should earn $6m and his father $12.5m from them.

Targets for bonus payouts must be in French

The French Supreme Court has ruled that variable compensation and commission plans drawn up in a foreign language are non-binding on employees in France, even if the employees have a good level of understanding of the language in question, said Chris Ivey, of Centre member **Bird & Bird**. The *Loi Toubon* states that any documents which specify employee obligations, or of which the employee must have knowledge in order to perform his or her job, must be written in French. Documents that originate from abroad, or are intended for foreigners, can be drafted in English, but this does not apply to *contractual* elements. Case law at appeal court level has held that this exception also excludes accounting software and technical matters that employees need to understand in order to carry out their jobs, as well as documents relating to employee training for health and safety.

It is the first time that the Supreme Court has had the opportunity to try such a case and the decision will have a significant impact on multinationals with employees in France. In this case, an executive sales director had a contractual bonus opportunity of 40 percent of his annual salary, subject to the achievement of targets defined at group level by annual bonus plans. As the bonus plans were defined at group level, they were written in English. Following his termination, the employee claimed that he should have been entitled to his maximum bonus, because the targets were not provided to him in French. This claim succeeded despite the employee having a high level of understanding of English. The Versailles Court of Appeal held that while the targets were non-binding on the employee, they should be used to calculate a reasonable bonus payout based on certain data provided in the plans and the employee's performance. The Supreme Court challenged this interpretation and held that such documents were non-binding on the employee if they were not written in French and could not be used by the court to calculate what the bonus payout should have been. As a result, the maximum payout should be granted for each year.

The financial consequences of this decision may well be significant, and go further than the obligation to translate, the penalties under previous case law or the fine provided for by law. The remaining exception appears to concern equity compensation plans implemented by a foreign parent company, which have been held to be valid even if they are drafted in a foreign language, on the basis that they are not contractual in the same way as variable remuneration plans. However, the recent decision by the Supreme Court in June may put this at risk.

AWARDS DINNER

Channel Islands based **Sanne Group** is co-sponsoring the Centre's Awards black-tie dinner at the Oriental Club, London W1 on **Tuesday November 1**. More than 60 places have been sold to date, so if you want to attend, please contact Centre UK director Dave Poole now. Sanne Group is the Centre's Awards partner for this event. Its executive incentives division provides specialist trusteeship and administration services to support the operation of an extensive range of executive incentive plans. *Sanne is recognised within the market place as having a particular strength in managing the increasingly sophisticated requirements of incentives plans including dividend handling, corporate actions and complex transactions. Customers include FTSE, AIM and internationally listed companies, private companies and fund managers ranging in size, profile, sector and jurisdictional exposure.*

Shadow Treasury Minister and Labour and Cooperative MP, Christopher Leslie, will address the guests and present the awards to the winners. As in previous years, a champagne reception will be followed by a three-course dinner. Tickets at £150+VAT each or £1,400+VAT for a table for ten can be reserved by emailing esop@hurlstons.com. A form about sponsorship can be downloaded at http://hurlstons.com/esop/esop/brochures/Sponsorship.pdf . All enquiries to David Poole.

CONFERENCES

Guernsey: September 9

There is still time in which to register for this year's ever-popular joint conference of the Esop Centre and STEP Guernsey (Society of Trust & Estate Practitioners) which has already attracted almost 40 delegate registrations. It will take place on Friday September 9 from 8:45 – 14:00 at the St Pierre Park Hotel. The major focus of the event will be the aftermath of the disguised remuneration legislation. Speaker **Mahesh Varia** of **Travers Smith** will give the background to the legislation, the terms used, the amendments, FAQs and how it all affects EBTs. Tickets are on sale for £295+VAT for Esop or STEP members and £425+VAT for non-members.

Email esop@hurlstons.com now to reserve your seat.

The disguised remuneration legislation included in the Finance Act was not intended to catch employee share schemes and, while recent amendments have helped, the vastly increased complexity has created much confusion. A third set of FAQs was published that supports the view that most companies will still be able to make, hedge and satisfy employee share scheme awards using EBTs. The presentations will ensure delegates have a good understanding of the terms used and the effects of the legislation as well as covering wider aspects of trusts and employee share schemes. Esop Centre chairman, **Malcolm Hurlston**, will open the conference by giving an update on the Centre and its activities in the UK, EU and in support of the Channel Islands. **David Pett** of **Pett, Franklin & Co. LLP**, who helped to create the JSOP, will make its position under the new legislation clear. **Juliet Halfhead** of **Deloitte** will speak on other non-approved share schemes and how they have been affected. A sweeping *tour d'horizon of* recent relevant cases will be included by **STEP Guernsey** chairman, **Alison MacKrill** of **Carey Olsen**, in her presentation giving a trust law update. **David Craddock's** slot will give concrete examples of the use of an EBT and how they can be used in different models of succession planning. Breakfast will be served with registration from 8:45 – 9:15 and lunch will follow the conference from 13:00 – 14:00.

*****STEP Jersey** will co-host a similar event on **December 9** at the Pomme d'Or in St Helier - to reserve a space for that event email esop@hurlstons.com with **Jersey** in the title of your email.***

Davos: February 2 & 3, 2012

A case study about the worldwide stock purchase plan of telecoms giant Ericsson will be one of the major highlights during the Centre's next annual Global Employee Equity Forum, which takes place in the Steigenberger Belvedere Hotel in Davos Platz on **Thursday February 2 and Friday February 3**. The Ericsson presentation will be delivered by Computershare, which administers the plan for employees in 100 countries in which Ericsson operates.

Executive remuneration, regulation and corporate governance will be examined in by other speakers during this two-day event which takes place in the slipstream of the World Economic Forum. Speaker slots reserved in Davos to date include: **Baker & McKenzie, Capita Registrars, Computershare, Credit Suisse, Henderson Global Investors, Macfarlanes, Minter Ellison, Norse Solutions, Pett, Franklin & Co. LLP, RBC Corporate Employee & Executive Solutions** and **Strategic Remuneration**. Much of the programme can be reviewed already in detail on the Centre website at: www.hurlstons.com/esop and click onto 'events'. You can register your attendance there too. Only five speaker slots remain to be filled, so Centre members should reserve their slots and topics asap.

This forum highlights latest developments in employee equity plans – including a review of how executive equity reward packages are being changed under regulatory pressures. Case studies about employee equity plans in action; plan administration techniques; corporate governance issues in the EU and USA; disguised remuneration, accounting standards; cross-border taxation, trustee updates and national spotlights will feature in the programme. Delegates will get their chance to put forward their views during a 40-minute open debate about the key issues.

Package Deal Fees*: No sales tax is payable on these fees. The package includes two nights half-board accommodation in the five-star Steigenberger Belvedere Hotel, Davos Platz, admission to the cocktail party and all conference sessions.

Speakers:	
Service providers	£ 785
Equity plan issuers	£ 490
Delegates: Centre members	
Practitioners (service providers)	£ 925
Equity plan issuers	£ 535
Delegates: Non members	
Practitioners (service providers)	£ 1395
Equity plan issuers	£ 685

Speakers and delegates are invited to the Centre's annual Davos cocktail party on the Thursday evening (partners & VFRs welcome) and there will be a pre-conference informal delegates' dinner in a Davos restaurant on Wednesday evening. The programme includes extended afternoon breaks on Thursday and Friday, so that keen skiers can hit the slopes after the morning sessions. Packed lunches are supplied on demand.

If you would like to either speak at, or simply attend, the **Davos** conference, please email Fred Hackworth, Centre international director, asap at: fhackworth@hurlstons.com

**These fee levels will be honoured for those members who book their places now, but the Centre reserves the right to raise them should the Swiss franc appreciate further in value against sterling in the months ahead.*

Oz Eso research results

Most employees appreciate the difference between employee share ownership and being involved in running their companies, according to latest research carried out by the University of Melbourne. Less than one third of survey participants saw employee share ownership as 'a way to get involved in decisions affecting their company overall' (32 percent) or 'a way to get involved in decisions affecting my job' (19 percent). Melbourne Univ's Eso project entitled: *Why do employees participate in employee share ownership plans?* revealed that almost 80 percent of employees viewed Eso as 'a way to share in company profits', followed by 'a savings scheme' (74 percent) and 'an element of a reward package' (62 percent) Survey respondents most frequently took the view that employee share ownership 'is a good way to build up a nest egg' (78 percent), followed by 'makes workers feel 'part of the company' (66 percent) and 'makes the company more successful' (49.5 percent). Just under half of all respondents felt that 'these days, it's right for employees to own part of their company', while three in ten felt that employee share ownership reduces feelings of 'them and us' and makes employees more careful in their work. Only 19 percent of respondents considered that employee share ownership increased job security. Of all demographic variables, age was the only one that had a significant correlation with older respondents tending to be more positive about employee share ownership. The findings suggest that motivational and attitudinal factors are more important than demographic or workplace-level factors in determining whether employees will participate in an Esop. This is to be contrasted with other findings that personal characteristics (age, salary etc) are more important than preferences and attitudes in determining participation, but is largely consistent with other conclusions that share scheme opinion variables — including the expectation of financial gain — are better predictors of participation than either work attitude or demographic variables. Sixty-four percent of respondents were shareholders in their employer, while 36 percent were not.

All change on salary sacrifice - new HMRC policy from January 1 2012

Since the European Court of Justice delivered its judgment in the AstraZeneca case about salary sacrificed in return for vouchers, and confirmed that the salary sacrificed was payment for the vouchers and subject to VAT, there has been much speculation about the wider impact of the decision, said **Deloitte**. HMRC has now confirmed that its previous practice of accepting that the salary sacrificed was not quid pro quo for the benefits provided will change. HMRC says that from January 1 2012, VAT will have to be paid on sums sacrificed in return for VATable benefits (e.g. under the *bikes for work* scheme). Whilst HMRC accepts that no VAT should be due on VAT exempt benefits, any input VAT incurred in connection with the provision of VAT exempt benefits is likely to become irrecoverable. HMRC's Business Brief raises as many questions as it answers and much of the critical detail is still unclear. With only five months before the changes take effect, many businesses need to take early action to assess the impact of this new HMRC policy. See http://tinyurl.com/3t67dte. For more information, contact Giles Salmond on 020 7007 0761.

Bonus corner

Directors at **British Waterways**, which is making plans to become a charity, are under fire for awarding themselves bonus payments of up to £15,000 each. The Unite trade union said its members were "appalled" to hear of the bonuses, when they had received pay awards of between £100 and £200 instead of a percentage rise in 2011. The union said British Waterways' ceo Robin Evans will receive a £15,000 bonus on top of his £220,000 annual salary, while other directors will receive payments of £12,500. Julia Long, a national officer at Unite, said: "The government has reduced the amount of money provided to British Waterways over the next five years, which we believe is not enough to sustain any growth. To use this money to award massive bonus payments to management simply beggars belief." British Waterways (BW) said its accounts last year had ended £9.6m up on the amount planned, due to "better commercial performance and significant cost savings. As a result, BW had maintained expenditure on maintenance and repair at similar levels to previous years despite the government's cut in grant. The board was delighted with these results and wished to recognise the exceptional contribution made by certain staff, including executive directors. Accordingly, and in strict adherence to government guidelines, the board decided that capped performance-related payments should be made. Twelve per cent of the workforce (215 people) will receive a PRP payment."

The Irish Agriculture Minister, Simon Coveney, confirmed that €37,000 in bonuses paid last May to the ceo of **Horse Racing Ireland** Brian Kavanagh for the years 2008/9 is to be repaid. Mr Coveney said the money would be repaid to the State on a voluntary basis.

Telekom Austria said former executive board members should repay bonuses they got thanks to a share price surge in 2004 that investigators are now checking for signs of possible market manipulation, reported Reuters. The group paid out nearly €9m at the time after a last-minute share price rally pushed the stock to a price that triggered bonus payouts to dozens of managers. Austrian media have reported some managers may have hired a brokerage to drive up the share price. Ceo Hannes Ametsteiter, then a senior executive at the group's mobile phone business, has voluntarily repaid his bonus while the investigation continues. Telekom Austria decided unanimously to file a lawsuit seeking full compensation from any culprits shown to have defrauded the group, a company statement said, without naming individuals.

Thames Water has awarded its directors almost £2m in bonuses despite customers having to face higher bills. It has had to increase its customer's bills in order to fund its £3.6bn 'super sewer' but despite this, directors of the water company have seen their bonuses rise by more than 20 percent to £1.98m. Ceo Martin Baggs, Steve Shine, coo and Mark Braithwaite, cfo shared the bonuses due to successfully reaching 'financial and regulatory targets'. Darren Johnson, Green Party Assembly member said: "Bonuses should be based upon the success of a company in looking after its customers and the environment. These bonuses not only seem excessive at a time when Londoners are struggling with rising prices, they could be seen as rewarding damage to the environment."

Ireland scraps employer Eso tax burden

Employers no longer have to pay employer PRSI (Pay-Related Social Insurance) on share-based remuneration, Irish Minister for Social Protection Joan Burton announced. The new rule, which reverses the previous government's decision to impose employer and employee PRSI on all share-based remuneration, comes into effect immediately.

The decision to remove the employer element of the levy was part of the current Government's jobs initiative, announced in May. The PRSI contribution was deemed to increase needlessly the costs of doing business in Ireland.

"As some employers may have continued to deduct employer PRSI on share-based remuneration, it has been agreed, in consultation with the Minister for Finance, to provide this clear indication of the Government's commitment to alleviating the unnecessary costs to employers," a statement from Ms Burton's office said. The employee PRSI charge will apply to all share-based remuneration from the 2012 tax year, regardless of when agreements were entered into, with the exception of shares held in an Employee Share Ownership Trust before January 1 2011. "This will ensure equity between pre-January-2011 written agreements, which award shares on a once-off basis and those of a multi-annual or ongoing nature," the statement said. The PRSI paid on share-based remuneration within the 2011 tax year due to be refunded can be offset against current PRSI liabilities through the monthly P30 or end of year P35 returns.

The Employee Share Ownership Centre Ltd is a members' organisation which lobbies, informs and researches on behalf of employee share ownership.