

GSOP case study 1



The following case study is for illustrative purposes only.

Case study 1 – grossing up basis

Background information:

- Suppose a company paid out £500,000 in total in one accounting period in 2017 from a Growth Share Ownership Plan (GSOP).
- The original monies paid out were taxed as amounts subject to capital gains tax which was paid
- In order to reach a Settlement with HM Revenue & Customs the amounts paid out of the GSOP now become taxable as remuneration and subject to PAYE and NIC
- The capital gains tax paid by the individuals is offset in the Settlement reached by the company
- Interest is due from the date the tax was originally due
- Corporation tax relief is granted on the employer’s NIC in the year that it is paid
- In seeking a Settlement, both the employee’s and the company’s PAYE and NIC liabilities are met by the company under s222 ITEPA 2003 (grossing up).

The potential Settlement based on the payment out becomes:

	<i>Potential amount due (£)</i>
PAYE & NIC due	304,000
Further PAYE & NIC due on grossing up	154,866
Less CGT paid	(100,000)
Interest due	1,000
Corporation tax relief	(71,773)
Total due by company	288,093
Total due by individual	Nil
Net amount payable to HM Revenue & Customs	288,093

The Settlement Agreement is between HM Revenue & Customs and the company.

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