

GSOP case study 2



The following case study is for illustrative purposes only.

Case study 2 – dividend 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, the tax on the additional salary of £135,000 is then covered by a net dividend of £135,000
- The tax on the further dividend is payable by the individual on 31 January in the following tax year

The potential Settlement based on the payment out becomes:

	<i>Potential amount due (£)</i>
PAYE & NIC due	304,000
Less CGT paid	(100,000)
Interest due	1,000
Corporation tax relief on Employers NIC	(13,800)
Total due by company	191,200
Total due by individual	51,435
Net amount payable to HMRC	242,635

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

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