

# Tax due on Share Incentive Plans

The levels of National Insurance contributions, Income Tax and Health and Social Care Levy due on shares throughout the lifecycle of a Share Incentive Plan (SIP).



	When you get the shares	If you take your shares within three years or leave the business during this time	If you take your shares within three to five years	If you take your shares after five years
<p><b>Partnership shares</b> Employees use their pre-tax salary to buy shares up to a maximum of £1,800 or 10% of their salary (whichever is the lower) each year.</p>	No Income Tax, NI or HSCL to pay on the money you use to buy the shares	Income Tax, NI & HSCL payable on the market value of the shares when you take them out of the plan	Income Tax, NI & HSCL payable on whatever is the lowest: <ul style="list-style-type: none"> <li>the pay used to buy the shares.</li> <li>Or, the market value of the shares when they are taken out of the plan</li> </ul>	No Income Tax, NI or HSCL to pay
<p><b>Matching shares</b> The company gives employees up to two Matching Shares for each Partnership Share they buy.</p>	No Income Tax, NI or HSCL to pay on the value of the shares	Income Tax, NI & HSCL payable on the market value of the shares when you take them out of the plan	Income Tax, NI & HSCL payable on whatever is the lowest: <ul style="list-style-type: none"> <li>The market value of the shares at the time you got them</li> <li>The market value of the shares at the time you took them out of the plan</li> </ul>	No Income Tax, NI or HSCL to pay
<p><b>Free shares</b> These are worth up to £3,600 each year, free of Income Tax and NI.</p>	No Income Tax, NI or HSCL to pay on the value of the shares	Income Tax, NI & HSCL payable on the market value of the shares when you take them out of the plan	Income Tax, NI & HSCL payable on whatever is the lowest: <ul style="list-style-type: none"> <li>The market value of the shares at the time you got them</li> <li>The market value of the shares at the time you took them out of the plan</li> </ul>	No Income Tax, NI or HSCL to pay
<p><b>Dividend shares</b> Dividends paid on SIP shares can be re-invested in further shares known as Dividend Shares. These shares are free of Income Tax and NI at the date they're purchased.</p>	No Income Tax, NI or HSCL to pay on dividends used to buy dividend shares	Dividends that you used to buy shares are taxed as a dividend in the year you take the shares out of the plan	No Income Tax, NI or HSCL to pay	No Income Tax, NI or HSCL to pay



You can use this table to explain to your colleagues the tax implications for your SIP. If you'd like further help in communicating your share plan(s), reach out to us!

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