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PRIVATE INTERMITTENT SECURITIES AND CAPITAL EXCHANGE SYSTEM (PISCES) TAX IMPLICATIONS – DRAFT FINANCE BILL 2025-26 MEASURES

Response by Association of Taxation Technicians

1 Introduction

- 1.1 The Association of Taxation Technicians (ATT) is pleased to have the opportunity to comment on the draft Finance Bill 2025-26 measures¹, published on 21 July 2025, which propose amendments to the legislation to permit an employer to amend existing Enterprise Management Incentives (EMI) and Company Share Option Plan (CSOP) option agreements to include a Private Intermittent Securities and Capital Exchange System (PISCES) trading event as an exercisable event, without losing the tax advantages offered by the CSOP and EMI schemes (the 'draft legislation').
- 1.2 PISCES is a new type of stock market that will allow private companies to have their shares traded intermittently. PISCES aims to respond to the growth of private secondary markets, by providing a regulatory framework for structured trading events that can be accessed by broad pools of investors. It will incorporate elements from public markets such as multilateral trading, and elements from private markets such as greater discretion over how company disclosures are distributed and when trading happens.
- 1.3 The primary charitable objective of the ATT is to promote the education and study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations.
- 1.4 We would be pleased to discuss any aspect of this submission further. Relevant contact details can be found in Section 4.

¹ <https://www.gov.uk/government/publications/private-intermittent-securities-and-capital-exchange-system-pisces-tax-implications>

2 Comments on draft legislation: 'Granted on or before the day on which this Act is passed'

2.1 Subsection (1) of the draft legislation sets out three conditions under which an existing CSOP option agreement may be amended to include a PISCES trading event as an exercisable event, without jeopardising its tax-advantaged status. The conditions are:

(a) a share option is granted under a CSOP scheme at any time on or before the day on which this Act is passed,

(b) the terms of the option which are mentioned in paragraph 21A(1)(d) of Schedule 4 to ITEPA 2003 are, at any time on or after 15 May 2025, varied, and

(c) the sole effect of the provision constituting the variation is that, in the event that the shares are or become PISCES shares, the option may be exercised (to any extent) but only if the shares acquired as a result of its exercise are then immediately sold on a PISCES,

the provision mentioned in paragraph (c) is to be treated for the purposes of the CSOP code as if it had been included in the share option at the time at which the option was granted.

Subsection (2) states 'Subsection (1) is to have effect as if contained in Schedule 4 to ITEPA 2003.'

2.2 Overall, the ATT welcomes the draft legislation which will allow existing CSOP option agreements to be amended to include a PISCES trading event as an exercisable event, without jeopardising the tax-advantaged status. However, we are concerned that condition (a) introduces an arbitrary cut-off date.

- CSOP options granted on the day (or before) the Finance Bill 2025-26 is passed can later be varied to include a PISCES exit event as an exercisable event, without jeopardising the tax-advantaged status, provided the conditions are met.
- CSOP options granted one day later and varied in the same way would lose their tax-advantaged status. There would be a deemed release and regrant of the options.

PISCES is still a very new and unfamiliar concept. The Government acknowledged this in the PISCES consultation², describing it as a "novel" platform. At the time of writing:

- PISCES has only recently entered the sandbox phase, and just one operator has been approved by the Financial Conduct Authority (FCA)³. This operator is expected to launch its private securities market later this year.
- PISCES is not expected to become a permanent regime until 2030.
- Awareness among employers and advisers is very limited.

² <https://www.gov.uk/government/consultations/private-intermittent-securities-and-capital-exchange-systems-pisc-es-consultation>

³ <https://www.fca.org.uk/news/press-releases/first-pisc-es-operator-gets-greenlight-drive-growth>

It is unrealistic to expect employers to consider PISCES when granting new options immediately after Finance Bill 2025-26 has been passed (likely in early 2026), especially given that PISCES is expected to be in its sandbox phase for the next five years. As awareness of PISCES grows, employers may wish to amend existing CSOP option agreements to allow for exercise upon a PISCES trading event.

However, where CSOP options are granted after the Finance Bill 2025-26 has been passed, such a variation would constitute a deemed release and regrant of the option. There is already a lack of understanding regarding how variations to share option agreements impact the tax treatment of tax-advantaged schemes. If employers amend CSOP option agreements granted after the Finance Bill 2025-26 has been passed, to allow for exercise upon a PISCES trading event, there is a risk that they may not realise that:

- A variation has triggered a release and regrant; and
- Notification for the new grant is required if the regranted options are to qualify under the relevant tax-advantaged scheme.

Consider the following scenario:

- Employee A is granted a CSOP option on the date that the Finance Bill 2025-26 is passed.
- Employee B is granted an identical CSOP option the day after the Finance Bill 2025-26 is passed.

Other than the date of grant, the EMI option agreements have the exact same terms.

As PISCES progresses through its sandbox phase and is subsequently made permanent, awareness of PISCES will grow and it will become more understood. A number of years down the line the employer may consider amending both option agreements to include a PISCES trading event as an exercisable event.

Under the current draft legislation:

- The amendment to Employee A's option is permitted and treated as if it were part of the original option agreement at the date of grant, the tax-advantage status of the option is retained, assuming that the legislation is followed.
- The identical amendment to Employee B's option is treated as a release and regrant. This has a number of tax consequences including requiring renotification and revaluation if the regrant is to be treated as a qualifying CSOP option. To make the position worse, if compliance steps are missed or the conditions of the scheme are not met due to changes in the valuation, Employee B's new options (created under the regrant) will be treated as non-tax advantaged share options.

This outcome is arbitrary and penalises both employers and employees despite the economic substance of the arrangements being identical.

While we welcome the intention behind the draft legislation, the current drafting risks undermining its purpose by:

- Creating a narrow window of eligibility tied to a date when awareness of PISCES will still be low;
- Potentially penalising employers and employees through complex compliance rules and inadvertent loss of tax advantages;
- Adding confusion around an already misunderstood area (option variations and regrants).

We strongly urge the government to amend subsection (1)(a) so that the exemption applies to all CSOP options granted before PISCES becomes a permanent regime, i.e., when it exits the sandbox—currently expected in 2030.

This would:

- Allow time for awareness of PISCES to grow among employers, advisers, and employees;
- Align with the government’s policy objective of supporting PISCES uptake;
- Avoid arbitrary and unfair distinctions between otherwise identical CSOP option agreements and variations.

2.3 Subsection (3) of the draft legislation sets out three conditions under which an existing EMI option agreement may be amended to include a PISCES trading event as an exercisable event, without jeopardising its tax-advantaged status. The conditions are:

‘(a) a share option which is a qualifying option for the purposes of the EMI code is granted at any time on or before the day on which this Act is passed,

(b) the terms of the option which are mentioned in paragraph 37(2)(e) of Schedule 5 to ITEPA 2003 are, at any time on or after 15 May 2025, varied, and

(c) the sole effect of the provision constituting the variation is that, in the event that the shares are or become PISCES shares, the option may be exercised (to any extent) but only if the shares acquired as a result of its exercise are then immediately sold on a PISCES,

the provision mentioned in paragraph (c) is to be treated for the purposes of the EMI code as if it had been included in the share option at the time at which the option was granted.’

Subsection (4) states ‘Subsection (3) is to have effect as if contained in Schedule 5 to ITEPA 2003.’

2.4 Subsections (3) and (4) are similar to Subsections (1) and (2), with the key difference being that Subsections (3) and (4) relate to EMI options rather than CSOP options.

All of the comments made in section 2.2 above apply equally to Subsection (3) in the context of EMI options.

3 Other comments: The valuation of shares

- 3.1 Whilst not directly related to the draft legislation, we believe the Technical note: Tax implications for companies and employees in relation to employees trading their shares on PISCES⁴ should be extended to provide clear guidance on the valuation implications created where there is a deemed release and regrant of share options. Share valuations are often misunderstood, and further clarity would be beneficial to both employers and advisers.

In addition, as acknowledged in the existing guidance, the involvement of a PISCES trading event is likely to affect share value. To support consistent application and understanding, the technical note should also include illustrative examples covering a range of potential scenarios.

Other guidance such as the Shares and Assets Valuation Manual⁵, in particular guidance SVM110050 - Tax Advantaged Share Schemes: Enterprise Management Incentives (EMI)⁶ and SVM114000 - Information Standards⁷ should include reference to PISCES and examples of how PISCES trading events could impact share valuations and the implications of a deemed release and regrant of the share options.

4 Contact details

- 4.1 We would be pleased to join in any discussion relating to this consultation. Should you wish to discuss any aspect of this response, please contact us at atttechnical@att.org.uk.

The Association of Taxation Technicians

5 Note

- 5.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to

⁴ <https://www.gov.uk/government/publications/tax-implications-for-companies-and-employees-in-relation-to-employees-trading-their-shares-on-pisces/technical-note-tax-implications-for-companies-and-employees-in-relation-to-employees-trading-their-shares-on-pisces>

⁵ <https://www.gov.uk/hmrc-internal-manuals/shares-and-assets-valuation-manual>

⁶ <https://www.gov.uk/hmrc-internal-manuals/shares-and-assets-valuation-manual/svm110050>

⁷ <https://www.gov.uk/hmrc-internal-manuals/shares-and-assets-valuation-manual/svm114000>

date. Members may be found in private practice, commerce and industry, government and academia.

The Association has more than 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.