

Finance Bill 2025-26

Representation from the Association of Taxation Technicians (ATT)

Clause 16: Company Share Option Plan (CSOP) schemes and Enterprise Management Incentives (EMI): Private Intermittent Securities and Capital Exchange System (PISCES) shares

Executive Summary

Clause 16 allows existing Company Share Option Plan (CSOP) and Enterprise Management Incentive (EMI) option agreements to be varied to include a Private Intermittent Securities and Capital Exchange System (PISCES) trading event as an exercisable event, without jeopardising the tax advantaged status, provided the relevant conditions are met. This will apply to CSOP and EMI share options granted before 6 April 2028.

The Association of Taxation Technicians (ATT) is concerned that the draft legislation introduces an arbitrary cut-off date of 5 April 2028. Under current drafting, options granted on or before this date may be varied to permit exercise on a PISCES trading event without loss of tax-advantaged status, while otherwise identical options granted from 6 April 2028 onwards would likely lose that status if varied in the same way.

The ATT recommends that this easement is extended to at least 6 April 2030, as PISCES is not expected to become permanent until 2030. While this would still involve a cut-off date, it would better align with the government's policy objectives and allow time for awareness of PISCES to grow.

1. Background

- 1.1. The Private Intermittent Securities and Capital Exchange System (PISCES) is a new, regulated stock market for private company shares. It allows occasional, intermittent trading in private company shares in an accessible, safe, regulated and controlled environment, following clear rules. It aims to:
 - Make trading in private shares more transparent and efficient.
 - Give private companies a way to offer liquidity to shareholders without going public.
 - Support capital-raising by making it easier to trade existing shares.
 - Provide a stepping stone to listing on public markets.
- 1.2. On 5 June 2025, regulations came into effect establishing the PISCES sandbox. The sandbox will allow for the development and testing of a new regulatory regime and is expected to run for five years. Evidence from the sandbox will be used to decide how to legislate to make PISCES a permanent feature of the UK regulatory regime if it is deemed successful.
- 1.3. Employers often offer employees company share options as a reward for working for them. When these share options are exercised, there are Income Tax and National Insurance consequences. To encourage employers to offer employees share options the Government have introduced a number of schemes, often referred to as tax-advantaged schemes; included in these are Company Share Option Plan (CSOP) and Enterprise Management Incentives (EMI). Under these schemes, relief from Income Tax and National Insurance is available where the relevant conditions have been met.

2. Practical impact of Clause 16

- 2.1. Where the fundamental terms of an existing share option agreement are varied to improve the rights of the option holder, and the variation is more than “de minimis”, the variation will amount to a release and regrant of the option.
- 2.2. A variation to permit existing CSOP or EMI option holders to exercise their options as part of a PISCES trading event would likely be treated as a variation of the option’s fundamental terms, with the consequence that the CSOP or EMI tax advantages would be lost.
- 2.3. Clause 16 permits existing CSOP and EMI option agreements to be varied to include a PISCES trading event as an exercisable event, without jeopardising the tax-advantaged status. This is a welcome change.
- 2.4. However, we are concerned that it also introduces an arbitrary cut-off date:
 - CSOP and EMI options granted on or before 5 April 2028 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 and EMI options granted one day later, 6 April 2028 onwards, and varied in the same way would lose their tax advantaged status.
- 2.5. In September 2025, we commented¹ on the draft Finance Bill legislation². We raised concerns about the originally proposed requirement that a share option must be granted under a CSOP or EMI scheme at any time on or before the day on which the Finance Bill 2025-26 is passed. We welcome the fact that this has now been replaced with a fixed date (6 April 2028).
- 2.6. However, PISCES is still a very new and unfamiliar concept. The Government acknowledged this in the PISCES consultation, describing it as a "novel" platform. At the time of writing:
 - PISCES has only recently entered the sandbox phase, and just two operators have been approved by the Financial Conduct Authority (FCA).
 - PISCES is not expected to become a permanent regime until 2030.
 - Awareness among employers and advisers is very limited.
- 2.7. Given that PISCES is expected to remain in its sandbox phase until 2030, there is a real risk that awareness of PISCES will still be low by 6 April 2028.
- 2.8. As awareness of PISCES grows, employers may wish to vary existing CSOP and EMI option agreements to allow for exercise upon a PISCES trading event. However, where CSOP and EMI options are granted on or after 6 April 2028, such a variation would likely constitute a deemed release and regrant of the option.
- 2.9. There is already a lack of understanding regarding how variations to share option agreements impact the tax treatment of tax-advantaged schemes. If employers make a variation to CSOP and EMI option agreements granted on or after 6 April 2028, to allow for exercise upon a PISCES trading event, there is a risk that they may not realise that:

¹ <https://www.att.org.uk/sites/default/files/2025-09/Private%20Intermittent%20Securities%20and%20Capital%20Exchange%20System%20%28PISCES%29%20Tax%20Implications%20E2%80%93%20Draft%20Legislation.pdf>

² <https://www.gov.uk/government/publications/private-intermittent-securities-and-capital-exchange-system-pisces-tax-implications>

- 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.

2.10. Consider the following scenario:

- Employee A is granted a CSOP option on 5 April 2028.
- Employee B is granted an identical CSOP option on 6 April 2028.

Other than the date of grant, the 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 making a variation to both option agreements to include a PISCES trading event as an exercisable event.

Under the current Finance Bill legislation:

- The variation to Employee A's option is permitted and treated as if it were part of the original option agreement at the date of grant so the tax-advantaged status of the option is retained, assuming that the legislation is followed.
- The identical variation to Employee B's option is treated as a release and regrant.

For Employee B, this has a number of tax consequences including requiring renomination 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, for example 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.

2.11. Awareness and understanding of PISCES among employers and advisers is likely to remain limited by April 2028. As a result, employers granting CSOP or EMI options after that date may be unfairly penalised when, at a later point, they seek to amend those options to reflect a now-established PISCES market.

2.12. While we welcome the intention behind the Finance Bill 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).

3. Recommendation

3.1. We strongly urge the government to amend the draft legislation so that the exemption applies to all CSOP and EMI options granted before 6 April 2030. This would:

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- Allow time for awareness of PISCES to grow among employers, advisers, and employees; and
- Align with the government's policy objective of supporting PISCES uptake.

3.2. It will be essential that HMRC provides clear guidance, in particular on the implications of variations triggering a release and re-grant of the options and share valuation.

Association of Taxation Technicians

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Note:

The Association of Taxation Technicians

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

The Association has over 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.