

## One minute with...

### Danny Blum

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#### What's keeping you busy at work?

As an employee incentives specialist, tax is only part of the work I do. Employers continue to need to reward and incentivise their executives and staff, and although M&A may be a little quieter than it has been, the work never stops. The international nature of my practice makes life very interesting. By way of example, I am currently advising on a spin out of a Canadian company from a US company controlled by a US private equity house and considering the impact of the spin out on the equity awards being offered in the US, Canada, UK, Germany, Ireland, Mexico, Japan, Singapore, Hong Kong and Switzerland. The tax aspects of these projects are the most interesting but of equal importance is the local legal regime and making sure that the arrangements can be offered locally and can work as intended – this is not always the case!

#### If you could make one change to a tax law or practice, what would it be?

In addition to advising public companies on employee share plan matters, we advise a large number of private equity backed companies and management teams on the design of incentive arrangements and when they eventually exit. Two significant issues come up in this context repeatedly. The first is the inability of most portfolio companies to offer tax advantaged share plans; this issue has probably been discussed to death and I don't see HMRC being prepared to back down. The loans to participator rules are another big issue which come up over and over again given that most portfolio companies are close. These two issues make designing and operating plain vanilla employee share incentive arrangements a real headache. This is frustrating as whilst there is a way through the complex rules, it is a time consuming and expensive process.

#### What do you know now that you wish you'd known at the start of your career?

How easy it is to slip up in the area of employee share plans. When undertaking

due diligence on target companies, in about 60% to 70% of the cases where EMI or another tax advantaged arrangement has been introduced, the documents do not work or the correct procedures were not followed. This often results in significant commercial issues for all parties on the transaction. The documentation really does matter, and taking short-cuts or using off the shelf documents is unlikely to deliver the outcome a client intended. Having said that, the law needs changing in a number of areas, particularly with regard to EMI where a number of the procedural requirements are completely pointless.

#### Are there any new rules that are causing a particular problem in practice?

DAC 6 is a big issue that it is vexing most advisers at the moment.

#### What changes in tax should we be on the look out for?

When talking to clients about the design of an incentive arrangement, the most frequently asked question is what will happen to tax rates and tax reliefs in this area over the next year or two. Having lived through rebasing, indexation relief, taper relief, ESS mark I, ESS mark II, entrepreneur's relief and disguised remuneration, it would be nice to be able to give clients some certainty. By their very nature, employee incentive arrangements are meant to be long-term tools. Whilst a favourable tax outcome is not the only objective and certainly should not interfere with the commercial objectives, it is nice to have some certainty. Notwithstanding what may happen with CGT rates generally, I would be keen to see special rates introduced for tax advantaged plans so that employees are not negatively impacted retrospectively.

#### And finally, you might not know this about me but...

I am the proud owner of an English Angora rabbit. Yes, it was purchased in a moment of madness in lockdown, but it is delightful (and already huge)! ■

## What's ahead

**Covid-19:** Please note some dates might have been postponed and some proceedings of the tax tribunals suspended.

### November

- 7 Compliance:** VAT returns and payment for 30 September 2020 quarter (electronic payment).
- 9 Case:** UT scheduled to hear taxpayer's appeals in *Hannah & Hodgson v HMRC* (annuity was not chargeable consideration for property) and *Spring Capital Ltd v HMRC* (FTT decision on the trade succession rules); UT scheduled to hear HMRC's appeal in *HMRC v Atholl House Productions Ltd* (PAYE and NIC). **Consultation:** OTS review of CGT call for evidence second part closes.
- 11 Case:** UT scheduled to hear taxpayer's appeal in *Regency Factors Ltd v HMRC* (VAT bad debt relief).
- 14 Compliance:** Quarterly corporation tax instalment for large companies depending on accounting year end; monthly EC sales list if paper return used.
- 16 Case:** UT scheduled to hear appeal in *London Luton Hotel BPR Property Fund LLP v HMRC* (business premises renovation allowances).
- 17 Regs:** The Value Added Tax (Refund of Tax to Museums and Galleries) (Amendment) Order, SI 2020/1167, comes into force.
- 18 Case:** UT scheduled to hear taxpayer's appeal in *Albert House Property Finance PCC Ltd (in liquidation) and Vale Property Finance PCC Ltd (in liquidation) v HMRC* (indirect notification of HMRC's objection to withdrawal of appeals).
- 19 Consultation:** Feedback period closes for European Commission review of the VAT rules for financial and insurance services.
- 20 Call for evidence:** Call for evidence on VAT grouping closes.
- 23 Consultation:** Comments close on The Stamp Duty Land Tax (Administration) (Amendment) Regulations 2021. **Call for evidence:** Call for evidence on how mid-sized businesses in the construction sector have been affected by coronavirus closes. **Case:** UT scheduled to hear taxpayer's appeal in *Cheshire Cavity Storage 1 Ltd and EDF Energy (Gas Storage Hole House) Ltd v HMRC* (plant and machinery allowances).

For 'what's ahead' which looks much further ahead, see [taxjournal.com](http://taxjournal.com).

#### Coming soon in Tax Journal:

- The latest on diverted profits investigations.
- The bank levy: the new normal from 2021.
- Derivative and financial instruments: an introductory guide.