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Finance Bill 2026-27 — draft legislation

Enterprise Management Incentives (EMI): simplification of the process to grant options

Response by the Chartered Institute of Taxation

1. Introduction and comments

1.1. The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 20,000 members, and extensive volunteer network, in providing our response.

1.2. The CIOT is supportive of the government's objective of simplifying the EMI reporting framework and reducing administrative burdens for companies operating EMI arrangements but there are aspects of this measure that require clarification.

1.3. As a result of the draft legislation the existing requirement to notify HMRC separately of EMI grants within 92 days of grant will be removed for options granted on or after 6 April 2027. Instead, details of new grants will be included within the EMI annual return, together with declarations confirming that the conditions for EMI qualification were met at the time of grant.

1.4. It appears that notification itself will continue to be a condition of qualification. The principal change is therefore the mechanism and timing of notification rather than the underlying requirement to notify HMRC. As a result, it would be helpful for HMRC to clarify whether the practical consequences of late notification are intended to remain unchanged.

1.5. In particular, it is unclear what the consequences are of a late-filed annual EMI return that includes notification of new option grants? The draft legislation appears to retain the existing provisions dealing with filing deadlines and reasonable excuse relief. On that basis, our understanding would be that where a company files late, it should continue to be able to make a reasonable excuse claim and, if accepted, the EMI options should not cease to qualify solely because the notification was submitted after the filing deadline. However, this point would benefit from explicit confirmation in HMRC guidance and manuals.

1.6. We would therefore welcome clarification from HMRC on the following points:

- Whether a late annual EMI return containing notification of option grants will be treated in the same manner as a late EMI notification under the current regime.
- Whether the existing reasonable excuse provisions will continue to operate such that qualifying EMI status is preserved where a late filing is accepted by HMRC.
- Whether a late filing would trigger only the usual reporting penalties, rather than causing an otherwise qualifying EMI option to lose its tax-advantaged status.
- The process for correcting errors or omissions where a grant has been omitted from an annual return.

1.7. We also understand that concerns have been raised regarding the implications for corporate transactions and due diligence exercises. Under the current system, notification is generally made shortly after grant and evidence of compliance can often be produced relatively easily. Under the proposed regime, a grant made shortly before a transaction may not be reported to HMRC until after the end of the relevant tax year, potentially increasing uncertainty for purchasers and advisers and resulting in additional due diligence enquiries, warranties, or indemnity requests.

1.8. We also understand that it has been suggested that these concerns could be addressed by retaining an optional facility for companies to notify grants at the time they are made. Whilst we understand the rationale, introducing parallel reporting routes may increase complexity and potentially undermine the simplification objective. We therefore consider it preferable for HMRC instead to provide clear guidance confirming the consequences of late filing and the operation of reasonable excuse relief.

1.9. Overall, we welcome the direction of travel and the removal of a separate notification process. However, we believe it is important that HMRC confirms that the changes are intended to simplify administration rather than merely move the compliance risk from the current 92-day notification deadline to the annual return filing deadline. Clear guidance on the interaction between annual return filing, reasonable excuse claims and EMI qualification would significantly improve certainty for companies, advisers, and option holders.

2. About us

2.1. The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.

2.2. The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.

2.3. The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.

2.4. Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

3. Acknowledgement of submission

3.1. We would be grateful if you could acknowledge safe receipt of this submission, and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation

7 September 2026