July 2026

At a glance: EMPLOYMENT & INCENTIVES



Welcome to our July 2026 publication.

Click on each of the circles on the left to see more details on:

- **Employment Rights Act 2025:** ERA 2025 updates on trade union reforms, holiday pay enforcement, tipping and time off for public duties.
- **Data Protection Update:** Employees gain a statutory right to raise data protection complaints to employers under the Data (Use and Access) Act 2026.
- **Employment Tribunals – Presidential Guidance:** Joint Presidential Guidance issued on interim relief applications in particular types of unfair dismissal claims.
- **Equal Pay Reform:** Government launched a consultation to overhaul the pay discrimination and transparency framework.
- **Share plans:** Statistics on tax-advantaged share plans.
- **Financial sector pay:** FCA proposals to reform the investment firms, AIFM and UCITS remuneration rules.
- **Trusts:** Trust Registration Service SDRT removal.
- **Taxation:** Consultation on miscellaneous tax reforms; taxation of close companies.

July 2026

At a glance: EMPLOYMENT & INCENTIVES



Employment Rights Act 2025

Government publishes a report and consultation on time off for public duties

On 11 June 2026, the Department for Business and Trade (the "**DBT**") published a report detailing the government's findings from a review of public duties set out in section 50 of the ERA 1996 that are eligible for the right to reasonable time off. The report proposes an update to the list of eligible roles to reflect more modern public service needs, with recommendations that certain roles should be added and others removed. Alongside this, on 12 June 2026, the government launched a consultation on time off for public duties, with the main aim of obtaining views on the proposed amendments to the current list of eligible public duties.

The consultation closes on 4 September 2026.

Government publishes a response to the tipping consultation

The ERA 2025 will introduce new requirements for employers to review their written tipping policies at least once every three years and to consult with workers when developing or revising the policies. On 29 June 2026, the government published its response to the consultation on strengthening the laws on tipping.

Government consults on holiday pay compliance and enforcement by the Fair Work Agency

On 30 June 2026, the government launched a consultation on its proposed approach to holiday pay compliance and enforcement by the Fair Work Agency ("**FWA**"). This will be the first time statutory holiday pay is backed by state enforcement. A key proposal covers the claim period for FWA enforcement of holiday pay, to be set at a maximum of six years (aligning with the six-year period for which employers must keep holiday pay records). Importantly, it is proposed that holiday pay claims before the date the ERA 2025 received Royal Assent (18 December 2025) will not be enforceable.

The consultation also considers a penalty amount of 200% of arrears for each worker (capped at a maximum of £20,000), with a 50% early-payment discount as well as asking whether non-compliant employers should be publicly named.

The consultation closes on 22 September 2026.

Read more...

July 2026

At a glance: EMPLOYMENT & INCENTIVES



Employment Rights Act 2025

Trade Union Reforms

On 22 June and 6 July 2026, the government published responses to three trade union consultations under the ERA 2025, covering industrial action detriments, electronic and workplace balloting (with three new voting methods permitted from August 2026, and accompanied by a draft code of practice and impact assessment) and the trade union right of access to workplaces (with a final impact assessment, a draft code of practice and an explanatory memorandum to the draft code of practice, with the draft code of practice expected to come into force from October 2026 subject to parliamentary approval).

Additionally, the DBT published a draft Acas code on time off for trade union duties and activities. The draft Acas code sets out that employers must allow union representatives reasonable paid time off for duties such as collective bargaining, grievance handling and training, and that employment tribunals will take it into account in relevant cases. Subject to parliamentary approval, it is expected to come into force in October 2026.

For further updates on ERA 2025 please see our UK Employment Law Reforms Tracker and our podcasts.

July 2026

At a glance: EMPLOYMENT & INCENTIVES



Data Protection Update

New statutory right for employees to raise data protection complaints to employers

From 19 June 2026, under the Data (Use and Access) Act 2026, an employer is under an obligation to receive and manage data protection complaints from their employees. Employees do not have to refer to it as a "complaint" or use the correct terminology in order for this duty to be applicable. Employers should ensure that appropriate complaints management procedures are in place, covering acknowledgment, action and outcome. ICO guidance sets out practical advice to help employers meet their legal obligations.

July 2026

At a glance: EMPLOYMENT & INCENTIVES



Employment Tribunals – Presidential Guidance

Presidential Guidance published on applications for interim relief

On 22 June 2026, the Presidents of the Employment Tribunals for England and Wales and Scotland jointly issued Presidential Guidance ("**Guidance**") on interim relief applications in unfair dismissal cases. This was prompted by a sharp rise in both the number of applications (from around 20 per year to a similar number each month) and in the volume of documentation submitted.

Interim relief is an emergency measure that prevents a dismissal from taking effect until the tribunal has heard the complaint of unfair dismissal. There is a high threshold for claimants to satisfy the tribunal that interim relief should be ordered, and applications must be brought within seven days of dismissal.

The Guidance states that the significant increase in applications for interim relief is largely in protected disclosure cases and often indicates use of AI. It states that the use of AI often results in submissions that are too long and complex, contain irrelevant material and fail to focus on the key points in the case, and that claimants remain responsible for the accuracy, relevance and brevity of what they submit.

July 2026

At a glance: EMPLOYMENT & INCENTIVES



Equal Pay Reform

Government Consultation on Equal Pay & Pay Transparency Reform

The UK government has launched a consultation to overhaul the pay discrimination and transparency framework, driven by concerns that the current system is too complex, costly and inaccessible for workers with genuine grievances. The proposals follow the government's "Make Work Pay" plan and are also influenced by the EU Pay Transparency Directive, which is imposing new obligations on employers across Europe - the government wants the UK framework to remain coherent and competitive alongside it. Implementation will be phased and staggered, with further reform potentially signalled by the forthcoming analysis of the call for evidence on equality law.

Phase 1 reforms (fixing structural weaknesses) proposals include:

- Employers to publish pay information in job adverts or before interviews.
- Reforming process, including considering the re-introduction of equal pay questionnaires to help individuals assess potential claims.
- Creation of a new Equal Pay Regulation and Enforcement Unit, with a role for trade unions, empowered to order job evaluation schemes and pay audits where discriminatory practices are suspected.

Phase 2 reforms (extending protections) proposals include:

- "Levelling up" equal pay protections for ethnic minority and disabled workers to align more closely with existing sex equality rights.
- New duty on employers to take reasonable steps to ensure outsourcing arrangements do not undermine pay equality.

The government also reaffirmed its commitment to mandatory ethnicity and disability pay gap reporting, which employers should continue to plan for.

The consultation closes on 27 October 2027.

For more information on this consultation please see our blog here.

July 2026

At a glance: EMPLOYMENT & INCENTIVES



Share plans

Annual statistics for tax-advantaged share plans

HMRC published the annual statistics on tax-advantaged employee share plans (SAYE, SIP, CSOP and EMI) for the 2024/25 tax year. Key points are:

- The total number of companies operating these plans was 20,650, a 1.4% increase on the 2023/24 tax year. 90% of these operated EMI plans.
- Most companies ran only one type of plan. 98% of companies offering EMI plans did not operate any other tax-advantaged plan, down 1% from 2023/24. Fewer than 10 companies operated all four plans, broadly in line with 2023/24.
- Total income tax and national insurance contributions relief was £1.23 billion, a 4.7% decrease on the relief in 2023/24.
- SIP plans (which are all-employee plans) generated the largest tax relief of £470 million.
- SAYE plans had the largest value of options granted: £1.75 billion, down 16.3% from 2023/24. This decrease is likely due to previously inflated levels of participation during the Covid-19 pandemic.
- Average values of shares/options awarded were (in descending order): EMI £13,930; CSOP £11,080 (down 19% from 2023/24 but up 21% since 2022/23, which probably reflects the higher £60,000 limit first applying in 2023/24); SAYE £5,450; SIP £220 (though SIP participants may receive multiple awards per year).

July 2026

At a glance: EMPLOYMENT & INCENTIVES



Financial sector pay

Proposed changes to IFPR/AIFM/UCITS remuneration rules

When announcing remuneration reforms for banks last October, the regulators said that they were reviewing the operation and effectiveness of the AIFM, UCITS and IFPR (MIFIDPRU) pay regimes. The FCA has now published proposals (CP26/27) to reform all three regimes. This includes:

- **One code:** Replace the three separate remuneration codes with a single, consolidated code (**SYSC 19AA**).
- **Outcomes-focused:** Move from prescriptive rules to an outcomes-based approach based on firm governance and management body judgement.
- **Narrower scope:** Remove all small and non-interconnected (SNI) MIFIDPRU firms and smaller AIFMs from the regime entirely.
- **Deferral flexibility:** The consultation seeks feedback on two possible approaches:
  1. No minimum deferral periods or fixed structures. Firms would be expected to consider whether deferral (in whatever form they choose) will support good conduct, a healthy culture and effective oversight of remuneration outcomes; or
  2. Mandatory deferral with a minimum deferral period for firms above specified thresholds (aligned with the PRA Rulebook thresholds for dual-regulated firms). Firms below the threshold would still be expected to consider whether deferral would support remuneration arrangements consistent with the outcomes of the new code.
- **Malus and clawback:** Firms to consider whether tools such as malus clawback would support good conduct and compliance with risk management. They would not be mandatory.
- **Governance simplification:** Remove mandatory remuneration committees and annual independent reviews. But firms must ensure that pay arrangements are subject to governance and oversight as part of their wider systems and controls.
- **Reporting abolition:** Revoke the MIF008 reporting template and the remuneration disclosure requirements in MIFIDPRU 8.6.
- **Narrower MRT definition:** Refocus the material risk taker definition on individuals with a material impact on conduct, investor interests, or regulatory compliance.

The consultation closes on 16 September 2026. The FCA expect to publish the final rules in Q1 2027. They will apply to performance periods starting on or after the day publication).

July 2026

At a glance: EMPLOYMENT & INCENTIVES



Trusts

Trust Registration Service (TRS): SDRT removal

The amendments to the money laundering rules include removing SDRT from the list of taxes which result in TRS registration requirements for trusts under the "UK tax liability" limb. The amendments were implemented on 30 June 2026 and will come into force on 21 July 2026 (see our April 2026 publication for details).

"UK tax liability" now includes tax on any UK source income, capital gains tax, inheritance tax and some land taxes. Trusts which have ceased to be registrable under this limb and are not otherwise registrable (under the second registration limb) should be closed on the TRS. Where a trust is still registrable, failure to do so may result in a £5,000 fine. HMRC has updated its guidance accordingly.

July 2026

At a glance: EMPLOYMENT & INCENTIVES



Taxation

HMRC consultation on broad tax reforms

On 23 June 2026, the government announced a package of tax measures ostensibly "designed to reduce administrative burdens, and improve certainty, fairness and customer experience". Insofar as it relates to incentives and remuneration, the proposals would close some loopholes but could also increase the tax burden on some kinds of incentive plan, especially MIPs in private equity portfolio companies. In particular, it is proposed that:

- The tax on loans to participators (broadly shareholders) by close companies be extended to non-UK resident companies. Currently, this is sometimes avoided by having a non-UK resident group company make the loan.
- The borrower (often a participant in an incentive plan) rather than the non-UK resident company, should pay the tax on loans to participators at the time the loan is extended. This would greatly reduce the attractiveness of arrangements under which employees borrow money from their employer to buy shares.
- Distributions from non-UK companies be taxed in the same way as dividends from others. Currently, dividends from non-UK companies are often taxed as capital and this is sometimes used to reduce tax.
- The circumstances in which a company's repurchase of its own shares (e.g. from employees who leave or want to sell their shares) can be taxed as capital rather than income be tightened.

This consultation closes on 14 September 2026.

At the same time, the government issued a call for evidence on PAYE settlement agreements. It also announced that HMRC will formalise current practice which prevents NICs arising for non-resident directors from countries with no social security agreement with the UK when they spend small amounts of time in the UK (e.g. to attend board meetings).

Taxation of close companies

HMRC has been consulting on how loans to participators in close companies (see above) are disclosed to HMRC. The consultation suggests that all transactions between a close company and its participators including write-offs should be disclosed to HMRC (and not just loans). The government will analyse the consultation responses and publish a summary of responses but there is no timing for this.

July 2026

At a glance: EMPLOYMENT & INCENTIVES



Click on each circle for more information on the topic.

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CD146_F/07.26