



CORPORATE AND COMMERCIAL

Public Consultation Process on the Taxation of Share Based Remuneration

by **Gillian Dully**

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The Irish Government has recently launched a public consultation process on the tax treatment of share based remuneration in Ireland (the Consultation Process).

The Consultation Process follows on from a commitment made by the Government earlier this month to explore the mechanisms through which SMEs can reward key employees with share options in a tax efficient manner and a review by the Department of Finance on Tax and Entrepreneurship in 2015.

The Department of Finance is to conduct a detailed review of the taxation of share based remuneration and is inviting submissions from interested parties including businesses, business professionals, advisors, representative bodies and members of the public.

Submissions must be received by the Department of Finance by 1 July 2016.

The purpose of the Consultation Process is:

1. To review current Revenue approved share schemes and the tax treatment of other forms of share based remuneration to determine if they are fit for purpose in the current economic environment or whether they ought to be amended or abolished.
2. To determine whether a policy rationale exists to introduce new reliefs to incentivise the use of share based remuneration in Irish businesses.

The Consultation Process is a welcome development as the current Irish tax regime for share incentive plans imposes considerable restrictions on small and medium sized businesses in attracting and retaining highly skilled workers.

In Ireland a significant issue for employees granted share options in an SME is that income tax, USC and PRSI are generally triggered on the exercise of share options. The employee is faced with having to self-generate the funds to pay the tax liability as they will not be in a position to sell some of their shares to fund the tax liability, unless there is a sale of the business, or an internal market for the shares at the time of exercise. Furthermore, Revenue approved share schemes impose a number of conditions which are not appropriate for most SMEs.

The UK introduced tax efficient share schemes whereby employees may receive shares free of income tax and potentially cap their Capital Gains Tax on a subsequent sale of the shares. The introduction of similar tax favourable share scheme arrangements in Ireland would assist SMEs in attracting key hires and competing with larger multinational employers who have a presence in Ireland.

If you are interested in obtaining more information about the Consultation Process or share incentives generally please contact Gillian Dully at gdully@lkshields.ie.

The Consultation Paper can be found [here](#).

About the Author



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Gillian has considerable experience in advising Irish and international clients on a broad range of employment, pensions and employee benefits matters.

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