



*Irish ProShare Association
IPSA Members Briefing*

Budget 2011

15 December 2010

GEARÓID DEEGAN, PwC

Outline of Discussion

Overview of Share Scheme Changes

Impact on Revenue Approved Schemes

Impact on Non Approved Schemes

Position for Share Options

Other issues to consider

Employee communications

IPSA Representations

Employee Share Schemes

Overview of Changes

- Income Levy and Health Contribution abolished
- Replaced with Universal Social Charge (USC)
- USC to apply to all Share Schemes
- PRSI to apply to all Share Schemes?
- PAYE to apply to some Share Schemes
- Effective Date 1 January 2011!

Revenue Approved Schemes

Share Options – abolished 24 Nov!

SAYE Options

- Still tax effective on grant / exercise
- Employee PRSI & USC on exercise
- Employer PRSI on exercise

Profit Share

- Still tax free on appropriation
- Employee PRSI & USC on appropriation
- Employer PRSI on appropriation

Revenue Approved Schemes

ESOT's

- Still tax free
- Employee PRSI & USC via APSS?
- Trust / Employer PRSI?

'Clog' Schemes

- Tax position unchanged
- PRSI / USC / PAYE on taxable element

New Issue Shares Relief

- Abolished 8 December !

Profit Sharing Schemes

2010 Position

€2,000 Discretionary Bonus

- Shares to a value €2,000
- No income tax
- Employer PRSI saving 10.75%
- No employee PRSI
- No employee levies

Value received €2,000

- 'Cost' €1,785 \approx 89%

Profit Sharing Schemes

2011 Position

€2,000 Discretionary Bonus

- Shares to a value €2,000?
- No income tax
- Employer PRSI cost 10.75%
- 4% employee PRSI
- 7% employee USC

Value received €2,000?

- 'Cost' €2,435 \approx 122%

Unapproved Share Schemes

2010 Position

€3,500 Share Award

Shares to a value €3,500

- Tax @ marginal rate – self assessment
- Income levy 2%/4%/6%
- No Employer PRSI cost
- No Employee PRSI

Total 'Tax' Cost (say) €1,575

- Net value to employee €1,925

Unapproved Share Schemes

2011 Position

€3,500 Share Award

Shares to a value €3,500

- PAYE tax @ source
- Employer PRSI @ 10.75%
- Employee PRSI @ 4%
- Employee USC @ 7%

Total 'Tax' Cost (say) €2,196

- Net value to employee €1,680 (52% 'tax' v 45%)

Position for Share Options

2010 → 2011

- No change in overall tax treatment
- Employee tax @ 41% within 30 days
- RTSO1 to be filed with payment

BUT

- Employee USC @ 7% (RTSO1 or self assessment?)
- Employee PRSI @ 4% (@ source?)
- Employer PRSI @ 10.75%(??)

So share options have different treatment – clarification required

Other Issues to Consider

- New PRSI liability – further clarifications awaited
- Applies to subsisting and new share awards
- Provision for unexpected and significant PRSI costs
- Collection / payment via Payroll – former employees?
- Exposure moves from employee to employer – action required?
- Share Valuation in Private Companies
- Tracking / Recording / Reporting

Other Issues to Consider

- Availability / visibility to transaction data
- Foreign exchange impact
- What if insufficient salary to fund Tax/PRSI/USC?
- Impact of closed periods
- Outbound employees on overseas secondment
- Inbound expats on assignment
- New regulations expected early 2011
- Possibility of further changes in Finance Bill!

Employee Communications

Other actions required?

- Explanatory booklets now out of date
- Revised communications to reflect changes
- Direct impact on timing of tax payments
- Direct impact on cash earnings

Companies will need to reinvest in employee communications

IPSA Representations

Representations ongoing

- Response to Commission on Taxation Report
- Pre Budget Submission
- Letter to Minister for Finance – National Recovery Plan
- Press release Budget night
- Submission / meeting with Revenue
- Transition period?
- Other issues for your organisation?

Questions?

Gearóid Deegan, PwC – 792 6468

gearoid.deegan@ie.pwc.com

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2010 PricewaterhouseCoopers. All rights reserved. In this document, “PwC” refers to PricewaterhouseCoopers which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.