



Global Reward Update Ireland

Share scheme manuals updates
February 2022

What has changed

On 31 December 2021 the Irish Revenue released several updates across the share schemes tax and duty manuals. We have summarised below our understanding of the key changes.

Chapter 8 - Restricted shares as revenue

The most noteworthy change is that employers will be required to operate payroll withholding where additional tax becomes payable on the early release of shares before the end of a restricted/clog period. This can only occur in certain situations that are outlined in legislation, such as a sale or change in control, or the participant's death. Previously, the Revenue had agreed with the view that the individual must account for any additional tax arising through self-assessment.

This new guidance applies for both new and existing restricted share schemes and the change will apply where the lifting of a restricted period takes place from February 2022.

Chapter 2 – Restricted Stock Units (RSU)

The manual was clarified to make clear that the employer PRSI exemption for share based remuneration may apply where the underlying shares awarded are in the employing company, or in a company controlling the employing company. The guidance also reiterates that the exemption does not apply to cash settled RSUs.

Confirmation was also given that the reporting of RSU grant details will remain optional for this year's Employers Share Awards (ESA) return.

Chapter 9 – Key Employee Engagement Programme (KEEP)

The definition of a qualifying option has been amended, (including changes to the award criteria) following the signing of the commencement order. This formalises announcements made in previous finance acts.

Other share manual changes

Other changes made to the share manuals were minor updates, including:

- Updating examples provided,
- Adding links to the filing guidelines for share reporting,
- Including details of Covid-19 concessions, and
- Adding references to the United Kingdom where this was provided for in the Withdrawal of the United Kingdom from the European Union (Consequential Provisions) Act 2020.

Deloitte's view

The change for restricted shares could be significant, but our view is that the legislation does not necessarily support the application of PAYE withholding on the additional taxes arising where a restriction or clog is lifted early. This will also be difficult for employers to administer in practice given the specific circumstances in which a restricted period can be lifted. We are writing to the Revenue to outline the legislative position and our view that PAYE is not applicable. However, the Revenue may not change their stated position.

We suggest any employers who operate restricted share schemes (as defined in Irish legislation) consider their existing plan terms and whether updated documentation/communication should be prepared to address the potential requirement to collect tax via payroll. Our team are happy to discuss this with you and support with any changes required. The confirmation that employer reporting of RSU grant information will remain optional on the ESA return will be welcomed by employers. Many of the other changes referenced above will have no impact for employers operating share schemes.

Finally, as a reminder, the following returns must be submitted by the 31 March 2022 deadline:

Form Name	Plan Type
ESA	Restricted Stock Units (RSUs), Performance Share Plans (PSPs), restricted shares, forfeitable shares, convertible securities, discounted share awards and any other award with a cash payment equivalent to shares (i.e., cash settled plans).
RSS1	Share options and other rights
KEEP1	KEEP options
ESS1	Approved Profit Share Schemes (APSS)
SRSO1	Save As You Earn (SAYE)
ESOT	Employee Share Ownership Trust (ESOT)

Please note that Revenue approval of a share scheme may be withdrawn for failure to comply with the reporting obligations above. Additionally, trusts must file a 'Form 1' as a declaration of trust income and capital gains. Companies should consider the share plans they operate and identify the correct return that must be filed with the Revenue. If you require assistance in this regard, please reach out to our team. The returns are available on the Irish Revenue website (www.revenue.ie) and you will find more information around the various plans [here](#).

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