

Chapter 1 - Introduction and Overview

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1.1 Overview

This manual explains the tax treatment of shares and securities acquired by employees (including directors).

Employers commonly use shares in companies as a mechanism for rewarding, incentivising and retaining employees. The shares may be given to employees under formal employee share schemes or plans that will have a formal written set of rules, or they may be given to employees under informal arrangements such as one-off awards of shares or grant of share options. In general, income tax will be chargeable on the shares acquired by the employees, where the shares are acquired free of charge or at a discounted price.

Employees may also acquire shares or share options under any one of the tax efficient employee share schemes. With some specific exceptions and subject to certain limits and conditions being satisfied, income tax will not be chargeable on shares or share options acquired by employees under these approved schemes.

1.2 Structure of Tax and Duty Manuals

Each type of equity/share scheme has been allocated a chapter within this TDM. A separate chapter also provides guidance on the practicalities of the share schemes reporting arrangements.

Restricted Stock Units (RSU)	Chapter 2
Unapproved Share Options	Chapter 3
Employee Share Purchase Plan (ESPP)	Chapter 4
Convertible Securities	Chapter 5
Forfeitable Shares	Chapter 6
Shares Acquired at Less than Market Value (Undervalue), Notional Loans and Disposals for Greater than Market Value	Chapter 7
Restricted Shares	Chapter 8
Key Employee Engagement Programme (KEEP)	Chapter 9
Approved Profit Share Scheme (APSS)	Chapter 10
Employee Share Ownership Trust (ESOT)	Chapter 11
Save as you Earn (SAYE)	Chapter 12
Growth Shares	Chapter 13
Cash Settled Share Awards	Chapter 14
Share Scheme Reporting (SSR)	Chapter 15

1.3 General Schedule E Charge

Income tax under Schedule E is chargeable on every person holding or exercising an employment/office in the State, or a foreign employment/office to the extent it is exercised in the State and is not relieved from tax under the provisions of a double taxation agreement.

Under the provisions of section 112 TCA 1997, income tax is chargeable in respect of all salaries, fees, wages, perquisites, and profits whatsoever arising from an employment/office coming within Schedule E.

Shares or other securities acquired by an employee/director by reason of his/her employment/office are perquisites. Whether a charge to income tax arises or not under Schedule E is dependent on the extent, if at all, the employee/director has given consideration (other than services) for the shares or other securities.

If, for example, the employee/director has paid the full market value for shares received from his or her employer, then there will be no income tax charge. If on the other hand, the employee/director gives no consideration or consideration that is less than the full market value of the shares, then an income tax charge under Schedule E will arise on the difference between the market value of the shares and the consideration given by the employee/director.

Example

On 1 January 2021, an employee is awarded 1,000 shares by his employer at a purchase price of €2.50 per share. The market value of the shares on that date is €4.50 per share.

Amount chargeable to income tax on the acquisition of the shares:

Market value of shares	€4,500
Price paid by employee	(€2,500)
Amount chargeable under Schedule E	€2,000

1.4 PRSI/USC

Amounts chargeable to income tax in respect of shares and other securities acquired by directors and employees and gains arising on the exercise of share options are also liable to the Universal Social Charge (USC) and Pay Related Social Insurance (PRSI). Employer PRSI does not apply to share-based remuneration.

1.5 Operation of PAYE - To 31 December 2018

Where an income tax charge under Schedule E arises on remuneration in the form of shares or other securities, the employer will generally be obliged to deduct tax under the PAYE system. The net value of any shares awarded is to be treated as notional pay at the time the shares are given to the employee. PAYE, USC and PRSI (employee only) are due on the value of the benefit in the pay period in which the employee received the benefit.

The tax due on such a benefit can be more than the employee's net pay resulting in the employer not being able to deduct the full amount of tax in that pay period. In this case, the employer is still obliged to account for and remit (in full) the total income tax, USC and PRSI

due on the combined actual and notional pay with the relevant payroll submission. The obligation to account for tax in relation to each share scheme is dealt with in the chapter for that share scheme.

1.6 Operation of PAYE - From 1 January 2019 (PAYE Modernisation)

Regulation 12 of the Income Tax (Employments) Regulations 2018 covers the reporting requirements for notional pay, i.e. report:

- i. the day the taxable benefit arises, or
- ii. the earlier of the next pay day or 31 December in the year.

Employers should, in the absence of a precise valuation, include a best estimate of the value of the benefit involved and include that amount in the relevant payroll submission to Revenue.

When the precise value of the benefit becomes available, any adjustment should be included in the next payroll submission to Revenue. Where shares vest on 31 December an employer should consider whether the shares have vested by close of business in Ireland on 31 December. For example, US listed shares vesting on 31 December may be regarded as vesting on 1 January as the closing price will not be known at close of business in Ireland on 31 December. However, where the closing price is known by close of business in Ireland on 31 December the shares will be regarded as vesting on 31 December.

1.7 Contact us

1.7.1 The Revenue Technical Service (RTS)

Revenue recognises that taxpayers and or their agents may need, on occasion where a matter is not fully dealt with in Revenue's published guidance, to make contact to clarify the technical treatment of transactions prior to completing a tax return. All such complex technical queries should be directed to Revenue through the Revenue Technical Service. Comprehensive guidance notes regarding submitting technical queries through the RTS can be found in Tax and Duty Manual [Part 37-00-00a](#) .

1.7.2 Direct contact for approved Share Schemes

The only exception to submitting complex technical queries through the RTS will be where companies are proposing to establish and operate specific share schemes requiring approval (i.e. [APSS](#), [ESOT](#) or [SAYE](#)). In such circumstances, case specific queries prior to approval can be sent to Revenue. All such queries and scheme applications should be sent to the Employee Share Scheme Section of Revenue at the below address.

Personal Taxes Policy and Legislation Division
New Stamping Building
Dublin Castle
Dublin 2

Alternatively, an email address is available - shareschemessection@revenue.ie. Revenue does not recommend sending personal or confidential information to this email address as it is not secure. Tax and Duty Manual [Part 37-00-36](#) – My Enquiries should be used as an alternative.

1.8 Filing Requirements

There are several year-end reporting obligations for employers who operate share schemes for their employees. In certain circumstances, trustees have a filing obligation. The following chapters of this manual set out in detail the annual reporting requirements for each type of share scheme.

The standard filing deadline for all such share schemes is **31 March** following the year in which the activity arose. For example, returns in respect of 2022 activity are due by 31 March 2023. It should be noted that penalties for failure to make returns may apply.