

New Key Employee Engagement Programme -Share Options



Key employment engagement programme

- ✓ **Introduced in Finance Act 2017**
- ✓ **Company must be an 'SME'**
- ✓ **No income tax, USC or PRSI at the date of grant or exercise of KEEP option**
- ✓ **No employer PRSI**
- ✓ **Options must be granted at market value**
- ✓ **There are limits on the value of options which can be granted**
- ✓ **Does not require revenue approval**

What is KEEP?

KEEP is a tax advantageous share option scheme introduced specifically for certain qualifying SME companies for their employees or directors.

How do employees benefit?

The tax advantage for the participant compared to an unapproved share option is that there is no tax charge on the date of grant or exercise of the share option. The tax charge arises only on disposal of the shares acquired on exercise of the KEEP option.

What companies qualify?

A qualifying company is a company which is incorporated in Ireland or in an EEA State and is resident in an EEA State, and carries on its business in Ireland through a branch or agency.

The company must be an unquoted trading company or a trading company listed on the Enterprise Securities Market of the Irish Stock Exchange or a similar stock exchange in a country with which Ireland has a Double Taxation Agreement.

The company must also be an "SME" which is defined as an enterprise which has less than 250 employees, has an annual turnover not exceeding €50 million and/or an annual balance sheet total not exceeding €43 million.

Certain enterprises are excluded where they carry on "excluded activities". The excluded activities are:

- Dealing in commodities or futures in shares, securities or other financial assets
- Financial activities
- Professional services companies providing certain excluded services
- Dealing in development land
- Building and construction
- Operations carried out in the coal industry or in the steel and ship building sectors.

Must all employees be included?

No, however KEEP options can only be granted to qualifying individuals.

To be a qualifying individual and granted KEEP options the individual must throughout the exercise period, which is, in general, a period commencing twelve months after the date of grant of the option and ending no more than ten years from the date of grant of the option;

- be a full time employee or full time director of the qualifying company, and
- devote substantially the whole of his or her time to the service of the company, with a minimum requirement of at least 30 hours per week.

What is a qualifying share option?

At the date of grant of a share option the total market value of the issued but unexercised qualifying share options must not exceed €3,000,000.

There are also restrictions on the total market value of all shares, in respect of which qualifying share options have been granted by the qualifying company to an employee or director. These must not exceed:

- €100,000 in any one year of assessment,
- €250,000 in any three consecutive years of assessment, or
- 50% of the annual emoluments of the individual in the year of assessment in which the qualifying share option is granted.

The options must be granted at the market value of the shares at the date of grant of the share options.

What are the tax consequences for employees?

There is no charge to income tax, universal social charge ("USC") or social security ("PRSI") on either the date of grant of the option or on the date of exercise of the option. The charge to tax arises on subsequent disposal of the shares acquired on exercise of the KEEP option.

What about capital gains tax?

In general, a share disposal should be regarded as a capital disposal within the charge to capital gains tax. The base cost of the shares for CGT purposes will be the amount paid i.e. the option price on acquisition. There is an annual exemption from CGT of €1,270 per individual. The current rate of CGT is 33%.

Contact us



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