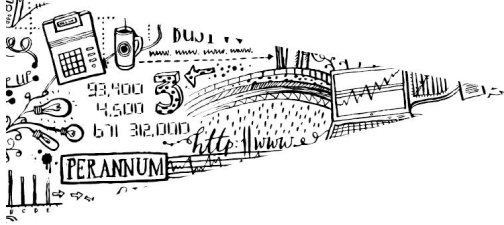


23 August 2011

# Tax alert

## Ireland

Issue 19/11



## Employee Share Awards - Exemption from PRSI

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### Executive Summary

The Minister for Social Protection today announced a significant restriction on the exemption previously announced in respect of **employee** social insurance contributions (PRSI) due on share awards which were evidenced in writing prior to 1 January 2011. The exemption will now only apply to share based remuneration arising from such awards which is received in the year ending 31 December 2011. All share based remuneration received post 1 January 2012 will be subject to employee PRSI contributions, regardless of when the original award was made. The exemption from employer contributions will however continue to apply.

### Summary

Liability for social security contributions (PRSI) for both employers and employees was extended to share based remuneration with effect from 1 January 2011. Following consultations, the Dept of Finance announced last March that that the charge to PRSI, for both employers and employees, would not apply where the share based remuneration was the subject of a written agreement, entered into between the employer and the employee before 1 January 2011.

The statement issued today imposes a significant limitation on this concession by providing that the exemption from the **employee** PRSI charge for such legacy awards will only apply to share based remuneration received in the current tax year (year ending 31 December 2011). After that date, the employee PRSI charge will apply in all cases, regardless of when agreements were entered into, with the exception of shares that were already held in an Employee Share Ownership Trust before 1 January 2011.

The statement also confirms the Government's previous announcement that employers PRSI contributions will not be payable on share based remuneration. This remains the case, irrespective of when the award was made. The statement adds that "By signalling in advance the cessation of this transitional concession, employers will have the opportunity to fulfil any pre-existing commitments in relation to share-based remuneration before the end of 2011."

The change in policy will impact on employees holding 'legacy' awards (i.e. pre 1 January 2011 share awards which do not vest until after 1 January 2012), and on those who exercise legacy share options after that date. Such awards will be liable for employee PRSI contributions. The additional liability will amount to 4% of the taxable value of the awards.

The statement also **gives** details of the process by which employers and employees who had paid PRSI on pre January 2011 share awards, prior to the March announcement, can claim repayment of such contributions.

### Next Steps

Individuals affected by the announcement, together with their employers, may wish to give consideration to accelerating the vesting/exercise of pre 1 January 2011 share awards or options before the end of the current year in order to avail of the transitional exemption from employee PRSI contributions.

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