

Ireland Update: New Employer Obligations Regarding Share Option Related Taxes

What You Need to Know

Since 1 January 2024, employers have a new reporting and withholding obligation regarding share option related taxes.

Background

Section 12 of the Finance (No.2) Act 2023 provides for a new employer obligation regarding share option related taxes. From 1 January 2024, employers have a reporting and withholding obligation in relation to the Income Tax, Universal Social Charge and employee Pay Related Social Insurance payable on gains realised when an employee or director exercises share options.

Historically, the onus was on employees and directors to report any gain realised on the exercise of their share options and to pay the related taxes within 30 days of the date of the exercise via the self-assessment system. Accordingly, this is a significant change for employers who may not previously have had any share-based compensation plans within the PAYE system. Given the tight timeframe, the change will potentially lead to payroll compliance challenges for employers, particularly those with plans involving frequent exercise.

While we understand that formal Revenue Guidance is pending, employers should review share option schemes and agreements to ensure that the current arrangements remain fit for purpose and to ensure they have a process in place for keeping a record of grants and

exercise periods. For example, adjustments may need to be made to enable payroll withholding and / or to enable employers to sell shares on behalf of the employee / director in order to fund the tax liability in the event that an employee does not have sufficient net salary to fund all relevant payroll deductions.

How the Maples Group Can Help

If you require assistance or for further information, please reach out to your usual Maples Group contact or any of the persons listed below.

Dublin

Colm Rafferty

+353 1 619 2058

colm.rafferty@maples.com

Morgan Pierse

+353 1 619 2746

morgan.pierse@maples.com

Jordan O'Brien

+353 1 619 2710

jordan.o'brien@maples.com

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