

REVENUE UPDATE:

PENSIONS & SHARE SCHEMES

The main point at issue is what amounts can be included as remuneration for the purposes of both relief limits for personal pension contributions and for the purposes of calculating pension benefits. There is no clear legislative definition of remuneration in these circumstances. Based on earlier cases dealing with “remuneration”, it is likely that the Appeal Commissioners would rule that the value of any rights accruing to employees should be regarded as remuneration.

It is stated Government policy to encourage both employee share ownership and individual pension savings. Unless there is a desire to exclude specific items from “remuneration”, which would involve a legislative change, we would broadly give a positive response to the specific questions asked by the IAPF.

Approved Profit Sharing Schemes:

The following may be included in “remuneration”:

Free shares

Shares purchased by foregoing bonus

Shares funded out of salary foregone

Shares provided by an employer under a ‘buy-one-get-one-free’ (BOGOF) agreement.

Share Options:

Any taxable amount arising on the exercise of an option may be included as remuneration. It may happen that an employee received options while working for employer A but exercised the options while working for employer B. An additional voluntary contribution (AVC) cannot be made to a scheme operated by employer A as there is no facility for an ex-employee to make an AVC. It is not possible to make an AVC to the employer B scheme as the “remuneration” relates to a previous employment. As a concession, Revenue will allow relief for a contribution to a PRSA or Retirement Annuity Contract (RAC).

Save as You Earn:

Any discount accruing cannot be included for pension purposes

Restricted Stock Scheme:

Only the actual amount of the gain assessed (the value of the benefit to the employee taking account of the restrictions placed on the shares) may be included as “remuneration”.

Effective Date: 30.01.2007