

TAX & ACCOUNTANCY

SHARES GUIDE



**ALL YOU NEED
TO KNOW
ABOUT SHARES
AND TAXES**

TAX ON SHARES

Do I have to pay tax?

In a word – yes. Your employer is obliged to provide the Revenue Commissioners with a return on their share schemes every year.

This form details the awards given to each employee along with their PPS numbers. Your details are in the tax system and unpaid tax will be pursued.

What tax do I pay?

In most cases you will have to pay tax twice when it comes to shares – income tax when you receive shares and Capital Gains Tax when you sell them.

What if I am behind on my taxes?

The Revenue Commissioners can treat late cases quite severely. If you have not submitted the appropriate tax returns for previous years, do so as soon as possible. Failure to do so will result in significant extra charges.

Hoping that the Revenue Commissioners will forget or simply go away is not an advisable option.

If I am not an Irish resident do I still have to pay Irish tax?

Yes. If the share option granted is in connection with an employment performed in Ireland then the share option is liable to Irish tax. Tax may also be payable in country you are a tax resident in.



SHARE AWARDS

What are share awards?

Share awards are when your employer gives you shares in the company as part of a bonus or remuneration package.

If you have received shares in 2011 or later, your employer will have looked after the income tax side of things for you.

If you have undeclared shares from before 2011, you will need to seek further advice. All you need to know is what happens if you sell your shares.

Selling your shares

When it comes to selling your shares you have to pay tax in the form of Capital Gains Tax. In Ireland this is currently charged at 33% of the gain. The first €1,270 of a gain in a tax year is exempt from CGT.

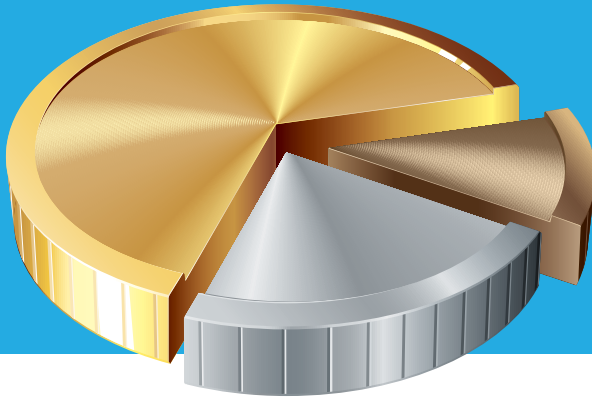
The basic principal here is that you need to determine what your gain was, i.e. you pay tax on the difference between the value of the shares when you received them and the value of the shares when you sell them.

When you pay your CGT will depend on when the gain arose. Because of this, it is a good idea to seek advice on the optimal time, tax wise, to sell your shares.

Specifically, for gains arising in period 1 January to 30 November the tax must be paid by 15 December. For gains arising in December tax must be paid by 31 January.

Capital Gains Tax

The standard CGT rate in Ireland is 33% - making Ireland one of the highest in the EU.



EXAMPLE

Jane sold her shares on the 1 January 2017 for €7,000. The market value of the shares when she received them was €1,000.

She would have been liable to pay 33% CGT on her gain by 15 December 2017.

Gain

$$€7,000 - €1,000 = €6,000$$

CGT

$$(€6,000 - €1,270) * 33\% = €1,560.90$$

Details of the gain should also be included on her CGT tax return for 2017 which is due by 31 October 2018.

€1,270

SHARE OPTIONS



What are share options?

Share options are a benefit granted to employees. They can purchase shares in a company at a set rate which is often below the current market value. You need to be aware of two tax events in relation to share options - income tax, when you exercise the option and capital gains tax when you sell the shares.

Exercising the options

In the majority of cases, you are liable for tax when you 'exercise' your options rather than when you receive them. You must pay income tax, Universal Social Charge (USC) and PRSI on the difference between the option price and the market value of the shares at the date of exercise.

EXAMPLE

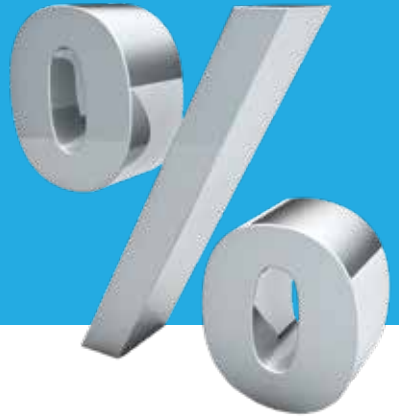
Jane received 10 share options (option to buy at €300 when market value was €500) on 1 March 2018. She exercised the options immediately.

She needs to pay any tax due (income tax, USC and PRSI on €2,000) by 31 March 2018.

KEEP Scheme Share Options

The KEEP Share option scheme came in to effect from January 2018. Share options granted under this scheme can be exercised without any charge to income tax. Please see our separate guide on KEEP for further information.





Selling your shares

When you sell your shares you will be liable to CGT on any gain arising. The gain is calculated as the difference between sales proceeds and the market value of shares at date of exercise of option. The first €1,270 of a gain in a tax year is exempt from CGT.

EXAMPLE

Jane sells the 10 shares she received under the share option scheme on 15 May 2018 for €900 per share.

Gain

$(€900 - €500) * 10 = €4,000.$

CGT

$€4,000 - €1,270 * 33\% = €900.90.$

This should be paid to the Revenue by the 15 December 2018.

Did you know?

Timing is even more crucial when it comes to share options. You must make your full return to the Revenue Commissioners within 30 days of the date you exercised your option.

PENALTIES

What are the charges if I am late?

INTEREST: Revenue apply interest on your outstanding liability at a rate of .0219% per day or roughly 8% annually.

SURCHARGES: A once off charge of 10% of your liability when returns are outstanding for more than 2 months will be applied.

PENALTIES: Up to 100% of liability.

FINES: A possible charge of €4,000 and a court appearance where Revenue have had to pursue an enforcement action against you.

How we can help you

- Assess your individual situation
- File all appropriate income tax and CGT forms accurately and quickly
- Negotiate on your behalf with Revenue if you are behind on your taxes
- Expert service

It is sometimes possible to reduce penalties and surcharges by negotiating appropriately with the Revenue Commissioners. We can work with you to prepare and lodge an unprompted qualifying disclosure which can reduce penalties to as low as 3%.

What else?

In the case of share options it is also important that the employee submits an income tax return by the 31st October in the year following the year the share options were exercised. This return must be submitted despite the fact that no further income tax may be due – failure to do so can result in a maximum fine of €4,000.

Why work with us?

- Fixed fee – no expensive hourly rates
- Tax experts – get the best advice
- Experienced negotiators – negotiate on your behalf with Revenue if you are behind on your taxes
- Expert service

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