Share Schemes in Ireland Explained

ITL Independent Trustee

Irish employers have a range of share scheme structures available to them. Each serves a distinct purpose and carries specific tax, legal and administrative considerations.

This guide outlines the principal share scheme types used in Ireland and explains how they function in practice.

1. Approved Profit Sharing Schemes (APSS)

An Approved Profit Sharing Scheme, commonly known as an APSS, is a Revenue approved arrangement that allows companies to award shares to employees in a tax efficient manner, subject to statutory conditions.

Shares are typically allocated and held in trust for a specified period. Where the required holding conditions are satisfied, employees may benefit from favourable tax treatment.

APSS structures are often used to facilitate broad based employee participation and align reward with company performance. Because Revenue approval is required, clear documentation and careful administration are essential.

2. Employee Share Ownership Trusts (ESOTs)

An Employee Share Ownership Trust, or ESOT, is a trust based structure recognised under Irish tax legislation. It holds shares collectively on behalf of employees rather than issuing them directly to individuals.

Employees benefit through allocations, typically under an APSS or similar arrangement, while the trust remains the registered shareholder.

This structure centralises ownership, avoids fragmentation of the share register and provides continuity over time. Trustees manage the shares in accordance with the trust deed and in the interests of beneficiaries.

It is important to distinguish ESOTs from the UK style Employee Ownership Trust model, which enables full employee ownership of a company with specific tax incentives for selling shareholders. While that broader EOT framework has gained significant momentum in the UK, Ireland does not yet have an equivalent standalone regime, although policy interest continues to grow.

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3. Save As You Earn (SAYE)

Save As You Earn, known as SAYE, is a savings based share option scheme. Employees save a fixed amount over a defined period, typically three or five years, and may then use those savings to purchase company shares at a pre agreed price.

SAYE schemes are designed to encourage gradual and inclusive participation. As Revenue approved arrangements, they must operate within prescribed rules.

4. Key Employee Engagement Programme (KEEP)

The Key Employee Engagement Programme, or KEEP, is a targeted share option scheme designed to support smaller and scaling Irish companies.

KEEP allows qualifying companies to grant share options to key employees with potentially favourable tax treatment, subject to meeting legislative conditions.

It is particularly relevant where companies wish to incentivise senior or specialist talent without significant upfront cash cost.

5. Unapproved Share Option Plans

Unapproved share option plans provide greater flexibility, as they do not require Revenue approval. Companies can tailor vesting conditions and performance criteria to suit commercial objectives. These arrangements are frequently used to incentivise senior executives or key personnel.

The trade-off is that the tax treatment differs from approved schemes, and liabilities may arise when options are exercised.

6. Restricted or Clogged Share Arrangements

In private or owner managed companies, shares are often subject to transfer restrictions. These arrangements help maintain control over ownership and limit who may become a shareholder. Restrictions may apply for a defined period or until certain conditions are met.

While effective from a control perspective, valuation and tax implications must be considered carefully.

> Independent Trustee Limited supports organisations across Ireland in establishing and overseeing trust based share arrangements. If you are reviewing your current structure or considering a new scheme, early specialist input can help ensure the framework is appropriate, compliant and aligned with your long term plans.

For further information:
please contact **01 614 8079** or email **info@trustee.ie** Visit **www.trustee.ie**

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