Global Reward Update

Ireland | Save As You Earn (SAYE)

Key points to know

- Ulster Bank is currently the only licensed Irish bank holding SAYE deposits.
- As a result of Brexit, Barclays and YBS continue to administer existing schemes but are not approved for new schemes.
- With Ulster Bank's announced departure from Ireland the future viability of SAYE is in doubt.
- If options are granted under an unapproved scheme they will no longer qualify for income tax relief.
- Assuming that employers can no longer offer SAYE options to Irish employees, they should consider what they will offer as an alternative.

Background

SAYE schemes, also known as Sharesave, are tax efficient share schemes approved by the Irish Revenue. Gains realised on the exercise of SAYE options are exempt from income tax (currently the top rate of income tax is 40%).

Under the Irish legislation, employee savings made under an SAYE must be held by a "qualifying savings institution". This means that a bank must hold an Irish license or a similar license granted under the law of an EEA state.

Many of the SAYE schemes operated in Ireland have savings accounts held with Barclays and YBS, which are UK savings institutions. The Minister for Finance signed a ministerial order in October 2020 allowing Barclays and YBS to continue to administer SAYE accounts for the term of existing SAYE schemes. However, neither institution will be a qualifying institution for any SAYE grants made since 1 January 2021.

Since 1 January 2021 Ulster Bank is the only Irish licensed bank to provide SAYE accounts. Their announced withdrawal from the Irish market brings into doubt the viability of SAYE schemes in the future.

Deloitte's view
The viability of SAYE schemes was already in question as a result of Brexit and the extension of approval for Barclays and YBS only applying to existing schemes. With the announcement of Ulster Bank's departure from Ireland, the availability of SAYE schemes in the future is now in doubt. It is difficult to envisage other institutions offering SAYE deposit facilities at this time.

Employers who currently have SAYE schemes need to consider whether they should offer an alternative incentive arrangement. If the company operates a UK SAYE, options can be granted under that scheme with the savings held by the relevant UK institution. However, the income tax advantage of Irish approved SAYE schemes will be lost and those options will be taxable at exercise in Ireland. If they take this approach, employers should communicate this change to employees. Not only will their options now be subject to tax, but tax on unapproved share options is payable directly by employees on exercise, not via payroll.

An alternative would be to consider whether an Approved Profit Sharing scheme, which allows up to €12,700 in shares to be awarded tax free each year, would instead be suitable for Irish employees.

Who to contact

If you would like to discuss this further, or have any questions, please speak to your usual Deloitte contact or any of the contacts listed below:

Colin Forbes, Partner, +35 3 14 17 29 93 or email

Sarah Conry, Director, +35 3 14 17 23 74 or email

Kelly Payne, Senior Manager, +35 3 14 17 28 31 or email

Deloitte.

Designed and produced by Deloitte Creative CoRe. RITM0703614