Advice Notes

Benefits in Kind

All benefits in kind should be included as part of gross earnings.

When employers complete a quarterly contribution schedule, where they record the earnings and contributions due for each employee, they should include the same benefit in kind value as determined for Income Tax purposes. This is the net weekly or monthly value following the deduction of the Income Tax exemption figure where applicable.

Share Award Schemes

We intend to follow the actions adopted by Income Tax (Tax Statement of practice E43).

Currently the Income Tax Benefits in Kind Guide states that an emolument arises when shares are acquired or the option is granted and not when it is exercised (vested).

However, we understand that Income Tax allow concessions where the maximum permissible period between granting of the option and vesting of the shares is three years.

If Income Tax grants such a concession then Social Security liability will be calculated at the time of vesting, up to a maximum of 3 years after the award, based upon the value of the taxable emolument at the date of the grant of the award (not based upon the value of the shares at the date of vesting).

If the share price falls Social Security will still be due based upon the price at the date the option was granted. However, if the option is rescinded or revoked prior to the date of vesting, then no Income Tax or Social Insurance liability will exist.

If the employee leaves before the third anniversary of the award, Social Security contributions should be deducted in the last week or month of employment, based upon the price of the shares at the date the option was granted.

If however, the award is forfeited so that the employee doesn’t receive the shares, then no Social Insurance liability will exist.