



**British Irish Chamber of Commerce Submission to the
Consultation Process on the Key Employee Engagement
Programme (KEEP)**



May 2019

Background and Context:

The British Irish Chamber of Commerce (the Chamber), the only organisation representing business activities with interests across the two islands of Britain and Ireland, welcomes the opportunity to make a submission to the Consultation Process on the Key Employee Engagement Programme (KEEP)¹.

The raison d'être of the British Irish Chamber of Commerce is to champion, protect, promote and grow the trade between the UK and Ireland. That trade is now worth over €70bn per annum and supports 400,000 jobs evenly spread between the two islands. Considering the potential impact of Brexit on Ireland, the Government needs to be strategic in cultivating an environment that can effectively respond to the opportunities and challenges that may emerge. One of the sectors that may present a rare opportunity for Ireland is the technology sector. Ireland is one of the largest tech hubs in Europe and is now home to:

- 10 of the top 10 global technology companies
- 9 of the top 10 global software companies
- 5 of the 5 top security software companies
- 3 of the top 3 enterprise software companies
- 3 of the top 5 games companies
- 4 of the top 5 IT services companies
- The top 10 'born on the internet' companies

Dublin has become a European Headquarters for some of the world's leading technology giants such as Google, Facebook and Microsoft. Dublin's 'Silicon Docks' is the centre of tech activity in Ireland and home to more than 250 global tech companies. Cork, Galway and Limerick also have a strong tech sector, with Apple's European Headquarters based in Cork.

In addition, Ireland also has a thriving indigenous tech sector and is ranked number three in Europe for its environment for supporting start-ups and number seven for ease of starting a business. Of the estimated 120,000 people working in the ICT sector in Ireland, approximately 15% are employed in indigenous firms who have reported revenues in excess of €2.5bn. On average there are 60 start-ups founded every day in Ireland.

One of the biggest obstacles in fulfilling the potential of the tech sector in Ireland is attracting and retaining talent in what is commonly known as the 'War for Talent'. It is estimated that there are over 12,000 open positions in the technology sector in Ireland and that there will need to be an additional 70,000 workers over the next five years to fulfil increasing demand.

¹ The British Irish Chamber of Commerce is happy to contribute to any future Consultations on this issue.

This has led to significant wage pressures in the market as evidenced in the recent Morgan McKinley Irish Salary & Benefits Guide² which anticipates salary increases in the technology sector are likely to be in the region of 10% on average, rising to a 20% increase for more niche and in demand skillsets. To keep competitive with multi-nationals, one of the levers that is used by start-ups globally is to offer employees shares – this Paper will outline why the Government’s Key Employee Engagement Programme (KEEP) needs to be reformed.

The Key Employee Engagement Programme (KEEP):

In the Chamber’s ICT Policy Paper (2017) ‘Brexit: Turning an Opportunity into a Challenge’³, the Chamber outlined that reforming the tax regime of share options in Ireland should be considered a top priority for the Government’s ICT strategy. The Chamber outlined then and reiterates today that:

“For start-ups it is impossible to compete with multinationals in terms of salary remuneration therefore incentives such as offering shares in the company are essential to attracting and maintaining talent”.

At that time the Chamber called for the Irish Government to adopt a share option scheme along the lines of the UK’s Enterprise Management Incentive (EMI) scheme. The Chamber welcomed the announcement of the Key Employee Engagement Programme (KEEP) in Budget 2018 as a positive step in the right direction. Over the past two years feedback from the sector is that start-ups, SMEs and family businesses are unable to avail of the scheme due to the restrictive nature of its conditions.

In Budget 2019, the Chamber made the following recommendations on the KEEP scheme⁴:

- **The valuation of shares requirement** – under the current criteria, share options must have an exercise price that is not less than the market value of the underlying shares on the date the option is granted. This is quite difficult to achieve as start-ups are unaware of their potential market value;
- **The scope of qualifying companies** - as currently applied, Fintech companies are excluded from the scheme, yet these represent one in every four start-ups;
- **The full-time employee requirement** – many start-up employees are part-time as the company is not able to offer full-time hours and conditions. Account should at least be taken of time spent working in other group companies;
- **The cap** – a company can only have a maximum of €3m value of share options in issue and unexercised at any one time. This is restrictive for high-growth start-ups;

² <https://www.morganmckinley.ie/salary-survey>

³ <https://www.britishirishchamber.com/wp-content/uploads/2017/09/British-Irish-Chamber-of-Commerce-ICT-Policy-Paper-Sep2017.pdf>

⁴ <https://www.britishirishchamber.com/wp-content/uploads/2018/08/Budget-2019-WEB-Version-1.pdf>

- **Holding company definition** – currently shares in a holding company will only qualify where the business of the holding company is “wholly” of the holding of shares “directly” in the qualifying company. In practice, virtually no holding company can meet these requirements;
- **Certainty of CGT Treatment** – it would be useful to confirm that CGT treatment applies where shares are bought back by a company in tranches. Often this is necessary due to liquidity issues for the company.

The Chamber acknowledges the amendments to the KEEP scheme in the Finance Bill 2018 which:

- ✓ Doubled the maximum annual market value of shares that may be awarded to 100% of the employee’s salary,
- ✓ Replaced the three-year limit with a lifetime limit, and
- ✓ Increased the quantum of share options that can be granted under the scheme from €250,000 to €300,000

However, it is generally acknowledged that take-up of the scheme has been less than expected and therefore we would ask that the aforementioned recommendations be considered in this review.