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Minister for Finance
Department of Finance
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Re: Irish ProShare Association (IPSA) Pre-Budget Submission 2017

Dear Minister,

As the voice of employee ownership and employee financial participation in Ireland, the IPSA, a not for profit organisation, is pleased to make this Pre-Budget 2017 Submission for your consideration.

Executive Summary

IPSA is keen to engage with the Department of Finance in a review of all aspects of employee share ownership (EO) and employee financial participation (EFP) and welcome the recent consultation process on the topic that your department has initiated. While we intend to submit a response to this consultation we would like to add that our council is made up of people with great expertise in employee ownership and we believe we could add immense value to such a review process should your department wish to engage directly with us.

We at IPSA, like Government, recognise that economic and social progress go hand in hand. Consequently we see employee ownership, in all its forms, as an essential tool in aiding the New Partnership Government to succeed in creating a supportive environment for Enterprise and Employment as a sound investment in economic, social and regional infrastructure. IPSA believes that the greater diversification of business models that employee ownership brings can help achieve and sustain long term economic growth in Ireland.

The Submission

Our submission has been shared with, amongst others, the following organisations: ISME, IBEC, IDA, Enterprise Ireland, and the Department of Jobs, Enterprise and Innovation and reflects the views of our council and membership body.

As outlined in our reply to the consultation, IPSA believes that by enabling more companies to implement employee ownership arrangements our economy can reap important economic benefits:

- Employee owned businesses have proven to achieve higher productivity and innovation and they are more profitable.
- Employee owned businesses think and act for the long term which in turn facilitates long term growth.
- Employee owned businesses deeply engage their workforces, leading to increased innovation, productivity and community sustainability.

The benefits to the economy of facilitating employee share ownership are strongly supported by the statistics. The UK Employee Share Ownership Index (**EOI**) measures the share price performance of FTSE All Share companies against UK companies with varying levels of employee ownership. In 2015, the index measuring companies that have at least a 3% ownership share by their employees showed that there was a return of 26.4% compared to just 0.8% for the FTSE All Share Index. This strong outperformance of companies where there is employee ownership versus other companies has been seen in the UK for 10 of the last 13 years. The average annual margin of performance since the start of 2003 is +13.9%.

As stated in our consultation reply we are asking the Department of Finance to revise the current tax regime in respect of employee share remuneration and in doing so create opportunities and incentives to encourage employee ownership in all parts of corporate Ireland. We are committed to working in partnership with your staff and advisers to assist with what should be in our view a cost neutral measure.

As part of this revision process two particular measures which we believe could drive our economy are (i) a simplification of the tax treatment of share incentives for start-ups and SMEs and (ii) an increased flexibility for our revenue approved employee share schemes.

Simplification of taxation of share incentives for SMEs

We at IPSA believe that measures that enhance employee ownership would benefit the entire Irish economy not just start-ups and IPSA would warmly welcome the opportunity to assist the Government in designing and implementing these initiatives.

One such example is the Enterprise Management Incentive scheme which has been successfully utilised for SMEs and start-ups in the UK for over 15 years. Similar benefits could be afforded to a large swathe of smaller Irish companies trying to compete with major multi-national employers and we see such a review as an initiative that could help generate more jobs in local and rural companies.

Enhanced flexibility for our Revenue approved schemes

Our current Revenue approved share schemes (APSS and SAYE) have proved successful over the last 20 years. The ability for a company to award shares free of employer PRSI is a significant cost saving to companies and a very important and valuable tool in such companies' remuneration packages. Notwithstanding the benefits which these Revenue approved schemes can bring to businesses, we believe that a review of these all-employee arrangements would be beneficial, in particular to allow companies to potentially operate them on a selective basis and perhaps link awards to value creation. We believe these valuable plans and any possible new plans would be both more beneficial and easier to implement coupled with providing for their wider application amongst companies if they could be more easily targeted at certain employees or employee groups rather than on the current more rigid all employee similar terms basis.

In conclusion

We appreciate your time in considering our proposals above and look forward to engaging with you to address any questions or clarifications you may have on this submission or on our consultation reply.

Thank you.

Yours sincerely,



Niall Kavanagh, Perrigo Company plc
Chair, IPSA