

## **Chambers Ireland's May 2019 submission on Key Employee Engagement Programme (KEEP):**

As a representative body, Chambers Ireland is the national voice of Ireland's largest business network, with the broadest geographic reach, active in every major town and city. Our member chambers represent a wide cross-section of industries and activities, stretching from individual sole traders right through to the largest multinational companies.

Irish businesses are operating in an increasingly competitive employment market and this is particularly challenging for start-up businesses and SMEs when competing with larger companies to attract new staff. Employee share options are an ideal way in which SMEs, start-ups and scale-ups can attract employees and benefit from current economic growth.

In addition, employee share options schemes for businesses can benefit the wider economy through promoting increased productivity in business

Chambers Ireland welcome the introduction of any employee share options scheme for SMEs and start-ups, and in particular we welcomed the introduction of the Key Employee Engagement Programme (KEEP), announced in Budget 2018. However, the inappropriateness of the structure of KEEP is demonstrable in how rarely it is utilised. While we the emphasise the need for programmes like KEEP if we are to retain talent for Irish SMEs, feedback from our Network indicates that this scheme is not operating as well as it could and that overly restrictive conditions are making it unattractive to businesses.

Equivalent programmes internationally have been a great success, for businesses, for employees and for the exchequer, where they have led to Government revenues from CGT, VAT receipts and corporate tax.

KEEP is overly complex, and it does not provide the easy-to-implement, productivity-enhancing incentives that would make it an attractive option for a start-up business or SME.

The KEEP scheme has an unbalanced gender effect. A disproportionate amount of caring responsibilities fall on women in Ireland, the requirement that an individual who wants to benefit from the KEEP scheme remain a full time employee continuously throughout the relevant period fails to take account of the structural difficulties which inhibit many women's advancement in the workforce, new initiatives ought to be gender-proofed to ensure that existing impediments to women in the workforce are not reinforced, or amplified. There is both a business, and a social, need to facilitate flexible working, taxation shouldn't incentivise people to ignore that.

The issue of the buy-back exclusion must be reviewed. This is a particular problem for family run businesses where there is a shallow market for selling shares, and direct employer buy-backs incurs a CGT liability.

The definitions of 'financial activities' should be narrowed so as to exclude high-tech start-ups and SMEs in fields adjacent to traditional finance.

