



To: Inspector of Taxes

PPS No.

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Please read the notes overleaf before completing this form.

Name of Individual

Address of Individual

Election is hereby made under Section 128A(4A) Taxes Consolidation Act 1997 in respect of the exercise of the following share option:

Name of company that granted Option	<div style="border: 1px solid black; width: 578px; height: 20px;"></div>		
Date of Grant of Option	<div style="border: 1px solid black; width: 50px; height: 20px; text-align: center;">/ /</div>	Market Value of Shares at Date of Grant	€ <div style="border: 1px solid black; width: 100px; height: 20px;"></div>
Date of Exercise of Option	<div style="border: 1px solid black; width: 50px; height: 20px; text-align: center;">/ /</div>	Option Price	€ <div style="border: 1px solid black; width: 100px; height: 20px;"></div>
Number of Shares acquired under this Option	<div style="border: 1px solid black; width: 50px; height: 20px;"></div>	Market Value of Shares at Date of Exercise	€ <div style="border: 1px solid black; width: 100px; height: 20px;"></div>
Gain Arising	€ <div style="border: 1px solid black; width: 50px; height: 20px;"></div>	Income Tax Due	€ <div style="border: 1px solid black; width: 100px; height: 20px;"></div>

If you are electing under Section 128(A)(4A)(a)(i) please and provide the following information:

Date of Sale (if sold)	<div style="border: 1px solid black; width: 50px; height: 20px; text-align: center;">/ /</div>	Sale Proceeds	€ <div style="border: 1px solid black; width: 100px; height: 20px;"></div>
		Market Value of Shares at Date of Disposal	€ <div style="border: 1px solid black; width: 100px; height: 20px;"></div>

If you are electing under Section 128(A)(4A)(c) please and provide the following information:

Market Value of Shares at 6 February 2003	€ <div style="border: 1px solid black; width: 50px; height: 20px;"></div>	
Date of Sale (if sold)	<div style="border: 1px solid black; width: 50px; height: 20px; text-align: center;">/ /</div>	
	Sale Proceeds	€ <div style="border: 1px solid black; width: 100px; height: 20px;"></div>
	Market Value of Shares at Date of Disposal	€ <div style="border: 1px solid black; width: 100px; height: 20px;"></div>

Are you electing (a) Under Section 128A(4A)(a)(ii)
 (b) Under Section 128A(4A)(b)

Declaration

I declare that to the best of my knowledge and belief, all the particulars on this form are correct.

Signature	<div style="border: 1px solid black; width: 440px; height: 20px;"></div>	Date	<div style="border: 1px solid black; width: 50px; height: 20px; text-align: center;">/ /</div>
Capacity of Signatory	<div style="border: 1px solid black; width: 350px; height: 20px;"></div>		
Telephone number	<div style="border: 1px solid black; width: 350px; height: 20px;"></div>		

Important

- This election must be made to your Inspector of Taxes **no later than 1 June 2003.**
- Where Payment on Account is being made, payment should be made direct to the Office of the Collector General, Sarsfield House, Francis Street, Limerick. A payslip is available from the Revenue website, www.revenue.ie

Payment of tax in respect of share options in certain circumstances

Section 7, Finance Act, 2003 amends the payment arrangements in relation to income tax due in respect of the acquisition of shares under share options granted under unapproved share option schemes. Under existing rules, when such an option is exercised, an income tax charge arises, under section 128 of the Taxes Consolidation Act, 1997 (TCA), on the gain from the exercise of the option, that is, on the difference between the market value of the shares on the date of exercise and the amount paid for the shares (i.e. the option price). The income tax is payable under self-assessment. However, in respect of share options exercised on or after 6 April 2000, the taxpayer may elect, under section 128A of the TCA, to defer the payment of the income tax for seven years or until the shares are disposed of, whichever is the earlier.

In the case of share options exercised before 6 February 2003, the new provision provides that payment of the income tax liability, whether currently due or deferred, may, at the election of the taxpayer, be satisfied by way of a payment on account equal to the market value of the shares at specified dates with the balance of the income tax being deferred until the taxpayer, or his or her spouse, disposes of the shares or any other shares. It should be noted in particular that :

- where income tax paid before 6 February 2003 exceeds the payment on account under these arrangements there is NO right to repayment of the excess, and
- to qualify for this payment on account provision, any other income tax liability arising from the exercise of share options (and which does not qualify under this payment on account option) must have been paid or been included in an instalment arrangement acceptable to the Collector-General.

'any shares' : includes securities within the meaning of section 135, Taxes Consolidation Act, 1997 and stock (i.e. shares, securities, stock and any other interest in a company).

There are five categories of individuals who may elect for the new provision to apply.

- (a) Persons who had already made an election under section 128A to defer the payment of income tax due on the exercise of a share option and dispose of the relevant shares within the 7 year deferral period (Section 128(A)(4A)(a)(i)).
- (b) Persons who elected under section 128A to defer the income tax due on the exercise of a share option and still hold the relevant shares at 31 December in the year of assessment beginning 7 years after the relevant year (Section 128(A)(4A)(a)(ii)).
- (c) Persons entitled to make an election, under section 128A, after 6 February 2003 and on or before 31 October 2003 or 31 October 2004 as appropriate, to defer the income tax due on the exercise of a share option but did not do so (i.e. persons who exercised share options between 1 January 2002 and 5 February 2003) (Section 128(A)(4A)(b)).
- (d) Persons entitled to make an election under section 128A to defer the income tax due on the exercise of a share option before 6 February 2003 and where the relevant shares have been disposed of but the income tax is not due until 31 October 2003 or 31 October 2004 as appropriate. (Section 128(A)(4A)(b)).
- (e) Other cases who do not meet the requirements of paragraphs (a) to (d) above (Section 128(A)(4A)(c)).

Balance of income tax remaining unpaid

It should be noted that where a payment on account has been made and the balance of the income tax liability deferred, then the balance remaining unpaid will be due for payment by reference to subsequent disposals of any shares by the taxpayer or his or her spouse.

The amount to be paid in any year of assessment in respect of the outstanding liability will be the lesser of :-

- the net balance(s) of income tax remaining unpaid, by reference to paragraphs (a), (b), and (c), section 128(A)(4A), TCA, after any previous payments have been taken into account, and
- the aggregate of the net gains (if any) arising from share disposals by the taxpayer and/or his or her spouse in that year of assessment.

The net gain from any particular disposal is the excess (if any) of the market value of the shares at the date of disposal over the acquisition costs (option price and ancillary costs) and any tax chargeable or actually paid (depending on the circumstances) in respect of the acquisition or the disposal of those shares. Where the shares disposed of are shares in respect of which the tax has been deferred under the new provision, credit in computing the net gain will be given only for income tax actually paid in respect of the shares prior to the disposal. Where the disposal is of shares to which the new provision does not apply, then credit will be given for the income tax chargeable in respect of the acquisition of those shares. The due date for the payment of the sum is 31 October in the year following the year in which the disposals take place.

Persons wishing to avail of the provision

An individual who wishes to avail of the new provision must make a written election to his/her inspector, on or before 1 June 2003, on Form SO3.

Late Election

There is provision for the admission of a late election in circumstances where Revenue is satisfied that the late election was due to absence, illness or other reasonable cause. Applications for late elections should be made in writing to the individual's Inspector outlining the reason(s) for the late election.

Where a person fails to comply with the provision

Where an individual, having elected to avail of the new provision, subsequently fails to comply fully with its requirements, the full liability to income tax will be due and payable as if no election was made and interest and penalties will arise where relevant.

Disposals by spouse

The reference to the disposal of any shares by an individual who has availed of the new provision includes disposals by his/her spouse where they are assessed to tax on the aggregation basis or where a transfer takes place between spouses after on or after 25 February 2003 except where the spouses are separated or the marriage has been dissolved.

Loss for capital gains tax purposes

Where an individual makes an election under paragraphs (a) to (e) above, any capital loss arising on the disposal of those shares will not be available for set off until the full income tax liability due as a result of the exercise of a share option has been paid.

Interest

The due date for the payment of income tax deferred on the exercise of a share option will, for the purposes of interest on overdue tax, be the date when the sum is due and payable.

Options exercised on or after 6 February 2003

The payment on account provision cannot be claimed in respect of income tax due on share options exercised on or after 6 February 2003. Deferral of income tax on the exercise of such share option(s) can continue to be claimed under the old regime for share option(s) exercised between 6 February 2003 and 28 March 2003.

The election to defer the income tax due on the exercise of share option(s) will no longer be available in respect of share options exercised after 28 March 2003.

Further Information

Further information can be obtained in Tax Briefing Issue No 52 on Revenue's website (www.revenue.ie).