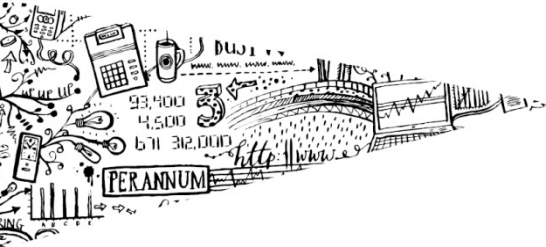


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Tax alert

Ireland

Issue 25/11



Commencement of Employment and Incentive and Seed Capital Scheme

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Following the receipt of state aid approval from the European Commission, the Minister for Finance has announced the commencement of the Employment and Investment Incentive (EII) and Seed Capital Scheme (SCS) with immediate effect. The incentives will come into effect in respect of eligible shares issued, from 25 November 2011 to 31 December 2013.

The EII replaces the Business Expansion Scheme (BES). The latest date for tax relief under BES will be for shares issued on or before 31 December 2011. Therefore, both schemes will run concurrently up until the end of this year. This will facilitate those that have already subscribed for shares, or who wish to do so, in a BES qualifying company, to receive tax relief at BES rates, provided the associated shares are issued before the end of the year.

Arising from negotiations with the European Commission, the Irish authorities have undertaken to introduce a small number of amendments to the legislative provisions governing the EII. It is intended that full details will be contained in Finance Bill 2012, but essentially as and from 25 November 2011:

- A qualifying company must carry on relevant trading activities from a fixed place of business in the State; and
- The requirement for a minimum percentage of the company's expenditure, in relation to its trading activities, to be made in the State in order for it to qualify for the scheme, is being removed.

For an overview of the EII see *Tax Alert 03/11*, issued on 21 January 2011.

Action

The qualifying conditions and reliefs differ under BES and EII. Therefore, if BES relief is to be availed of it is imperative that eligible shares are issued on or before 31 December 2011.

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