



An Roinn Airgeadais  
Department of Finance

# Employment Investment Incentive

## Public Consultation

Prepared by the Tax Policy Division,  
Department of Finance  
[www.gov.ie/finance](http://www.gov.ie/finance)

# Contents

Consultation Process	3
How to Respond	3
Freedom of Information	3
After the Consultation	3
Introduction	4
Background	5
Consultation Questions	5
State Aid Considerations	6

## **Consultation Process**

The consultation period will run from 23 December 2020 to 12 February 2021. Any submissions received after this date may not be considered.

## **How to Respond**

Submissions (in writing) should be made by email to:

[Ellconsultation@finance.gov.ie](mailto:Ellconsultation@finance.gov.ie)

Please include contact details in your response.

When responding, please indicate whether you are a business, business professional, adviser, representative body or member of the public.

## **Freedom of Information**

Submissions will be subject to the provisions of the Freedom of Information Acts. The Department may receive requests for any or all information supplied as part of this process. Parties should also note that responses to the consultation may be published on the website of the Department of Finance in full.

## **After the Consultation**

The intention is to evaluate all submissions received and to allow for a period of further direct interaction with stakeholders during Q1 2021 with a view to developing proposals for consideration by the Minister for Finance in the spring of 2021.

## Introduction

The Employment Investment Incentive (EII) is a tax incentive initiated in 2011 providing tax relief of up to 40% in respect of investments made in certain corporate trades. The main objective of EII is to provide SMEs and start-ups with an alternative risk-based source of funding and to support the creation and retention of employment in SMEs across the economy.

In 2018 and 2019, substantial changes were made to the scheme and associated legislation. These included the introduction of a self-assessment administration model; full income tax relief (40%) being provided in the year in which the investment is made and an increase in investment limits.

The main features of the incentive include:

- Tax relief of up to 40% is available on investments of up to €250,000 for investment over four years or €500,000 for investment over seven years.
- Companies may raise up to €5 million per annum, subject to a lifetime limit of €15 million.
- SMEs in all geographic areas of the country can qualify for the incentive.
- All small and medium companies less than seven years old in qualifying trades may use the incentive, as may certain older companies that are expanding into new products or geographic markets.

The Minister for Finance, conscious that the pandemic has affected private investor confidence, and in turn the flow of available private equity investment into Irish companies, now invites interested parties to make submissions to him on how EII might be further enhanced to take account of the changing business environment.

In particular, the focus of the process will be on:

- enhanced support for start-ups through EII,
- the potential of EII to attract capital from a broader range of investors, and
- the interaction between the Renewable Energy Support Scheme (RESS) and EII,

but it may also include any other matters that arise for attention as part of the overall exercise.

## Background

In 2018, the Minister for Finance appointed Indecon Economic Consultants to undertake an independent review of EII, with the purpose of ensuring the efficiency and effectiveness of the incentives. The resulting report contained twelve recommendations in relation to the incentives, and was published in the Department of Finance 2018 Tax Expenditures Report.<sup>1</sup>

In the course of 2019, a public consultation was carried out by the Department of Finance. This process led to proposals for changes to the scheme which were implemented in Finance Act 2019.

During his Budget 2021 speech, the Minister for Finance announced that *“in addition, as part of a continuing process of ensuring that our business supports remain efficient and responsive, my department will this year initiate an assessment of how the Employment Investment Incentive Scheme can be enhanced in light of the impact of the current crisis.”* In particular, the Budget documentation highlighted as issues to be examined improved support for start-ups, the potential to attract capital from a broader range of investors and the inclusion of energy-efficient projects within the remit of the scheme.

## Consultation Questions

Interested parties are invited to make submissions regarding:

1. Enhanced support for start-ups through EII.
2. Broadening the eligible funds from Irrevocable Trusts/Designated Investment Funds by opening EII Funds to other relevant regulated fund structures.
3. The relationship between the Renewable Energy Support Scheme (RESS) and EII.
4. How EII might respond to the changing environment in which it operates.
5. Any matters considered relevant.

In answering the consultation questions, respondents are asked to keep in mind the need to ensure that any proposals are consistent with EU State aid rules and the principles of the Department of Finance Tax Expenditure Guidelines<sup>2</sup>, as follows:

---

<sup>1</sup>[http://www.budget.gov.ie/Budgets/2019/Documents/Tax%20Expenditures%20Report%202018%20FINAL%2017.10.18%20\(002\).pdf](http://www.budget.gov.ie/Budgets/2019/Documents/Tax%20Expenditures%20Report%202018%20FINAL%2017.10.18%20(002).pdf)

- What objective does the tax expenditure aim to achieve?
- What market failure is being addressed?
- Is a tax expenditure the best approach to address the market failure?
- What economic impact is the tax expenditure likely to have?
- How much is it expected to cost?

## State Aid Considerations

The European Commission, in 2014, outlined that aid to SMEs in the form of access to finance as one of the areas which may currently avail of State aid under the General Block Exemption Regulation (GBER). The general requirements for a scheme to be considered compatible with the GBER are related to ensuring that the aid met certain conditions as follows:

- Serve a purpose of common interest;
- Have a clear incentive effect (this is presumed to be the case for SMEs);
- Is appropriate and proportionate;
- Is granted in full transparency and subject to a control mechanism;
- Is regularly evaluated; and
- Does not adversely affect trading conditions.

There are detailed requirements concerning other conditions such as age of firms and the nature of investors and the amount of investment that must be met to qualify for GBER. EU State aid considerations must be borne in mind in considering any options for change to the current regime.

---



**An Roinn Airgeadais**  
Department of Finance

**Tithe an Rialtas. Sráid Mhuirfean Uacht,**  
**Baile Átha Cliath 2, D02 R583, Éire**  
Government Buildings, Upper Merrion Street,  
Dublin 2, D02 R583, Ireland

T:+353 1 676 7571  
@IRLDeptFinance  
[www.gov.ie/finance](http://www.gov.ie/finance)