



BES INVESTMENTS

It has been an interesting year with regards to BES with this year's Finance Act bringing in substantial changes to the current legislation. BES is to be changed to EII (Employment and Investment Incentive Scheme) which will allow investors get tax relief on investments made into Irish registered companies that create employment.

It is likely that 2011 will probably be the last year where investors can avail of a 41% tax allowance up front as under the new proposed EII the initial relief will be reduced to 30% in year 1.

When considering any tax based investment it is very important that you look at the investment proposal before you factor in the tax advantages of the deal. This is all the more important when considering a BES investment.

Regulated funds have become, for most, the preferred choice when investing in BES. **Quintas** Wealth Management, having studied results from private placement, applied to the Financial Regulator in 2008 to set up a fund. To date it has raised approximately €6m in BES funds. **Quintas** has invested these funds in established companies with strong turnover and profitable track records.

The key advantages a fund has over a private placement are:

- The investment risk is spread over a number of companies usually 20% being allocated to each company.
- Regulated funds ensure adequate controls are put in place to protect the investor funds. Some key controls revolve around:
 - o How the money is spent by the Investee Company.
 - o Directors salaries cannot be increased without prior approval from the fund manager.
 - o The fund manager must report every 6 months to the investors on how the investments are performing.
 - o The company cannot borrow or issue new shares without prior approval of the fund manager.
 - o Most importantly controls are put in place to assist a successful exit from the investment. This is done by having a proper conversion option in place.

A qualifying individual can invest up to €150,000 annually and avail of tax relief at the high rate however; an investor should consult with their tax advisor before making the investment as there are restrictions under specified reliefs which could restrict the amount claimed.

If you are considering a BES investment or if you would like to hear more about BES please contact me on 021 4641480 or email me at jim.mccarthy@quintas.ie

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