



PROPOSALS TO

REBOOT

IRISH EQUITY CAPITAL MARKETS

PRE-BUDGET 2025 SUBMISSION

A submission by the
Irish Equity Market Forum

Notes

May 2024

A submission by the
Irish Equity Market Forum

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EXECUTIVE SUMMARY

Structure of submission

This submission builds on the three key recommendations contained in the Report on Reinvigorating Irish Equity Capital Markets to Support the Growth of Irish Enterprise. The submission contains a detailed overview of the important role of an indigenous Equity Capital Market in financing the growth and scaling of Irish enterprise, followed by detailed presentation and discussion of the three key recommendations.

Financing Irish enterprise growth through an indigenous Equity Capital Market

In 2022, Irish-listed companies were estimated to

- have over **€25 billion** in Irish turnover and contributed **€12.4 billion** in gross value added to the Irish economy.¹
- sustain over **47k jobs in Ireland** in 2022 while supporting a further **40k jobs**¹ in the broader Irish economy.

The Equity Capital Market forms an important part of the funding escalator for businesses in Ireland, where Euronext Dublin offers substantial financing opportunities for scaling Irish enterprises, supporting the ambition set out in the White Paper on Enterprise to create a sustainable ecosystem of private investment for scaling Irish enterprises.

An assessment of the top companies on Euronext Dublin in 2024 shows that their value has grown 82 times larger than their original market capitalisation at IPO, demonstrating the potential for Irish companies seeking finance to scale.

Listing via an Irish Equity Capital Market can help to ensure that a greater proportion of the wealth created by Irish entrepreneurs remains in the Irish economy, which is not necessarily the case when promising start-ups divest to venture capitalists at an early stage in their growth journey.

Supporting the growth of scaling Irish companies can also support Irish budgetary policy. Multinationals represent a significant majority of Ireland's corporation tax (CT) receipts (up 48% in 2022 alone to €22.6bn and now 27.5% of the total tax base). The concentration of the Top 10 companies has never been higher and now represents 57% of CT receipts or €13bn. This concentration risk could be reduced by increasing the proportion of CT coming from growing the indigenous enterprise sector.

Equity Capital Markets across the EU and UK have faced challenges over recent years. While Ireland also faced these same hurdles, the challenges encountered here have been more pronounced with the number of listed companies having reduced by almost 40% since 2014. However, many EU states are undertaking new initiatives, or enhancing existing initiatives, to make their markets more attractive for companies and investors. As a result, Ireland is at risk of losing out on new IPOs and listings (and the associated economic benefits) to other EU states unless urgent action is taken.

[1] Reinvigorating Irish Equity Capital Markets to Support the Growth of Irish Companies | Grant Thornton (2023)

A concerted and coordinated effort by Government and market participants, along the lines of the proposals outlined in this paper, will create a more favourable domestic equity market environment for companies and investors.

Proposal 1: Introduction of a Retail Savings and Investment Scheme

This proposal is designed to create a scheme to facilitate retail investment in Irish companies and SMEs listed on public Equity Capital Markets and to increase the general tax-free CGT allowance. Two proposals are suggested:

1. An increase in the annual tax-free amount for Capital Gains Tax (CGT) purposes to €7,500
2. The establishment of a Growth & Returns Account (Gra) along the lines of similar products in the UK, France and Italy. [2]

It is noteworthy that the current tax-free amount for CGT purposes has not been amended in Ireland in decades, and so it is now time to make such a change. Additionally, accounts similar to the Gra suggested in this section of the paper have been in existence in competitor countries for many years, and therefore the Gra merely seeks to level the playing field.

The Gra ensures that gains and losses within the account are neither taxable nor deductible and the account has a maximum annual contribution amount of €40,000 per qualifying individual, with a required holding period of 5 years. Furthermore, the Gra can only invest in companies with a market capitalisation of less than €1.5 billion, and similarly constituted funds such that the account gives companies considering an IPO access to funding they may not otherwise have. In addition, Gra accounts would be attractive for regular and lump-sum savers and through the necessary financial education by the providers would help to build financial security over time in the broader population to support retirement and other long-term planning.



[2] See Appendix VI for the main characteristics of similar international retail investment schemes.

Proposal 2: Fiscal Incentives for Founders/Owners to Increase the Attractiveness of Fundraising via Public Equity Capital Markets.

This proposal is designed to create appropriate fiscal incentives around Capital Gains Tax (CGT) for Irish founders and entrepreneurs who choose to fund the growth of their businesses through public Equity Capital Markets, as well as tax incentives to help address the costs incurred by companies when joining public Equity Capital Markets.

The two core proposals centre around changes to how capital gains tax is levied on early-stage investors and founders, and then putting in place a mechanism to de-risk the funding process and expense for companies looking to join public Equity Capital Markets.

- **Capital Gains Tax:** Enhancing angel investor relief, and entrepreneur relief, to make them more attractive to founders, and a blanket reduction in the CGT rate to 20% for gains arising on the disposal of all productive assets.
- **Tax Credit for Issuers' IPO Expenses:** Making all issuer expenses for a listing/IPO (whether or not it proceeds) deductible and/or to benefit from an enhanced tax credit for expenses (e.g. relief set at 150% of expenses).

Both of these proposed measures will meaningfully increase the pipeline of companies seeking to join our domestic stock-market to scale, rather than choosing a sales route. This will, in turn, support the commitment made in the Irish Government's White Paper on Enterprise to create a tax system that encourages investment in start-ups and scaling.

Proposal 3: Establishment of an Irish Growth Capital Fund

This proposal is designed to establish an equity fund, supported by the Irish State, that delivers domestic equity capital to Irish companies seeking to fund their growth using Irish equity markets, thereby addressing the capital void which has evolved due to the lack of domestically focused institutional investors.

The objective of the proposed new fund is to provide permanent capital to incentivise indigenous and strategically valuable companies to source evergreen equity financing through Euronext Dublin. The fund would strengthen the financing capacity of the Irish equity market, promoting Dublin as an attractive market for non-Irish IPO candidates.

Financing Irish Enterprise Growth through an Indigenous Equity Capital Market

Introduction

Irish listed companies have established themselves as global leaders while continuing to play a pivotal role in Ireland’s economic development. In 2022, Irish listed companies

- had over **€25 billion in Irish turnover** and contributed **€12.4 billion** in gross value added to the Irish economy.³
- will sustain over **47k jobs** in Ireland in 2022, while supporting a further 40k jobs³ in the broader Irish economy.

As shown on the accompanying map, companies currently listed on Euronext Dublin have a presence right across the state, supporting the regionalisation of economic growth.

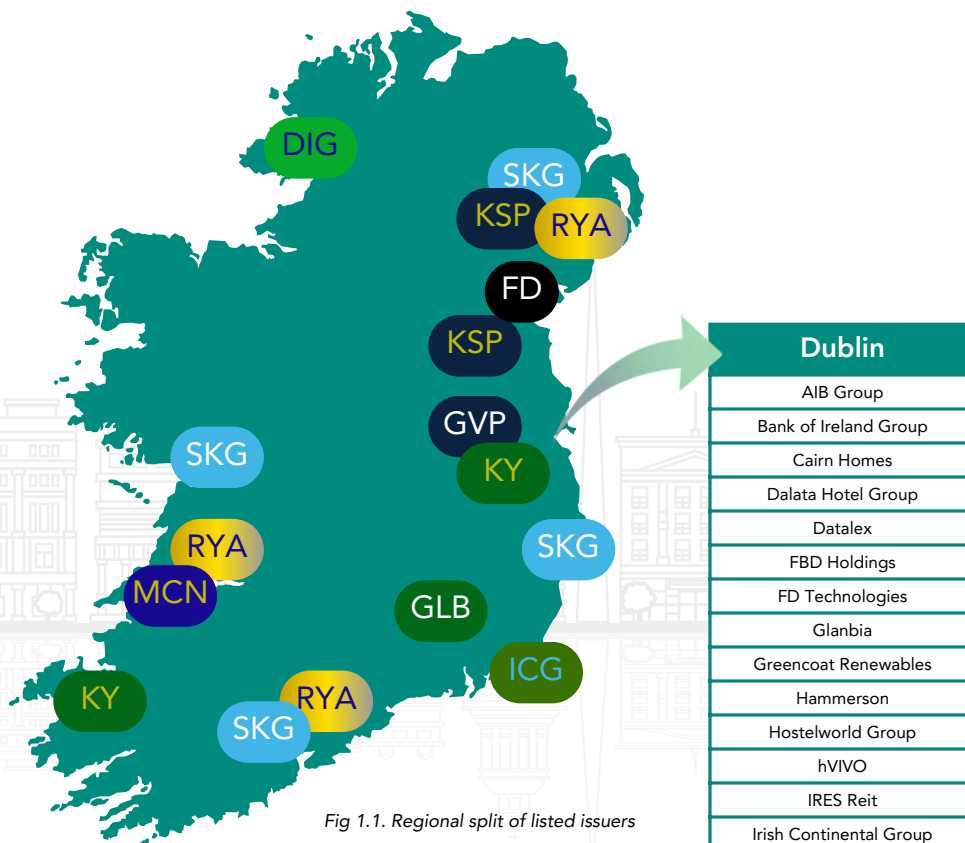


Fig 1.1. Regional split of listed issuers

Legend

DIG	Donegal Investment Group	KSP	Kingspan Group
FD	FD Technologies	KY	Kerry Group
GLB	Glanbia	MCN	Mincon Group
GVP	Glenveagh Properties	RYA	Ryanair Holdings
ICG	Irish Continental Group	SKG	Smurfit Kappa Group

Dublin
AIB Group
Bank of Ireland Group
Cairn Homes
Dalata Hotel Group
Datalex
FBD Holdings
FD Technologies
Glanbia
Greencoat Renewables
Hammerson
Hostelworld Group
hVIVO
IRES Reit
Irish Continental Group
Kenmare Resources
Malin Corporation
Origin Enterprises
Permanent TSB Group Holdings
Ryanair Holdings
Smurfit Kappa Group
Uniphar

[3] Reinvigorating Irish Equity Capital Markets to Support the Growth of Irish Companies | Grant Thornton (2023)

The Irish Government's White Paper on Enterprise recognises that access to appropriate financing for scaling investment is one of the largest gaps currently in the Irish market and warns that the gap in equity investments from the market could lead to Ireland missing out on exceptional ventures, with technologies, knowledge and jobs relocating elsewhere. The White Paper commits to fostering a sustainable ecosystem of private investment for scaling so that companies with global potential can scale and thrive here in Ireland.

In line with the ambition set out in the White Paper on Enterprise, Equity Capital Markets such as Euronext Dublin should form an important part of the Government's approach to creating a sustainable ecosystem of private investment for scaling Irish enterprises. But, in reality, public Equity Capital Markets have been under-utilised as a funding mechanism for Irish businesses. Over the past decade, many Irish companies which would have been prime candidates for funding through public Equity Capital Markets have bypassed this route in favour of trade sales to international investors.

There is a need for a strategic shift that encourages and facilitates the use of Irish equity markets by these scaling companies. Scaling a company is a long-term strategy and Equity Capital Markets offer the ideal long-term solution for scaling companies. An assessment of the top companies on Euronext Dublin in 2024 shows that their value has grown to 82 times larger than their original market capitalisation at IPO, with the average duration on the market being 29 years⁴. What were once scaling enterprises are now national and global champions in their respective sectors. By facilitating these companies' listings in an Irish market, Ireland has been able to retain the value created by these enterprises within the Irish economy, fostering a more robust and self-sustaining financial environment. This approach not only bolsters the national economy but also enhances the dynamism and global competitiveness of Ireland's equity markets.

Given the importance of SMEs to Ireland's future economic development and the potential that they have to be future global champions, it is crucial for Ireland to nurture these companies and to ensure they remain firmly grounded in their home country. Ireland should be the base from where they can fund and scale their businesses on a global scale, following the paths of CRH, Kerry Group, Glanbia, Ryanair and many other Irish-listed companies.

As part of the work of the recently established Irish Equity Market Forum [5], a Steering Group and three Working Groups were set up to develop detailed proposals to facilitate the implementation of the key recommendations contained in the 2023 report on Reinvigorating Irish Equity Capital Markets to Support the Growth of Irish Enterprise. The primary purpose of this paper is to detail these proposals and the legislative amendments necessary to deliver them, and to seek the Government's consideration of these for implementation as part of Budget 2025.

As a country, we are fortunate that we have many high potential and scaling companies that would benefit from funding their growth through public Equity Capital Markets. The key challenge now is to create an attractive environment that incentivises companies and their founders to fund their growth through public Equity Capital Markets. Acting now in a coordinated and focussed way will help to ensure that Irish equity capital markets continue to support the fundraising needs of scaling Irish companies, and contribute as an engine of economic growth into the future.

[4] See Appendix II

[5] An alliance of members of the Irish equity market ecosystem, which was established in 2023. It is looking at how stakeholders can work together to position Irish equity capital markets best on the global stage. Current members are detailed in Appendix I.

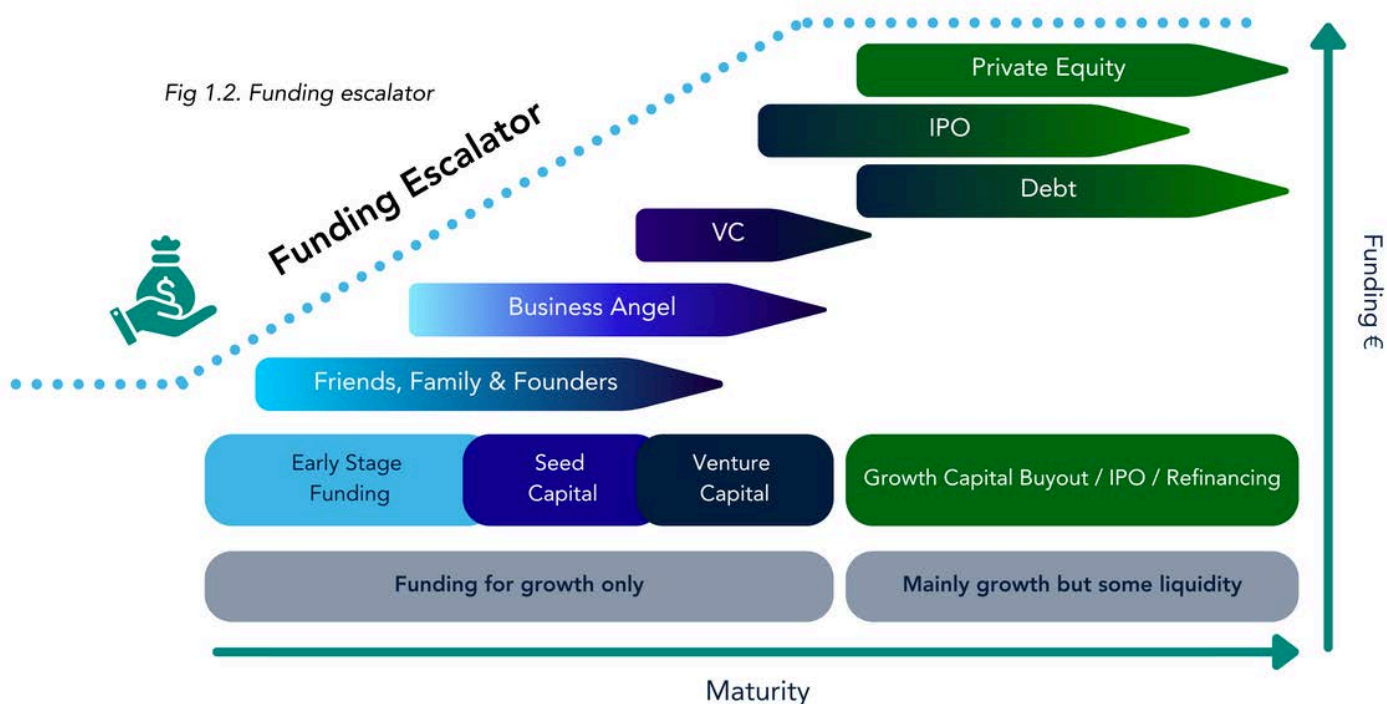
The importance of a vibrant Equity Capital Market to Ireland's economy

The Irish Stock Exchange was founded in 1793 and is one of the oldest in the world. Through its various ownership structures, it has been a vital cog in the national financial architecture and the growth of Irish enterprise. It has now evolved and forms part of a leading European infrastructure which is well placed to finance the next generation of companies.

Having a vibrant domestic equity market is important for the Irish economy as it:

1. Provides access to a permanent source of capital for Irish companies to fund their growth, both at the time of IPO and on an ongoing basis.
2. Helps ensure that Irish companies remain grounded in and controlled from Ireland, rather than pursuing a trade sale to international peers or private equity which can often lead to management and operations moving overseas, creating a loss for the Irish economy.
3. Ensures the continued contribution of the indigenous company sector to employment growth in Ireland, thereby derisking our dependence on the FDI sector.
4. Ensures the continued contribution of the indigenous company sector to the Exchequer through various forms of taxation, including PAYE and corporation tax.

If Ireland was to lose its domestic equity market, this would have significant implications for both scaling Irish enterprises and the Irish economy and the exchequer. Without a vibrant domestic Equity Capital Market, Ireland would be deprived of a key piece of funding infrastructure, and our funding escalator would be broken. The ability to support scaling Irish enterprise and our funding ecosystem would be permanently damaged. In turn, this would have a detrimental impact on Ireland's international reputation, economic growth, and broader society. Ireland would be an outlier in Europe with no national exchange to support the growth and funding of our local companies.



[3] Reinvigorating Irish Equity Capital Markets to Support the Growth of Irish Companies | Grant Thornton (2023)

The Equity Capital Market forms an important part of the funding escalator for business including in Ireland, where Euronext Dublin offers substantial financing opportunities for scaling Irish enterprises. A stock market listing can allow entrepreneurs to scale their business whilst retaining strategic and operational control. This can help to ensure that a greater proportion of the wealth created by Irish entrepreneurs stays in the Irish economy, which is not necessarily the case when promising start-ups divest to venture capitalists at an early stage in their growth journey.

In 2014⁶ and again in 2023⁷ an assessment of the impact that companies listed in Dublin had was published, showing their contribution to the Irish economy. Both reports concluded that there was a significant contribution to the Irish economy from listed companies in terms of Irish sales and jobs, and through the many indirect or multiplier impacts across the wider economy.

Supporting the growth of scaling Irish companies can also support Irish budgetary policy. MNC's represent the significant majority of Ireland's corporation tax (CT) receipts (up 48% in 2022 alone to €22.6bn and now 27.5% of the total tax base). The concentration of the Top 10 companies has never been higher and now represents 57% of CT receipts or €13bn. This concentration risk could be reduced by increasing the proportion of CT coming from growing the indigenous enterprise sector.

Supporting Irish companies to scale and grow can also be beneficial in addressing domestic infrastructure deficits. For instance, the State's two largest homebuilders (Cairn Homes and Glenveagh Properties) are/will be crucial to solving the country's housing deficit and are also prime examples of smaller companies who successfully scaled through public Equity Capital Market listings. With the tourism and hospitality sectors employing over a quarter of a million people in the Irish economy, a strong domestic champion such as Dalata Hotel Group supports the training and development efforts of the sector and has invested to build a strong asset base both here and internationally.



[6] Indecon Economic Impact Assessment of Key Participants in the securities Market in Ireland Report
[7] Grant Thornton Reinventing Irish Equity Capital Markets to Support the Growth of Irish Enterprise

Case Studies

Homebuilder: Glenveagh Properties

The successful flotation on Euronext Dublin has been crucial to the success of Glenveagh Properties, one of Ireland's largest homebuilders. The group was listed on Euronext Dublin in late 2017 raising €550m. The capital raised and the profile generated enabled the group to buy land and materials and employ the people necessary to scale its business. In its first full year of trading on Euronext Dublin it generated just €84m in revenue, whilst in 2024 the group is expected to generate close to €960m. Furthermore, the group employs more than 500 people today, relative to just 84 at IPO. In addition to the direct benefits such as increasing corporation/income tax that this scaling Irish business brings to the exchequer, it is also a crucial conduit through which Ireland is growing the housing stock necessary to meet the needs of an expanding population.



Tourism: Dalata Hotel Group

In 2014, Dalata Hotel Group, at the time of its IPO, operated 12 hotels under lease agreements, 1 hotel under a long-term operating agreement, and 27 hotels under short-term management agreements. It was the largest hotel operator in Ireland, but it was managing the portfolio on behalf of liquidators and receivers. It came to the market with a valuation of €40m and raised a further €265m at the time to buy a number of assets and control its destiny. It went on to raise a further €300m+ in three follow-on equity fundraising transactions, two for expansion and one during COVID to support operations. It now has 53 hotels, including ownership of 31, and it manages over 11k rooms in Ireland, the UK and more recently continental Europe. It has an additional pipeline of rooms under construction and has supported government initiatives for care workers during COVID-19. More recently, the group has provided accommodation for refugees over the past two years.

Challenges facing the Irish Equity Capital Market and Irish Businesses Seeking to List

The Irish Government’s White Paper on Enterprise aspires to support the long-term growth of the indigenous sector. However, at present, many Irish businesses, particularly SMEs, are struggling to access finance, a challenge made all the harder by the lack of competition in the Irish banking sector and the lack of meaningful progress in establishing an effective EU capital markets union. As a result, many Irish businesses must look to either the public markets or to other sources of private equity. However, as discussed, a reliance on other forms of capital often results in Irish entrepreneurs losing control of the business and Ireland losing out on the value these businesses create. But, at the same time, public equity markets across the EU and UK have faced their own challenges over recent years. While Ireland also faced these same challenges, the challenges encountered here have been more pronounced. Challenges for Ireland’s Equity Capital Markets mean challenges for Irish businesses, particularly SMEs. Some of the challenges include:

- Compared to the past where Irish institutions actively invested in Irish listed companies, today there is a **lack of domestic capital** for investment in Irish companies.
- **Taxation policy** does not deliver any meaningful incentives for Irish companies to IPO.
- **Retail investment** in Irish-listed companies and SMEs is very low.
- The **domestic broker base has contracted** over the past two decades and today it is concentrated in two Irish brokers.
- **Large-cap departures from domestic equity markets** have had a significant impact on the exchange, the local ecosystem and the reputation of Equity Capital markets as a viable funding option for Irish companies.

Market departures are a normal part of equity markets. However, the lack of a sizable and consistent pipeline of new companies, coupled with the departure of large caps in favour of US listings, has exacerbated the situation in Ireland. Since 2014, the number of listed companies has reduced by almost 40%. The decrease in the total number of listed companies over the past decade alone is a stark figure, but the loss of the two largest companies in the 12 months to February 2024 saw the total market value of Euronext Dublin companies decrease by over 40% or €68bn. In a short time, we have seen over 50 years of market value erased, reducing the addressable market for the entire Dublin ecosystem to service. A concerted and coordinated effort by Government and market participants, along the lines of the proposals outlined in this paper, will create a more favourable domestic equity market environment for companies and investors.

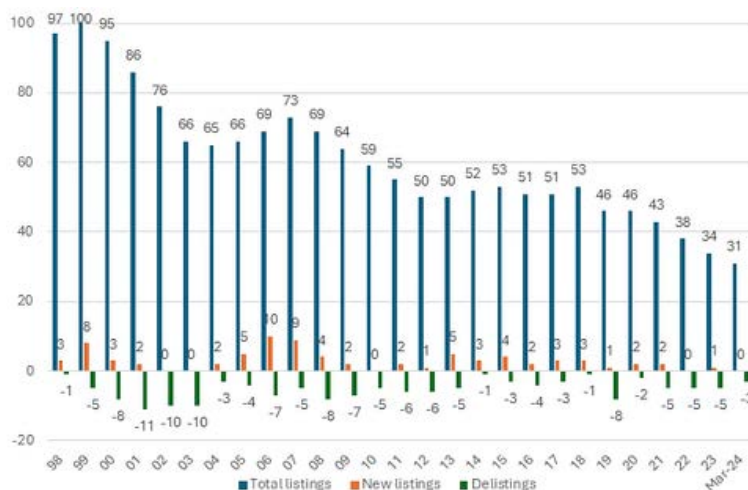


Fig 1.3. Listing on the Irish Stock Exchange/Euronext Dublin (1998-2024)

Competing with Equity Capital Markets across Europe

Many EU states and the UK face equity market challenges and are undertaking new initiatives, or enhancing existing initiatives, to make their markets more attractive for companies and investors. As a result, Ireland is at risk of losing out on new IPOs and listings (and the associated economic benefits) to these other jurisdictions.

Between 2020 and 2024 (to date), two new IPOs launched on the Irish Equity Capital Market compared to 68 in France, 200+ in Sweden and the UK, and over 1,900 in the US.

France	68
Germany	30
Ireland	2
Italy	138
Norway	120
Sweden	200
United Kingdom	250
United States	1,906

Source: Dealogic, IPOs exclude direct listings, up to 03/05/2024

Capital is mobile. If we don't fund the growth of Irish companies from within Ireland, then companies will seek it internationally. As their shareholder bases internationalise, so too would their management teams, and consequently, their commitment to Ireland would reduce. There would also be a knock-on effect for the ecosystem here with a wide range of accounting, advisory and legal roles disappearing. This loss of industry and advisory IP and employee skillsets would damage the prospect of future companies looking to scale here.

Compared to the UK, France, Italy and many other EU countries, Ireland is now playing catch-up and, as a result, there is both a real need and an urgency to implement domestic measures that will create a more attractive and accessible equity capital market here for companies and investors. Ireland needs to protect its enterprise economy vis-à-vis local and global competition, where economic nationalism has very much been to the fore in recent years.

Since 2018, when the Irish Stock Exchange plc joined Euronext, several equity market initiatives have been implemented with a view to creating a more favourable environment for companies and investors. In addition to the simplification of the listing rules and process, today, shares of Irish listed companies trade on a pan-EU trading platform, there are more international member firms trading Irish shares today than at any stage in the past, Dublin has become the centre of liquidity for trading in Irish shares, and new listing sponsors have joined to advise Irish companies on IPO and support them in their ongoing market journey.

Despite these positive developments, the lack of a new pipeline of companies, and in particular SMEs, joining public equity markets in Ireland clearly indicates that these measures have not delivered sufficient incentives to companies to entice them to fund their growth through public equity markets.

The new EU Listing Act⁸ is a welcome development as part of the broader Capital Markets Union agenda and it is a step in the right direction, focussed on improving the attractiveness of listing on public markets. However, of itself it is a distance away from addressing the current challenges being faced in our local market. It must be supplemented by measures at a domestic level that have the capacity to deliver meaningful incentives to companies and their founders, so that public equity markets become an attractive and viable long-term funding option for their businesses.

The dual approach to making Equity Capital markets in Europe more attractive is evident in many European countries, and such an approach was recently endorsed in the Eurogroup's roadmap for CMU⁹. Countries such as France and Italy have important Government-led developments underway to further boost the impact of existing initiatives which seek to make the domestic Equity Capital markets more attractive to companies and investors [10]. Ireland must now do the same as a matter of priority.

Leveraging the expertise of the OECD

An OECD Capital Market Review offers countries a comprehensive assessment of their capital markets based on original analysis, along with policy recommendations to improve them, tailored to a country's specific situation and needs. The resulting OECD Report is designed to function as a guiding tool for national policy-makers seeking to increase corporate access to market-based financing by strengthening domestic capital markets.

In the past four years, the OECD has completed Capital Market Reviews in Italy, Portugal, Croatia and Romania. It has ongoing assignments looking at the markets in Sweden, Spain and the Philippines. Alongside these country reviews, the OECD's research team looks at other in-depth thematic and regional publications.

Taking everything into account, the Irish Equity Market Forum is of the view that Ireland would benefit considerably from a full-scale review of the Irish Capital Markets' landscape by the OECD. The review would leverage the considerable expertise of the OCED to identify initiatives that have not been considered by Irish market participants to date. This process has been tried and tested in other jurisdictions, and it could be equally effective if implemented here. It could be funded by the European Commission to support the broader goal of a Capital Markets Union throughout the EU. The report would be prepared for the Department of Finance, and the Irish ecosystem would be happy to assist the delegation in any way. We strongly encourage the Department of Finance to consider this as a second step following the implementation of the initial recommendations proposed by the IEMF in the following sections.

[8] The EU Listing Act aims to alleviate the administrative burden for companies wishing to access public funding by listing on public Equity Capital Markets. It amends the Prospectus Regulation, Market Abuse Regulation, MiFID/R and introduces a new Multiple Voting Rights Directive and is expected to be finalised and published in the EU Official Journal in Q4 2024.

[9] [Statement by the Eurogroup President on the follow-up to the Eurogroup agreement on the future of the Capital Markets Union - Consilium \(europa.eu\)](#)

[10] See Appendix III.

Irish Equity Market Forum Proposals

Building on each of the three key recommendations contained in the Report on Reinvigorating Irish Equity Capital Markets to Support the Growth of Irish Enterprise, the Irish Equity Market Forum established three Working Groups – one for each key recommendation. Each Working Group has developed proposals to facilitate the implementation of the recommendations and, where relevant, the amendments that would be required to existing legislation to implement these are included.

Proposal 1: Introduction of a Retail Savings and Investment Scheme

This is designed to create a scheme to facilitate retail investment in Irish companies and SMEs listed on public equity markets and to increase the general tax-free CGT allowance.

Proposal 2: Fiscal Incentives for Founders/Owners to Increase the Attractiveness of Fundraising via Public Markets

This is designed to create appropriate fiscal incentives around Capital Gains Tax for Irish founders and entrepreneurs who choose to fund the growth of their businesses through public equity capital markets, as well as tax incentives to help address the costs incurred by companies when joining public equity markets. This proposal would support the commitment in the Irish Government's White Paper on Enterprise to create a tax system that encourages investment in start-ups and scaling.

Proposal 3: Establishment of an Irish Growth Capital Fund

This is designed to establish an equity fund, supported by the Irish State, that delivers domestic equity capital to Irish companies seeking to fund their growth using Irish equity markets, thereby addressing the capital void which has evolved due to the lack of domestically focussed institutional investors. We would ask that the Department of Finance would support the initiative to establish such a fund in Ireland and work in collaboration with key stakeholders on its implementation.

These proposals are discussed in more detail in successive chapters.

Conclusion

Over the past decade, for a variety of reasons, Irish Equity Capital Markets have underperformed and remain underutilised as a funding mechanism for scaling Irish companies. We are now at a critical juncture, and urgent action is required by the Irish Government and all domestic stakeholders – exchange, brokers, lawyers, accountants, registrars and central securities depositories – to change the trajectory and re-establish public equity markets as a viable and long-term funding avenue for Irish companies.

It is clear that other, more vibrant, EU Equity Capital Markets see the value in introducing or enhancing initiatives to make their domestic equity markets more accessible and attractive to their base of high-potential companies. Ireland should be no different, and a concerted effort must be made now so Ireland catches up with, or even surpasses, its European counterparts.

Coupled with relevant EU measures as part of CMU, the three proposals detailed in this paper are designed to deliver meaningful initiatives which would contribute to creating a more attractive and accessible public equity market for both companies and investors. This in turn will contribute to enhanced economic development, employment growth and exchequer returns.

The prize is great – if we act now and get this right, Irish companies will have a vibrant domestic equity market, including an active, expert ecosystem, to fund their growth ambitions into the future. Ireland as an economy, and a society, stands to benefit.

The IEMF members urge the Irish Government to consider the proposals contained in this paper, with a view to implementing them as part of Budget 2025. We are ready and eager to assist the Government in this endeavour. In addition, with a view to the longer term, we kindly request the Department of Finance to consider the possibility of the OECD performing a review of the Irish Equity Capital Markets landscape.

This paper is fully supported by the IEMF member base, and its representatives would be more than happy to meet with Government officials at any point to discuss the proposals contained in this paper.¹¹



[11] For further information on the contributors to this paper and other European initiatives to reinvigorate equity capital markets, please see appendices I and III.



Proposals

Proposal 1 – Retail Savings and Investment Scheme

- Amending the current Capital Gains Tax annual exemption limit
- In order to channel money into Irish and European SMEs listed on European stock markets, recommend introducing a savings and investment product in Ireland, targeting retail investor funds

Introduction

The ability to attract and utilise retail funds to support the growth of smaller companies could have a strongly positive impact on the scaling of the State's indigenous industry, with the associated fiscal and employment benefits. It could also support the development of a saving and investment culture more broadly in Ireland. The Irish Equity Capital Markets ecosystem has identified the lack of fiscal incentives for retail investors in Ireland versus the UK, and other European countries, as a current policy deficit in that regard.

The creation of a Growth & Returns Account (Gra) product suite, similar to existing offerings in the UK, France and Italy, would complement existing EII and angel investment options, and could be targeted at a wider investor pool. There would be the ability to choose from a mixture of financial instruments including cash, equities, and professionally managed funds to tailor the product to different risk profiles.

Gras would be attractive for regular and lump-sum savers and would help to build financial security over time, in the broader population, and support retirement and other long-term planning. Improving financial literacy will build individual confidence to invest and in turn the overall resilience of the economy. Currently there is significant resistance to moving money from demand and current accounts and so consumers need to be incentivised to change this habit. The tax advantages would accrue over time as no income or capital gains taxes (within certain limits) would fall due in the event of a positive investment return. This is very different from the EII and angel investment fiscal supports, where the fiscal savings accrue upfront for lump-sum investments.

Attracting capital to support smaller companies on their scaling journey is typically more difficult than for larger companies, which may have a longer track record and size of operations. The existence of the Gra would create a further channel of demand from retail investors in Ireland. This would encourage smaller Irish and European companies to scale their business through a stock market listing, which would have notable benefits for the Irish and European economy.



The Value of Retail Investors to Listed Companies in Ireland¹²

Retail investors play a crucial role in the success and growth of listed companies. They contribute to a company's success by providing stability, liquidity, and a diverse perspective. The benefits of a retail shareholder base include:

1. **Diversification of Shareholder Base:** their participation ensures a broader ownership distribution, reducing reliance on a few large investors.
2. **Long-Term Investors:** many retail investors have a long-term orientation, which contributes to a more consistent investor base, which can be beneficial during market fluctuations.
3. **Increased Liquidity:** their trading can boost liquidity in the market which supports a more orderly market for buyers to enter and sellers to exit at different points in time.
4. **Brand Advocacy and Support:** their loyalty and positive sentiment contribute to the company's reputation and overall market perception; diversifying from solely relying on institutional investors improves a company's resilience during periods of market volatility.
5. **Access to Capital:** contribute to the company's capital raising efforts (IPOs and follow-on offerings).

Retail investors are an important element in most stock markets and account for up to 20% of trading activity in the more liquid markets.¹³

Where shareholder democracy is highly valued, retail investors also play a crucial role in corporate governance. Through participation at shareholder meetings and exercising their shareholder rights, they hold management accountable and ensure that the company's interests align with those of its shareholders. This democratic participation helps to maintain transparency, accountability, sustainability, and good corporate governance practices.

Retail investors are particularly integral to the success and sustainability of newly listed companies. Their diversity, liquidity provision, long-term support, their role as brand ambassadors, and participation in corporate governance, contribute to the overall strength and resilience of these companies. While institutional investors provide significant capital, the collective power of retail investors helps drive value creation and innovation.

[12] <https://www.nytimes.com/2021/04/13/business/stock-market-investors.html>

[12] <https://www.cato.org/commentary/Small-investors-are-revolutionizing-stock-market-so-stop-calling-them-dumb-money>

[13] Forbes.com "The Rise of The Retail Investor" – 04 November 2022

The Value of Investing in Smaller Companies for Irish and European Investors

Investing in smaller European companies can generate attractive returns for investors. Whilst the share prices of smaller companies can fluctuate more than larger companies (greater volatility), investors have been compensated for this with attractive returns, particularly over the long term, as can be seen from the table below:

Annualised Return	5YR	10YR	20YR
MSCI Europe Total Return	8.39%	6.51%	6.28%
MSCI Europe Small Cap Total Return	5.53%	6.19%	8.29%

Source: Bloomberg, 13 March 2024

Smaller listed companies are typically more established, diversified businesses providing greater public disclosure than early-stage or start-ups companies, which are typically found in schemes such as the EII which is also available to retail investors.

In summary, the adoption of a Gra could drive a win-win situation by enhancing Irish domestic economic growth via investment into Irish growth companies, whilst also increasing domestic tax revenues and employment and addressing infrastructure deficits. It could also drive a multiplier effect, whereby an improving domestic equity market would attract additional capital.

The Impact of Retail Investors at a European Level

There has been widespread adoption of savings and investment accounts throughout Europe and further afield over the past thirty plus years. The introduction of a similar regime in Ireland would offer benefits to listed SMEs in Ireland and throughout Europe, but also support broader societal wealth creation. Taxpayers would look at how they are allocating their excess savings and take ownership of their own financial futures.

In the UK, the Individual Savings Account was set up in 1999 and now offers a number of investment options (Cash ISAs, Stock & Shares ISAs, Innovative Finance ISAs, Lifetime ISAs and Junior ISAs). The market value at the end of 2022 for ISAs (excl. Junior ISAs) stood at £741.6bn, of which £292m was in a Cash ISA. The UK government in its most recent Autumn statement announced plans to introduce a "British ISA", to give an extra allowance of £5k per annum, on top of the existing £20k that UK citizens can invest in worldwide assets on a tax-free returns' basis. There is no minimum holding period or lifetime limit on the amount that can be invested.

The French PEA scheme was established in 1992. Investments in securities managed as part of a PEA (Plan d'épargne en actions - equity savings plan) totalled €101bn in 2022. French investors have a lifetime limit of up to €225k if they invest into the SME version of the popular savings plan and €150k otherwise. There is a five-year holding period, and investments are on a tax-free pan-European basis.

The Italian PIR (Piano Individuale di Risparmio) was established in 2017. At the end of June 2023, the total PIR-compliant assets under management (AUM) was €17.5bn. To qualify for tax benefits, PIR investments must comply with regulatory requirements regarding eligible financial instruments, maximum thresholds for blue-chip investments, and minimum investment durations. PIRs offer exemptions from capital gains and dividend or coupon distribution taxes, which are typically subject to a withholding tax of 26% or 12.5%. PIRs allow tax exemptions for investments up to €40k per year and a total investment of €200k per individual. No more than 10% may be held in instruments issued by the same issuer or the same group, except for pension fund managers; the holding period is a minimum of five years.

We have also included further details on the above schemes and some detail on the Norwegian and Japanese programmes in Appendix. To create a level-playing field for Irish companies and retail investors, we believe it is appropriate to introduce a similar product in the Irish marketplace.

Proposal Details

Alongside a one-off change in the general CGT threshold to €7,500, we are proposing that smaller companies incorporated in Europe, with a market valuation of less than €1.5bn, which are listed on a stock market in the EEA, would be eligible for inclusion in future Gra products. Having reviewed a number of peer programmes, we suggest an Irish Gra would have the below characteristics:

- Tax exempt product meaning that dividends, interest, stamp duty and capital gains are exempt in the account holder's hands and when paid out to the account holder after a minimum five-year holding period.
- Maximum contribution per year to such product would be €40,000 per person.
- The investments would be, directly or indirectly, in companies listed in the EEA, in order to comply with EU treaty obligations.
- Individuals could invest directly in cash deposits, equities or via professional managers into funds offering these products. Diversification thresholds could be set out similar to that in the Italian legislation.
- Any funds within a Gra vehicle would become tax-exempt for inheritance purposes and Capital Acquisitions Tax would not apply.
- The information campaign would be driven by the retail banking and investment industry in Ireland through their various direct or broker channels.

As part of our analysis, we have spoken to a representative sample of retail banks, wealth managers and fund managers. There was universal interest in the proposition and in making it a reality in the Irish marketplace. Certain suggestions were made with respect to the classification of investors and anti-money laundering, the inclusion of deposits, ESG product options, active versus passive fund structures and the ability for certain funds to separately list themselves.

Potential Costs to the Exchequer

As can be seen from the table below, the financial contribution that DIRT makes to the exchequer is de minimus, at less than €24m per annum over the past three years to the end of 2022 (last available). We do not believe that a substantial amount of this would be foregone by introducing a Gra-like scheme in Ireland as, although household deposits have ballooned in recent years and now stand at €152.5bn, 90% of this is in overnight accounts earning little to no interest. An attractive Gra scheme could help channel some of this low to non-interest earning deposits into more productive areas and earn an investment return.

Financial Contribution	2022	2021	2020	2019	2018	2017
Taxhead (€m)						
Deposit Interest Retention Tax	14	20	37	64	96	118

Source: www.revenue.ie/en/corporate/documents/statistics/receipts/net-receipts.pdf

Households

	Overnight	Redeemable at notice	With agreed maturity	
			Up to 2yrs	Over 2yrs
Jan. 2024	137,479 90%	7,318 5%	6,695 4%	791 1%

Source: Department of Finance

Legislative Amendments Required

Amendment to Taxes Consolidation Act 1997

Part 16A – Growth & Returns Account (Gra)

XXX Interpretation

(1) In this Part unless the context otherwise requires—

“account”, is an investment under the account which is a qualifying investment for a stocks and shares component with or without a cash component and shall be referred to as a Growth & Returns Account (Gra)

an “account manager” is a person who fulfils the conditions of this Part and is approved by the Revenue Commissioners for the purposes of this Part as an account manager;

“approved profit-sharing scheme” means a profit-sharing scheme approved by the Revenue Commissioners under Schedule 11 of the Taxes Consolidation Act 1997;

“approved SAYE option scheme” means a savings-related share option scheme approved by the Revenue Commissioners under Schedule 12A of the Taxes Consolidation Act 1997;

“collective investment scheme” means a relevant investment undertaking—

- (a) that is widely held, and
- (b) which holds a diversified portfolio of assets; and a relevant investment undertaking is widely held where there is no beneficial owner of that undertaking

“company” means any body corporate having a share capital.

“depository interest” means the rights of the person mentioned in paragraph (b), under a certificate or other record (whether or not in the form of a document) acknowledging—

- (a) that a person holds relevant investments or evidence of the right to them, and
- (b) that another person is entitled to rights in or in relation to those or identical relevant investments, including the right to receive such investments, or evidence of the right to them or the proceeds from such investments, from the person mentioned in paragraph (a), where “relevant investments” means investments which are exclusively qualifying investments for a stocks and shares component and the rights mentioned in paragraph (b) are exclusively rights in or in relation to relevant investments;]

“deposit-taker” has the meaning given by Chapter 4 of Part 8;

“EEA agreement” means the agreement on the European Economic Area signed at Oporto on 2 May 1992, together with the Protocol adjusting that agreement signed at Brussels on 17 March 1993, as modified or supplemented from time to time;

“EEA State”, means—

- (a) a state which is a member state of the European Union, or
- (b) any other state which is a party to the EEA agreement.

“gains”, means “chargeable gains” within the meaning of the Capital Gains Tax Acts;

“MiFID Regulations” means the European Union (Markets in Finance Instruments) Regulations 2017;

“market value” shall be construed in accordance with section 548;

“security”, means any loan stock or similar security of a company whether secured or unsecured;

“shares” shall include references to a depositary interest where the relevant investments in question (referred to in paragraphs (a) and (b) of the definition of “depositary interest”) are shares within an approved profit-sharing scheme or approved SAYE scheme and in this Part, “shares” includes stock and interests in shares or stock and units in or shares of a UCITS, recognised UCITS or non-UCITS retail scheme.

“tax” where neither income tax nor capital gains tax is specified means either of those taxes;

“UCITS” has the meaning given in Regulation 4(3) of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011;

“UCITS Directive”, means Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009.

“year” means a year of assessment,

“75 per cent subsidiary” has the meaning given in Section 9 of the Taxes Consolidation Act 1997

XXX General conditions for accounts and subscriptions to accounts

(1) An account is a scheme of investment, to which a subscription may be made, in respect of which—

- (a) the conditions and requirements contained in paragraphs (1A) and (5) to (8) are fulfilled; and
- (b) the conditions contained in paragraph (1B) are fulfilled

(1A) The conditions in this paragraph are—

- (a) the account is set up as a stocks and shares account with or without or a cash component
- (b) a stocks and shares account is made up of a single stocks and shares component only;
- (c) the application to open the account is made in accordance with this Part.

(1B) The conditions in this paragraph are—

- (a) a qualifying individual or over may only subscribe to a single stocks and shares account;
- (b) it is an account to which only one qualifying individual subscribes;
- (c) the subscriptions made by the qualifying individual to accounts (ignoring transfers and payments from account managers to the individual) do not in the aggregate in any year exceed the subscription limit in in this Part

(2) An account must at all times be managed in accordance with this Part by an account manager and under terms agreed in a recorded form between the account manager and the account investor.

(3) Apart from other requirements of this Part the terms agreed to which paragraph (5) refers shall secure—

- (a) that the account investments shall be in the beneficial ownership of the account investor;
or
- (b) that, except in relation to qualifying investments for a cash component—
 - i) the title to all account investments shall be vested in the account manager or his nominee or jointly in one of them and the account investor,
 - (ii) where a share certificate or other document evidencing title to an account investment is issued, it shall be held by the account manager or as it may direct;
- (c) that, in relation to a stocks and shares component, the account manager shall, if the account investor so elects, arrange for the account investor to receive a copy of the annual report and accounts issued to investors by every company, unit trust, open-ended investment company or other entity in which he has account investments;
- (d) that, in relation to a stocks and shares component, the account manager shall be under an obligation (subject to any provisions made under any enactment and if the account investor so elects) to arrange for the account investor to be able—
 - (i) to attend any meetings of investors in companies, unit trusts, open-ended investment companies and other entities in which he has account investments,
 - (ii) to vote, and
 - (iii) to receive, in addition to the documents referred to in sub-paragraph (c), any other information issued to investors in such companies, unit trusts, open-ended investment companies and other entities;
- (e) that the account manager shall satisfy himself that any person to whom he delegates any of his functions or responsibilities under the terms agreed with the account investor is competent to carry out those functions or responsibilities;
- (f) that on the instructions of the account investor (“the transfer instructions”) and within such time as is stipulated by the account investor in the transfer instructions—
 - (i) an account, with all rights and obligations of the parties to it, or
 - (ii) such parts thereof as may be agreed between the account investor and the account manager, shall be transferred to another account manager subject to and in accordance with this Part
- (g) that on the instructions of the account investor (“the withdrawal instructions”) and within such time as is stipulated by the account investor in the withdrawal instructions, account investments, interest, dividends, rights or other proceeds in respect of such investments or any cash shall be transferred or paid to him or an eligible conveyancer where required by this Part
- (h) that the account manager shall notify the account investor if by reason of any failure to satisfy the provisions of this Part an account is or will become no longer exempt from tax.

(4) The time stipulated in the transfer instructions or withdrawal instructions shall be subject to any reasonable business period of the account manager required for the practical implementation of the instructions, but such period—

- (a) must not exceed 30 days; and
- (b) must be consistent with this Part.

(5) Where an account holds units in or shares of a UCITS, and dealings in the units or shares are suspended with the application of law or any direct foreign equivalent of that law, the business period in paragraph (7) may be extended to 7 days after the end of such suspension.

(6) The Gra must be maintained for a minimum of 5 years and no withdrawals from the Gra may be made during that time.

XXX Subscriptions to an account

The overall subscription limit for any qualifying individual for any year (that is the aggregate of the qualifying individual's subscriptions to a Gra) is €40,000.

XXX General investment rules

(1) All transactions by way of purchase by an account manager of investments under an account shall be made—

- (a) in the case of an authorised fund which is a dual priced unit trust, at the manager's price for the sale of the relevant class of units,
- (b) in the case of an authorised fund which is a single priced unit trust or an open-ended investment company, at the price of a unit or share, and
- (c) in the case of all other account investments, at the price for which those investments might reasonably be expected to be purchased in the open market.

(2) All other transactions by way of sale or otherwise in investments under an account shall be made at the price for which those investments might reasonably be expected to be sold or otherwise transacted, as the case may be, in the open market.

(3) Investments, or rights in respect of investments, may not at any time—

- (a) be purchased or made otherwise than out of cash which an account manager holds under an account and component, for which those investments or rights are qualifying investments; or
- (b) other than shares which are the subject of an approved SAYE option scheme, approved profit sharing scheme, or subject to the provisions of TCA97 s112 or 128 be purchased from—
 - (i) an account investor, or
 - (ii) the spouse or civil partner of an account investor,

so as to become account investments under an account to which the account investor subscribes or has subscribed.

(4) Subject to paragraphs (5) and (6), cash subscriptions and other cash held by an account manager under an account shall be held only in Euro and be deposited in an account with a deposit-taker [(including for this purpose a credit union)], or a deposit account or a share account with a building society which is designated as a Gra for the purposes of this Part.

(5) An account manager who is a European institution may hold cash subscriptions and other cash held under an account in the currency of the EEA State in which he has his principal place of business and may deposit such cash in an account, which is designated as mentioned in paragraph (4), with any person authorised under the law of that State to accept deposits.

(6) Cash by way of dividends, interest, distributions, and other rights or proceeds (including any government bonus) in respect of qualifying investments for any [account] shall at all times be recorded and accounted for separately from that for any other account, and may be invested only—

- (a) in qualifying investments for the appropriate component; or
- (b) by way of cash deposit in accordance with this Part.

Xxx Qualifying investments for a stocks and shares component

(1) This Section specifies the kind of investments (“qualifying investments for a stocks and shares component”) which may be purchased, made or held under a stocks and shares component, and in this Section and Sections []¹⁵ and [],¹⁶ “shares” without more includes stock.

(2) Qualifying investments for a stocks and shares component to which paragraph (1) refers are —

- (a) shares—
 - (i) issued by a company incorporated in the European Economic Area,
 - (ii) subject to paragraph (4), either officially listed on a recognised stock exchange in the European Economic Area or admitted to trading on a recognised stock exchange in the European Economic Area, and
 - (iii) where the company in question satisfies the condition specified in paragraph (3);
- (b) securities (“qualifying securities”)—
 - (i) issued by a company incorporated in the European Economic Area,
 - (ii) where the securities in question satisfy at least one of the conditions specified in paragraph (7), and
 - (iii) where the company in question satisfies the condition specified in paragraph (3);
- (c) subject to the conditions specified in paragraph (8)—
 - (i) shares which satisfy each of the conditions specified in paragraph 2(a) the qualifying individual has exercised the right to acquire in accordance with the provisions of an approved SAYE option scheme, or
 - (ii) shares which satisfy each of the conditions specified in paragraph 2(a) and which have been appropriated to the qualifying individual in accordance with the provisions of an approved profit-sharing scheme;(iii) shares which satisfy each of the conditions specified in paragraph 2(a) and which are subject to the provisions of TCA97 sections 112 or 128

[15] Cross-reference to Section which imposes obligation on account managers to make a return of information to Revenue Commissioners.

[16] Cross-reference to Section which adapts CGT regime for transfers of investments from account manager to account investor.

(d) units in, or shares of, a UCITS or an undertaking for collective investment in transferable securities authorised under the UCITS in any EEA State where the UCITS or undertaking for collective investment in transferable securities in question satisfies each of the conditions specified in paragraph 5;

(e) a depositary interest in respect of any share or security or unit mentioned in sub-paragraphs (a) to (d);

(f) cash deposited in accordance with [Section [] to []].¹⁷

(3) The condition specified in this paragraph is that at the time that the investment is made by or on behalf of the account holder, the market capitalisation of the company in question is not greater than €1,500,000,000.

(4) An investment in shares fulfils the conditions as to official listing and admission to trading in paragraph (2)(a), if—

- (a) in pursuance of a public offer, the account manager applies for the allotment or allocation to him of shares in a company which are due to be admitted to such listing or admitted to such trading within 30 days of the allocation or allotment, and which, when admitted to such listing or trading, would be qualifying investments for a stocks and shares component, and
- (b) the shares are not allotted or allocated to the account manager in the circumstances specified in paragraph (6).

(5) The conditions specified in this paragraph are that at the time that the investment is made by or on behalf of the account holder—

- (i) the UCITS or undertaking for collective investment in transferable securities in question invests solely in companies incorporated in the European Economic Area which are either officially listed on a recognised stock exchange in the European Economic Area or admitted to trading on a recognised stock exchange in the European Economic Area; and
- (ii) the average weighted market capitalisation of the companies in which the UCITS or undertaking for collective investment in transferable securities in question is invested in is not greater than that outlined in subsection 3.

(6) The circumstances specified in this paragraph are where—

- (a) the allotment or allocation of the shares was connected with the allotment or allocation of—
 - (i) shares in the company of a different class, or
 - (ii) rights to shares in the company of a different class, or
 - (iii) shares or rights to shares in another company, or
 - (iv) securities or rights to securities of the company, or of another company, to the account manager, the account investor or any other person; and

(b) the terms on which the first-mentioned shares in this paragraph were offered were significantly more favourable to the account manager or account investor than they would have been if their allotment or allocation had not been connected as described in sub-paragraph (a).

[17] Cross-reference to Section which deals with general investment rules.

(7) The conditions specified in this paragraph are—

- (a) that the shares in the company issuing the securities are listed on the official list of a recognised stock exchange in the European Economic Area;
- (b) that the securities are so listed;
- (c) that the company issuing the securities is a 75 per cent subsidiary of a company whose shares are so listed;
- (d) that the shares in the company issuing the securities are admitted to trading on a recognised stock exchange in the European Economic Area;
- (e) that the securities are so admitted to trading;
- (f) that the company issuing the securities is a 75 per cent subsidiary of a company whose shares are so admitted to trading.

(8) The conditions specified in this paragraph are—

- (a) in relation to shares which the individual has exercised his right to acquire in accordance with the provisions of an approved SAYE option scheme, that the shares are transferred to the account manager or his nominee before the expiry of the period of 90 days following the exercise of that right;
- (b) in relation to shares appropriated to the individual in accordance with the provisions of an approved profit-sharing scheme, that the shares are transferred to the account manager or his nominee before the expiry of the period of 90 days following the date when the individual directed the trustees to transfer the ownership of the shares to him or, if earlier, the release date in relation to the shares;
- (c) in relation to shares subject to the provisions of TCA97 sections 112 or 128 and the shares are transferred to the account manager or his nominee before the expiry of the period of 90 days following their acquisition;
- (d) that the aggregate market value at the date of transfer of any shares transferred to the account manager or his nominee in accordance with sub-paragraphs (a) or (b) in any year, and the individual's cash subscriptions in that year to that account, do not together exceed the overall subscription limit in Section [] in that year, reduced by the subscriptions by the individual in that year to a cash account.

(9) In paragraph (6)(a), “company” means any body corporate having a share capital.

(10) In this Section, references, in relation to qualifying investments, to the value, are to be construed in accordance with Section [], but deducting the incidental costs that would be incurred by a disposal.

Xxx Account manager—qualifications and Revenue Commissioners' approval

(1) This Section specifies the circumstances (“qualifying circumstances”) in which a person may be approved by the Revenue Commissioners as an account manager.

(2) The qualifying circumstances to which paragraph (1) refers are the following—

- (a) the person must make an application to the Revenue Commissioners for approval in a form prescribed by the Revenue Commissioners;
- (b) an account manager must be—
 - (i) an authorised investment firm within the meaning of the MiFID Regulations which is authorised to carry on [relevant services/activities to be described by reference to the MiFID Regulations] under the MiFID Regulations; or
 - (ii) a European institution which is authorised to carry on [refer to relevant services/activities]; or
 - (iii) a credit union which is authorised to carry on [relevant services/activities to be described by reference to Credit Union Act 1997 and Regulations made thereunder]; or
 - (iv) [include definition/description for authorised credit institutions]; or
 - (v) [include definition/description for authorised insurance company];
- (c) an account manager must not be prevented from acting as such by any requirement imposed under the MiFID Regulations, or by any prohibition imposed by or under any rules made by the Central Bank of Ireland under those Sections; and
- (e) an account manager which is a European institution or a relevant authorised person and who does not have a branch or business establishment in Ireland, or has such a branch or business establishment but does not intend to carry out all its functions as an account manager at that branch or business establishment, must fulfil one of the [three] requirements specified in Section [].

The Revenue Commissioners may, with the consent of the Minister for Finance, make regulations regarding additional conditions to be met by the account manager.

(3) The terms of the Revenue Commissioners' approval may include conditions designed to ensure that the provisions of these Sections are satisfied.

Xxx Account manager—appointment of tax representative

(1) This section specifies the requirements mentioned in Section xxx(2)(d).

(2) The first requirement specified in this section is that—

- (a) a person is for the time being appointed by the account manager to be responsible for securing the discharge of the duties prescribed by paragraph (5) which fall to be discharged by the account manager, and
- (b) his identity and the fact of his appointment have been notified to the Revenue Commissioners by the account manager.

(3) The second requirement specified in this section is that there are for the time being other arrangements with the Revenue Commissioners for a person other than the account manager to secure the discharge of such duties.

(4) The third requirement specified in this section is that there are for the time being other arrangements with the Revenue Commissioners designed to secure the discharge of such duties.

(5) The duties prescribed by this paragraph are those that fall to be discharged by an account manager under this Chapter.

(6) The appointment of a person in pursuance of the first requirement shall be treated as terminated in circumstances where—

- (a) the Revenue Commissioners have reason to believe that the person concerned—
 - (i) has failed to secure the discharge of any of the duties prescribed by paragraph (5), or
 - (ii) does not have adequate resources to discharge those duties, and
- (b) the Revenue Commissioners have notified the account manager and that person that they propose to treat his appointment as having terminated with effect from the date specified in the notice.

(7) Where, in accordance with the first requirement, a person is at any time responsible for securing the discharge of duties, the person concerned—

- (a) shall be entitled to act on the account manager's behalf for any of the purposes of the provisions relating to the duties;
- (b) shall secure (where appropriate by acting on the account manager's behalf) the account manager's compliance with and discharge of the duties; and
- (c) shall be personally liable in respect of any failure of the account manager to comply with or discharge any such duty as if the duties imposed on the account manager were imposed jointly and severally on the account manager and the person concerned.

XXX Qualifying investments for a cash component

(1) This section specifies the kind of investments ("qualifying investments for a cash component") which may be purchased, made or held under a cash component.

(2) Qualifying investments for a cash component to which paragraph (1) refers are, subject to paragraph (3)—

- (a) cash deposited in a deposit account with—
 - (i) a building society,
 - (ii) a credit union,
 - (iii) a bank,
- (b) cash deposited in a share account with a building society;
- (h) a depositary interest
- (n) arrangements falling within Part 8A (specified finance transactions);
- (p) a short-term money market fund
- (q) a money market fund

(3) A deposit account or share account which is a qualifying investment for a cash component falling within sub-paragraphs (a) or (b) of paragraph (2) respectively (“Account A”) must not be connected with any other account falling within the descriptions in those sub-paragraphs (“Account B”), held by the account investor or any other person.

(4) For the purposes of paragraph (3), Account A is connected with Account B if all of the following circumstances apply—

- (a) either of the accounts was opened with reference to the other, or with a view to enabling the other to be opened on particular terms, or with a view to facilitating the opening of the other on particular terms,
- (b) the terms on which Account A was opened would have been significantly less favourable to the holder if Account B had not been opened.

XXX Qualifying individuals who may invest under an account

(1) This section specifies the description of individual (“qualifying individual”) who may invest under an account.

(2) A qualifying individual to whom paragraph (1) refers is an individual—

- (a) who, in the case of a stocks and shares account, has not subscribed, and will not subscribe, to any other stocks and shares account, in the year in which the subscription is made;
- (b) who has not exceeded the overall subscription limit in that year;
- (c) who is resident in the State or in the EU or EEA state

XXX Exemption from tax of account income and gains

(1) Subject to this Part—

- (a) no tax shall be chargeable on the account manager or his nominee or on the account investor—
 - (i) in respect of interest, dividends, distributions or gains in respect of account investments (including any government bonus, but excluding any building society bonus), or
 - (ia) in respect of return paid by a financial institution in accordance Part 8A (specified finance transactions)
 - [(ib) in respect of a payment under a building society bonus scheme, so far as the payment is calculated by reference to account investments (and if paid directly by the society into the account, the payment shall not count towards the subscription [limit] in this Part
 - (ii) on any annual profits or gains treated [as having been received by any of them in respect of account investments, or
 - (iii) on an offshore income gain to which a disposal by any of them of an account investment would otherwise give rise to a charge to tax or
 - (iv) any similar income
 - (v) in respect of any gain arising on the disposal of qualifying investments.
- (b) losses in respect of account investments shall be disregarded for the purposes of capital gains tax;
- (c) a deficiency arising in a tax year so far as it relates to an account investment, shall not be allowable as a deduction from the total income of the account investor;]
- (d) relief in respect of tax shall be given in the manner and to the extent provided by this Part
- (e) interest on a cash deposit which is an account investment held under a cash component shall not be regarded as income for any income tax purposes
- (f) Where this Part applies then appropriate tax will not be chargeable on chargeable events outlined in Pt26 or Pt 27 where the necessary declarations are made in respect of the Gra.

(2) A reference to “interest” in this section includes a reference to any bonus and to a dividend paid or credited in respect of a share account with a building society.

XXX Capital gains tax—supplemental

1. For the purposes of capital gains tax on the occasion when the title to account investments is transferred from an account manager to an account investor there shall be deemed to be a disposal and reacquisition by the account investor of those investments for a consideration equal to their market value at the date of the transfer.

Amendment to Capital Acquisitions Tax Act 2003

To insert the following into CATCA2003 s69;

The market value of a Growth & Returns Account (Gra) taken as, or as part of, an inheritance from a disponent who is at the date of the inheritance a relative of the successor is exempt from tax and is not taken into account in computing tax.

Amendment to Stamp Duty Consolidation Act 1999

XXX Growth & Returns Account Exemption

1. Transactions in connections with a Growth & Returns Account will be exempt from stamp duty.

State Aid

We have been unable to find evidence of the Italian, French or UK schemes being notified as State aid to the Commission.



Proposal 2

Fiscal Incentives for Founders/Owners to Increase the Attractiveness of Fundraising via Public Markets

Introduction

Targeted tax incentives for founders and owners of businesses have been shown to be an attractive means to encourage the attractiveness of fundraising in other public markets, including the UK. The lack of incentives in Ireland, or their insufficient attractiveness, puts it at a disadvantage compared to other listing venues and alternative funding routes like private equity. Incentivising entrepreneurs in this way will boost the competitiveness of Ireland as a listing venue, which is critical to the vitality of Ireland's commercial ecosystem.

Given the well-documented benefits of Equity Capital Markets to the economy and job creation in Ireland,²¹ it is essential that Ireland has a thriving Equity Capital Market, where the next generation of Irish companies can grow and flourish. This requires urgent attention from the Government and other stakeholders, and interventions have been successful in other markets, and can be even more successful in Ireland, where the size of the business community and health of the economy gives us an opportunity to become the listing venue of choice for growing Irish companies, with consequential benefits for our economy and society as a whole.

While the 2023 report on "Reinvigorating Irish Equity Capital Markets to Support the Growth of Irish Companies" referenced two specific proposals:

- Targeted CGT relief for owners/founders and
- Tax credits for issuers' expenses

We believe that it is also worthwhile looking at the other proposals discussed in this report in order to create a competitive and compelling proposition for founders and management teams when considering listing as an alternative to private capital investment.

[21] 411DD1184P-01 Dudley White Paper (columbia.edu)



Proposal Details

Capital Gains Tax

The rate of Capital Gains tax remains stubbornly high at 33% and is significantly higher than the rate that would be payable in other countries (10-20% in UK for example on chargeable assets excluding real estate). We believe that a blanket reduction in the CGT rate (to 20%) would encourage a broad range of investors and potential investors (founders, angels, employees and retail investors) to be more ambitious and willing to provide funding to ambitious early stage and scaling companies. We firmly believe that a rate cut would stimulate significant further investment in scaling companies, who in turn are more likely to be ambitious and motivated to go on to list on a stock exchange. We would recommend that the rate cut be ringfenced to disposals of “productive” assets or shares, and the reduced CGT rate would not apply to investments in real estate for example. This would help to encourage investment in ambitious companies that have the capacity to grow and scale from Ireland, and ultimately be IPO candidates.

If and to the extent a blanket reduction in CGT on the disposal of productive assets/shares in active companies is currently not possible, then we would recommend a number of amendments are made to two specific regimes in order to enhance the uptake and ensure that more founders, and more angel investors, are supported to invest in early-stage and scaling companies which might be capable of going on to list on a European stock exchange.

Amendment to the new Angel investor relief introduced in Finance (No 2) Bill 2023

We welcome the introduction of a new CGT relief for investment in innovative enterprises which was introduced in Finance (No 2) Bill 2023. The aim of the relief is to encourage angel investment in innovative start-ups by applying a reduced CGT on gains arising on the disposal of qualifying shares. However, the relief as currently drafted could act as a barrier to achieving its stated objective.

The rules are complex and are difficult for early-stage companies to understand. In addition, the qualifying conditions do not properly reflect the commercial structures used by early-stage companies. And the associated penalty regime is significant if the rules are not implemented correctly. We recommend that the rules are amended as follows:

- i. Extend the definition of “qualifying subsidiary” to include a subsidiary where less than 51 per cent is held by the qualifying company.
- ii. A “qualifying subsidiary” should include a subsidiary that is resident in a jurisdiction with which Ireland has a tax treaty.
- iii. The definition of “initial risk finance investment” should be amended to ensure that a company is not precluded from availing of the relief where the first issue of eligible shares, as required under Section 493, TCA 1997, is on incorporation of the company.

- iv. And while we appreciate there are certain EU considerations, in reality it seems illogical that investors would be precluded from providing follow-on funding where they have been an angel investor in a company. We would advocate that where the investor has been a qualifying angel investor, that they would be allowed to continue to provide capital to that company to facilitate it scaling and be able to secure the relief in relation to its follow-on funding also.
- v. This relief could be used to motivate management or other employees (not founders) of the company to invest in their employer company. There is currently a restriction on employees or directors of the company being able to access this relief. Consideration could be given to widening the scope so as not to exclude those involved in the business, again encouraging them to invest in the business and grow with it.
- vi. In addition, it is often common for early-stage investors to invest money by way of Convertible Loan Note or Simple Agreement for Future Equity "SAFE". Early-stage investors who provide finance under such arrangements should not be precluded from availing of Angel investor relief.

CGT rollover relief for investments in innovative enterprises

We note that France introduced a regime to encourage angel investors to reinvest capital gains in innovative enterprises, the 'SME Innovation Account'. The aim of this incentive was to increase funding to innovative entrepreneurs and SMEs. Serious consideration should be given to introducing a relief like this to encourage serial reinvestment in early-stage companies. Angel investors who reinvest capital gains in innovative enterprises should not be subject to CGT on the amount reinvested.

CGT Entrepreneur Relief

In addition, we believe that a number of enhancements should be made to the CGT Entrepreneur relief in order to further encourage entrepreneurs and founders to invest in their business. In that regard, there are a number of enhancements suggested. These include:

(a) Increasing the lifetime limit

We believe that increasing the lifetime limit to €5 million would considerably enhance the attractiveness of the relief and would encourage Irish entrepreneurs and founders to grow and scale their business here in Ireland, rather than being attracted by incentive regimes that exist elsewhere. As a company scales, they are more likely to consider a stock market floatation. In fact, one could consider doubling the relief to €10m, for example, if companies pursued a stock market listing in Europe and their sell-down was in connection with that listing. This might seem controversial, to specifically incentivise a stock market floatation rather than another transaction to raise finance, but this could really help to drive behaviour and drive entrepreneurs to be more ambitious for their companies, driving them to a stock market listing (rather than selling out to a rival or strategic investor potentially before the company reaches full potential).

(b) Allow passive investors to qualify

We believe that there is merit in broadening the scope of Entrepreneurs Relief to passive investors (i.e. those not involved in the business on a day-to-day basis). It would, in our view, incentivise private investors to invest capital into early-stage companies thereby enabling them to be more ambitious and hopefully scale to a level where a stock exchange listing could be a credible option.

Tax Credit for Issuers' Expenses

Listing a company on a stock exchange is a very costly process. Included in Appendix IV is a list of the potential costs a company will have to bear. These can be extensive and can be a deterrent to a company pursuing this fundraising option. If additional tax relief could be secured, this may help to relieve some of the cost. It is suggested that incremental costs directly related to a stock exchange listing would be clearly deductible for tax purposes and benefit from a super deduction and deductible at a rate of 150% for holding or trading companies seeking a listing. In addition, there is always a risk that a listing does not proceed for a number of complex reasons. Provision should also be made to specifically enable these costs to be deductible, again at a super deduction rate of 150%, even where the listing is deferred or aborted.²²

Another Measure for Consideration

(a) Funding Equity Research on Smaller Companies

Please see Appendix V to this report.

Legislative Amendments Required

Red text highlights the new amendments we are suggesting to the existing legislation. Blue text is to highlight the rationale behind the suggested amends.

Amendment to the CGT rate

Section 28, TCA 1997 has been marked-up below to provide for a 20% blanket CGT rate on gains arising from the disposal assets. There are exceptions to the application of the reduced rate to the disposal of certain assets, for example, land and shares deriving their value from land.

[22] See Milano Finanza - real-time economic, finance, tax and stock market news, which discusses the Italian IPO bonus, whereby companies can apply for a tax credit equal to 50% of the consultancy costs incurred for an IPO, up to a maximum of €500,000. This was introduced in 2018, following the introduction of PIRs – the Individual Savings Plans with tax bonus for those who invest for example in Euronext Growth Milan – the previous year.

28 Taxation of capital gains and rate of charge

(1) Capital gains tax shall be charged in accordance with the Capital Gains Tax Acts in respect of capital gains, that is, in respect of chargeable gains computed in accordance with those Acts and accruing to a person on the disposal of assets.

(2) Capital gains tax shall be assessed and charged for years of assessment in respect of chargeable gains accruing in those years.

(3) Except where otherwise provided by the Capital Gains Tax Acts, the rate of capital gains tax in respect of a chargeable gain accruing to a person on the disposal of an asset shall be 20 per cent, and any reference in those Acts to the rate specified in this section shall be construed accordingly.

(4) Notwithstanding subsection (3), the rate of capital gains tax in respect of a chargeable gain accruing to a person on the disposal of –

- a) land in the State,
- b) minerals in the State or any rights, interests or other assets in relation to mining or minerals or the searching for minerals,
- c) exploration or exploitation rights in a designated area,
- d) shares in a company deriving their value or the greater part of their value directly or indirectly from assets specified in paragraph (a), (b) or (c), other than shares quoted on a stock exchange,
- e) shares, other than shares quoted on a stock exchange, to which section 584 applies, whether by virtue of that section or any other section, so that, as respects a person disposing of those shares, they are treated as the same shares as shares specified in paragraph (d), acquired as the shares so specified were acquired, and

shall be 33 per cent.

These suggested revisions are to allow for a lower CGT rate to apply to the disposal of certain assets.

CGT Entrepreneur Relief and CGT rollover relief

In line with the recommendations made in the Capital Gains Tax proposal above, Section 597AA, TCA 1997 has been marked-up below to provide suggested legislative language for amendments to Revised Entrepreneur Relief to:

- extend the relief to passive investors;
- increase the lifetime limit
- provide for rollover relief where the disposal proceeds are reinvested.

597AA Revised entrepreneur relief

(1)(a) In this section —

“51 per cent subsidiary” has the same meaning as it has in section 9(1)(a);

“development land” has the same meaning as it has in section 648;

“group” means a holding company and all companies which are 51 per cent subsidiaries of the holding company;

“holding company” means a company whose business consists wholly or mainly of the holding of shares of all companies which are its 51 per cent subsidiaries;

“qualifying business” means a business other than —

- (a) the holding of securities or other assets as investments,
- (b) the holding of development land, or
- (c) the development or letting of land;

“qualifying group” means a group of companies, the business of each ~~51 per cent subsidiary (other than a holding company) whose members taken together in which~~ consists wholly or mainly of the carrying on of a qualifying business or qualifying businesses;

This is to suggest a revision of the definition so as to ensure that dormant companies with negligible value assets do not disqualify the group where the group members taken together are engaged in qualifying businesses. This test echoes a similar group-wide test which is used in the substantial shareholding exemption provisions at section 626B, TCA 1997.

~~“qualifying person” means an individual who is or has been a director or employee of a company (or companies in a qualifying group) who —~~

~~(a) is or was required to spend not less than 50 per cent of that individual’s working time in the service of that company (or those companies) in a managerial or technical capacity, and~~

~~(b) has served in that capacity for a continuous period of 3 years in the period of 5 years immediately prior to the disposal of the chargeable business assets of which the disposal of shares in the company (or one of those companies) forms the whole or part;~~

This suggested revision will enable passive investors, who are not employees or directors of the company qualify for the relief.

“relevant company” means a company (including a company in a qualifying group) the disposal of shares in which forms the whole or part of the disposal of chargeable business assets;

“relevant individual” means an individual—

- (a) who has been the beneficial owner of an asset or an interest in an asset to which subparagraph (i) of the definition of “chargeable business asset” in subsection(2)(a) applies for a continuous period of not less than 3 years in the 5 years immediately prior to the disposal of that asset, or*
- (b) who has been the beneficial owner of a holding of ordinary shares to which subparagraph (ii) of the definition of “chargeable business asset” in subsection (2)(a) applies for a continuous period of not less than 3 years at any time prior to the disposal of those shares;*

“the reinvestor” has the meaning assigned to it by subsection (5);

This suggested revision will allow rollover relief to apply where the disposal proceeds are reinvested.

~~*“working time” means any time that an employee or director is—*~~

~~*(a) at his or her place of work or, in the case of an employee, at his or her employer’s disposal, and*~~

~~*(b) carrying on or performing the activities or duties of his or her work.*~~

This suggested revision will enable passive investors qualify for the relief.

~~*(b)(i) For the purposes of the definition of “qualifying person” in paragraph (a), any period during which the individual was a director or employee of—*~~

~~*(I) a company that was treated as being the same company, for the purposes of section 586, as a relevant company, or*~~

~~*(II) a company involved in a scheme of reconstruction or amalgamation under section 587 with a relevant company,*~~

~~*shall be taken into account in calculating the periods during which the individual was a director or employee.*~~

~~*(b)(ii) For the purposes of the definition of “relevant individual” in paragraph (a), any period during which the individual owned shares in —*~~

~~*(I) a company that was treated as being the same company, for the purposes of section 586, as a relevant company, or*~~

~~*(II) a company involved in a scheme of reconstruction or amalgamation under section 587 with a relevant company,*~~

~~*shall be taken into account in calculating the periods during which the individual was a beneficial owner.*~~

(2)(a) Subject to paragraph (b), “chargeable business asset” means an asset, including goodwill which —

(i) is, or is an interest in, an asset used for the purposes of a qualifying business carried on by an individual, or

(ii) is a holding of ordinary shares in —

(I) a company whose business consists wholly or mainly of carrying on a qualifying business, or

(II) a holding company of a qualifying group,

in respect of which an individual has owned not less than 5 per cent of the ordinary shares for a continuous period of not less than 3 years at any time prior to the disposal of those shares., ~~and~~

~~(B) is a qualifying person in respect of the company or, if the company is a member of a qualifying group, of one or more companies which are members of the qualifying group.~~

This suggested revision will enable passive investors to qualify for the relief.

(b) “Chargeable business asset” does not include —

(i) shares (other than shares mentioned in paragraph (a)(ii)), securities or other assets held as investments,

(ii) development land,

(iii) assets on the disposal of which no gains accruing would be chargeable gains,

(iv) subject to subsection (8), goodwill which is disposed of directly or indirectly to a company, where, immediately following the disposal, the individual is connected with the company, or

(v) subject to subsection (8), shares or securities in a company which are disposed of directly or indirectly to another company, where, immediately following the disposal, the individual is connected with the first-mentioned company.

(3) Subject to subsection (4), the rate of capital gains tax chargeable on a chargeable gain or chargeable gains accruing in respect of a disposal or disposals of the whole or part of chargeable business assets made by a relevant individual shall be 10 per cent.

(4)(a) The rate of capital gains tax referred to in subsection (3) shall be chargeable only on so much, if any, of the chargeable gain or chargeable gains accruing, when added to the aggregate amount of any chargeable gain or chargeable gains accruing in respect of any previous disposal of the whole or part of chargeable business assets made by the relevant individual in the lifetime of that individual on or after 1 January 2016, that does not exceed ~~€1,000,000~~ €5,000,000.

(b) The rate of capital gains tax referred to in section 28(3) shall be chargeable on so much, if any, of the chargeable gain or chargeable gains accruing, when added to the aggregate amount of any chargeable gain or chargeable gains accruing in respect of any previous disposal of the whole or part of chargeable business assets made by the relevant individual in the lifetime of that individual on or after 1 January 2016, that exceeds ~~€1,000,000~~ €5,000,000.

(5)(a) Notwithstanding subsections (3) and (4), where the consideration which an individual (in this section referred to as “the reinvestor”) obtains in respect of a disposal or disposals of the whole or part of chargeable business assets (in this section referred to as “the original assets”) is applied by him or her within the period of 3 years from the date of that disposal in acquiring a qualifying investment, the reinvestor shall, on making a claim in that behalf, be treated for the purposes of the Capital Gains Tax Acts as if the chargeable gain accruing on the disposal of the original assets did not accrue until he or she disposes of the qualifying investment.

(b) Where the consideration for that disposal is applied by the reinvestor within the period of 3 years from the date of that disposal in acquiring another qualifying investment, the reinvestor shall be treated as if the chargeable gain accruing on the disposal of the original assets did not accrue until he or she disposes of the other qualifying investment and any further qualifying investment which is acquired in a similar manner.

(6) Subsection (5) shall not apply if part only of the amount or value of the consideration for the disposal of the original assets is applied, within the period of 3 years from the date of that disposal, in acquiring a qualifying investment but, if all of the amount of that consideration except for a part which is less than the amount of the gain accruing on the disposal is so applied, the reinvestor shall, on making a claim in that behalf, be treated for the purposes of the Capital Gains Tax Acts as if the amount of the gain accruing on the disposal were reduced to the amount of the consideration not applied in acquiring a qualifying investment, and the balance of the gain shall be treated as if it did not accrue until the reinvestor disposes of the qualifying investment.

(7) For the purposes of subsection (5), an individual shall be regarded as acquiring a qualifying investment where he or she acquires a chargeable business asset.

This suggested revision will allow for rollover relief to apply where the proceeds are reinvested.

(7) This section shall not apply, and section 597A shall apply, to a disposal of the whole or part of chargeable business assets made by a relevant individual where the amount of capital gains tax payable in respect of the disposal under this section is greater than the amount of capital gains tax payable in respect of the disposal were section 597A to apply.

(8) Subject to section 600 and subsection (8), this section shall not apply to such portion of the chargeable gain or gains accruing in respect of a disposal or disposals by a relevant individual of chargeable business assets which form part of a transfer to which section 600 applies as bears the same proportion to the total of such gains as the value of the consideration received by the relevant individual out of the assets of the company in respect of the transfer bears to the value of the consideration received by the relevant individual other than by way of shares or securities in respect of such transfer.

(9) Where a relevant individual enters into arrangements, the main purpose, or one of the main purposes, of which is to secure that the relevant individual is not connected with a company for the purpose of either or both of subparagraphs (iv) or (v) of subsection (2)(b), this section shall not apply.

(10) Subsections (2)(b)(iv), (2)(b)(v) and (8) shall not apply in relation to a disposal of assets where it would be reasonable to consider that the disposal is made for bona fide commercial reasons and does not form part of any arrangement or scheme the main purpose or one of the main purposes of which is the avoidance of liability to tax.

(11) Subsections (4) and (5) shall not apply in relation to the acquisition of a qualifying investment unless it is shown that the acquisition was made for bona fide commercial reasons and does not form part of any arrangement or scheme the main purpose or one of the main purposes of which is the avoidance of liability to tax.

Angel Investor relief

493. Interpretation (Chapter 3)

In this Chapter—

“business plan” means a written business plan which contains details of product, sales and profitability development, establishing ex-ante financial viability and which includes both quantitative and qualitative details of the activities the investment is sought to support;

“expansion risk finance investment” means the issue of eligible shares to fund entering a new product on the market or entering a new geographic market;

“follow-on risk finance investment” means the issue of eligible shares subsequent to an initial risk finance investment or an expansion risk finance investment;

“initial risk finance investment” means the first issue of eligible shares other than:

- (i) Shares issued upon incorporation, and
- (ii) An expansion risk finance investment.

This suggested revision would clarify that the issuance of shares on incorporation should be disregarded when determining whether a subsequent share issuance is an initial risk finance investment.

Chapter 6A Relief for investment in innovative enterprises

600D Qualifying subsidiary

(1) For the purposes of this Chapter, a subsidiary shall be a qualifying subsidiary where it is a company to which section 600F(2)(a)(ii) applies and satisfies the following conditions:

- (a) the subsidiary is a ~~54~~ 50 per cent subsidiary of the qualifying company;
- (b) no other person has control of the subsidiary;
- (c) no arrangements are in existence by virtue of which the conditions specified in paragraphs (a) and (b) could cease to be satisfied.

This suggested revision will allow for a relief group with joint ventures to qualify for the relief.

600E Qualifying investment (company perspective)

- (1) An investment shall not be a qualifying investment unless it is based on a business plan.
- (2) An investment shall not be a qualifying investment if it is an expansion risk finance investment ~~or a follow-on risk finance investment.~~
- (3) An investment shall not be a qualifying investment unless the qualifying company provides a copy of the certificates of qualification to the qualifying investor or qualifying partnership, as the case may be.

This suggested revision will allow for follow-on risk finance investment to qualify for the relief.

600F Certificates of qualification

(2) A company shall not make an application under subsection (1) unless the following conditions are satisfied:

- (a) the applicant company—
 - i) is incorporated in the State, another EEA State or ~~United Kingdom~~ a territory with which arrangements have been made which on completion of the procedures set out in section 826(1) will have the force of law,
 - (ii) is tax resident in the State, another EEA State or ~~the United Kingdom~~ a territory with which arrangements have been made which on completion of the procedures set out in section 826(1) will have the force of law and carries on, or intends to carry on, relevant trading activities from a fixed place of business in the State,

This suggested revision expands the list of jurisdictions to treaty countries.

- (iii) holds a tax clearance certificate within the meaning of section 1095,
- (iv) is a company which—
 - (I) does not control (or together with any person connected with the company does not control) another company other than a qualifying subsidiary, and
 - (II) is not under the control of another company (or of another company and any person connected with that other company), unless such control is exercised by the National Asset Management Agency, or by a company referred to in section 616(1)(g),

and no arrangements are in existence by virtue of which the applicant company would fall within clause (I) or (II) in the period of 3 years following the issue of a certificate of commercial innovation,

- (v) is a company—
 - (I) which exists wholly for the purpose of carrying on relevant trading activities, or
 - (II) whose business consists, or will consist, ~~wholly~~ **mainly** of—
 - (A) the holding of shares or securities of, or the making of loans to, one or more qualifying subsidiaries of the company, or
 - (B) both the holding of such shares or securities or the making of such loans and the carrying on of relevant trading activities where relevant trading activities are carried on from a fixed place of business in the State,

and where a company raises any amount through the issue of eligible shares for the purposes of raising money for relevant trading activities which are being carried on by a qualifying subsidiary or which such a qualifying subsidiary intends to carry on, the amount so raised shall be used for the purpose of acquiring eligible shares in the qualifying subsidiary and for no other purpose,

This suggested revision allows for the applicant company that is a holding company to carry on business other than the making of loans or the holding of shares. This is to more closely align the relief with the commercial structures used by SMEs e.g., allow for the receipt of rental income.

600H Qualifying Investor

(1) For the purposes of this Chapter, a 'qualifying investor' is an individual who on his or her own behalf subscribes for eligible shares in a qualifying company and complies with this section.

(2)

- (a) An individual shall not be a qualifying investor if at the date of investment the individual is connected, as determined in accordance with this section and section 600I, with the company.
- (b) In this Chapter, an individual shall be connected with a company if the individual or an associate of the individual—
 - (i) is a partner of the company, or of any company that is a member of the relief group of which that company is a member, ~~or~~
 - ~~(ii) is a director or employee of the company, or of any company that is a member of the relief group of which that company is a member, or~~
 - (iii) subject to subsection (3), has an interest in the capital of the company, or of any company that is a member of the relief group of which that company is a member.

This suggested revision allows employees and directors of the company qualify for the relief. Changes may also be required to Part 5 of the Taxes Consolidation Act 1997 to facilitate this.

- (3) (a) Subject to subsection (4), for the purposes of this section, an individual shall have an interest in the capital of a company that is a member of the relief group if that individual, or that individual's associate, directly or indirectly possesses or is entitled to acquire—
 - (i) 15 per cent or more of the issued share capital,
 - ~~(ii) any of the loan capital~~
 - (iii) 15 per cent or more of the voting power, or
 - (iv) 15 per cent or more of rights to the assets on a winding up, of any such company.
- (c)(i) For the purposes of paragraph (a)(iv), an individual shall have a right to the assets on a winding up if that individual, or an associate of the individual, has rights as would, in the event of the winding up of a company or in other circumstances, entitle the individual to receive any assets of the company which would at that time be available for distribution to equity holders of the company, and for the purposes of this subsection—
 - (I) the persons who are equity holders of the company, and
 - (II) the percentage of the assets of the company to which the individual would be entitled, shall be determined in accordance with sections 413 and 415, with references in section 415 to the first company being construed as references to an equity holder and references to a winding up being construed as including references to any other circumstances in which assets of the company are available for distribution to its equity holders.
- (ii) In applying sections 413 and 415 in determining the percentage of share capital or other amount which a shareholder beneficially owns or is beneficially entitled to under subparagraph (i), no regard shall be had to the provisions of section 411(1)(c).
- (ii) For the purposes of this section, an individual shall be treated as having an interest in the capital of the company if the individual has, at the date of investment, control of another company which is a subsidiary of the company.

(4) For the purposes of subsection (3), no account shall be taken of shares in a company which are held by the individual concerned, or an associate of that individual, where—

- (a) that individual or that associate, as the case may be, may be entitled to relief under section 600M on the disposal of those shares, and
- (b) that individual, or a person connected with that individual, did not, at the date of investment, control the company concerned.

Deductibility of listing expenses

As noted in the Tax Credit for Issuers Expenses proposal above, listing a company on a stock exchange is a very costly process. This can act as a deterrent to a company pursuing this fundraising option. Outlined below are legislative amendments to sections 81 and 83, TCA 1997 to provide for a 150% super deduction in respect of costs incurred by trading and holding companies pursuing a listing on a stock exchange.

81 General rule as to deductions

(1) The tax under Cases I and II of Schedule D shall be charged without any deduction other than is allowed by the Tax Acts.

(2) Subject to the Tax Acts, in computing the amount of the profits or gains to be charged to tax under Case I or II of Schedule D, no sum shall be deducted in respect of –

...

(3) **Notwithstanding subsection (2), a company, in computing the amount of the profits or gains to be charged to tax under Case I or II of Schedule D, is entitled to claim a deduction in respect of 150 per cent of the disbursement or expenses laid out or expended wholly and exclusively for the purposes of seeking admission on a recognised stock exchange.**

83 Expenses of management of investment companies

(1) For the purposes of this section and of the other provisions of the Corporation Tax Acts relating to expenses of management, “investment company” means any company whose business consists wholly or mainly of the making of investments, and the principal part of whose income is derived from the making of investments, but includes any savings bank or other bank for savings.

(2) In computing for the purposes of corporation tax the total profits for any accounting period of an investment company resident in the State –

- (a) there shall be deducted any sums disbursed as expenses of management (including commissions) for that period, except any such expenses as are deductible in computing income for the purposes of Case V of Schedule D; but
- (b) there shall be deducted from the amount treated as expenses of management the amount of any income derived from sources not charged to tax, other than franked investment income.

(3) Where in any accounting period of an investment company the expenses of management deductible under subsection (2), together with any charges on income paid in the accounting period wholly and exclusively for the purposes of the company’s business, exceed the amount of the profits from which they are deductible, the excess shall be carried forward to the succeeding accounting period, and the amount so carried forward shall be treated for the purposes of this section [...]1, including any further application of this subsection, as if it had been disbursed as expenses of management for that accounting period.

(4) For the purposes of subsections (2) and (3), there shall be added to a company’s expenses of management in any accounting period the amount of any allowances to be made to the company for that period by virtue of section 109 or 774.

(5) ...

(6) ...

(7) For the purposes of subsections (2) and (3), there shall be added to a company's expenses of management in any accounting period the amount of 150 per cent of any sums disbursed that are were incurred wholly and exclusively in connection with a listing or proposed listing on a recognised stock exchange.

This suggested revision is to allow for a 150% deduction for expenses incurred by investment companies wholly and exclusively in relation to listing on a stock exchange whether successful or otherwise.

Proposal 3

Establishment of an Irish Growth Capital Fund

Introduction

This proposal is to establish an Irish Growth Capital Fund (“IGF”) dedicated to providing equity finance to companies listed, or intending to list, on the Euronext Dublin markets. We would ask that the Department of Finance support the initiative to establish such a fund in Ireland and work with key stakeholders on its implementation.

Its objective is to provide permanent capital to incentivise indigenous and strategically valuable companies to source evergreen equity financing through Euronext Dublin. The IGF should form part of an overall national strategy to build successful Irish companies by ensuring there is a robust domestic Irish equity capital platform accessible as a relevant funding source. The IGF would also strengthen the financing capacity of the Irish equity market, promoting Dublin as an attractive market for non-Irish IPO candidates.

The proposal is that the IGF would initially be backed by the Irish state and other selected financial partners, replicating successful funding initiatives like BGF Ireland, established to provide equity financing to Irish small and medium-sized companies, and Pearl Residential Equity Fund [23], established to provide equity financing for residential projects throughout Ireland. The ambition is that the fund will initially have up to €400 million to invest. Initial constructive discussions have taken place with the prospective stakeholders. Participation by institutional and retail investors in the initiative would become a potentially attractive later proposition.

Engagement has taken place with international parties to inform the construction of IGF, including Euronext Paris who have a deep understanding of CDC Tech Premium [24], a €300 million mutual fund sponsored by CDC Croissance to support French tech IPOs.

[23] BGF Ireland was established in 2017 with up to €250million to invest. Pearl Residential Equity Fund was established in 2019 with up to €50million to invest. Both were initially backed by, amongst others, ISIF, AIB and Bank of Ireland.

[24] CDC Tech Premium was a cornerstone investor in Planisware, the French provider of cutting-edge software-as-a-service (SaaS) solutions in the thriving Project Economy, which listed on Euronext Paris on 18 April 2024. €280m of stock was sold in the secondary offering, which gave a market capitalization of €1.1bn at an implied valuation of 16x 2024E EV/EBITDA. The stock closed up over 25% on Day 1.



The factors as to why Irish IPO activity has sharply declined in recent years have been detailed elsewhere in this submission. We focus here on the mechanics of creating the Growth Fund that addresses several objectives:

1. Provide a highly visible potential equity investor that gives corporates access to evergreen equity capital through an IPO or follow-on fundraising on Euronext Dublin;
2. Deliver domestic equity growth capital to Irish corporates that scale internationally with leadership teams based in Ireland;
3. Enhance the liquidity of the domestic equity market and increase the attractiveness of the Irish market to non-Irish capital providers; and,
4. Achieve the twin objectives of:
 - a. positive financial return for investors and
 - b. maintain the health of the Irish equity market which is strategically important for Ireland.

IGF Investment Mandate

1. **Objective:** The IGF would be focussed on supporting the IPO and primary equity funding of a company listing and listed on Euronext.
2. **Focus on Growth:** Emphasis would be placed on companies with promising growth prospects of strategic value to the Irish economy.
3. **Sector Diversification:** The IGF would diversify across sectors to reduce exposure to sector-specific risks.
4. **Minority holdings:** The IGF would maintain equity minority positions with maximum investment of 15% of the issued share capital of any individual investee company. The IGF would invest no more than 20% of its resources in any individual investee company. The IGF would represent no more than 15% of any qualifying deal, underlining the determination that the marketplace must determine the appropriate pricing terms.
5. **Underwriting criteria:** The IGF should be designed to provide critical support to a prospective IPO once the market has settled on a valuation process that triggers a successful equity raise and listing. Consequently, the IGF would not be the lead investor in any IPO to ensure the market sets the valuation criteria.
6. **Realisation of investments:** the IGF would not engage in secondary investing other than sell downs of third-party holdings after a defined minimum period (e.g. minimum hold period of 12 months).
7. **Benchmarking:** The IGF would be established to generate a return equivalent to or more than the risk-free rate. Alongside that targeted return the fund is explicitly mandated to support appropriate IPOs and follow-on offerings on the Irish market.

Investment Manager/Fund Structure

We propose an initial five-year term for the IGF, to be reviewed annually by an advisory board and subject to a comprehensive review after the five-year period. The Advisory Board would comprise representatives of the Irish state and other selected financial partners plus two suitably qualified investment professionals.

The IGF would be managed and operated by a professional third-party investment firm which would be chosen after a competitive process. Selection of the investment manager to oversee the IGF would involve the careful consideration of various factors to ensure alignment with the fund's objectives and funders' expectations. The selection criteria should include:

1. **Track Record:** a manager with a proven track record of delivering consistent returns in managing public securities funds over various market cycles.
2. **Experience and Expertise:** The investment manager would possess deep expertise and experience in analysing and selecting public securities across different asset classes, sectors, and regions. Selection would consider factors such as the manager's research process and team expertise.
3. **Risk Management:** appropriate risk management framework, with a proven ability to identify and mitigate various risks associated with investing in public securities, such as market risk, liquidity risk, and specific security risks.
4. **Communication:** commitment to provide clear and timely reporting on fund performance, portfolio holdings, investment strategy updates, and any material developments impacting the fund.
5. **Compliance and Regulation:** evidence that the manager can operate with integrity and complies with relevant regulatory requirements governing the management of a public securities fund.
6. **Stability and Continuity:** commitment to the continuity of key members of the investment management team in managing the fund. The selection process would consider factors such as team tenure, succession planning, and organizational stability to ensure consistency in investment decision-making and execution over the long term.
7. **Alignment of Interests:** preference would be given to an investment management firm which is willing to commit capital to the IGF or willing to invest alongside the fund.
8. **Fee Structure:** The fee structure would incentivise the manager to generate returns while taking into consideration the IGF's broader objectives and the cadence of investment propositions.

Legal Structure

In relation to the legal structure for the IGF, subject to any specific requirements of the investors, a suitable option may be to establish an ICAV as a qualifying/professional investor fund. This would provide flexibility on investment strategy and funding going forward and a corporate structure that allows a robust level of governance oversight for the principal investors, as a board would be established to which they may appoint directors.

Once established, the fund board would elect which service providers to appoint and negotiate appropriate commercial terms. These service providers include an AIFM, which may be a third party, who then delegates functions such as investment decisions and day-to-day fund administration but will retain the regulatory responsibilities under the AIFMD.

The entity to whom these functions are delegated could establish a committee comprising representatives from each of the investors who then perform this role. Almost 900 ICAVs have been registered to date with the Central Bank, which is responsible for authorising and overseeing the operation of these pooled investment vehicles.



Appendices

Appendix I: Report Contributors

Members of the IEMF Working and Steering Group
Arthur Cox LLP
Cantor Fitzgerald
Computershare
Davy
Deloitte
Deutsche Numis
Endeavor Ireland
Euroclear Bank
Euronext
Goodbody Stockbrokers
KPMG
Link Registrars
Mason Hayes & Curran LLP
McCann FitzGerald LLP
Powerscourt Group
William Fry LLP

Appendix II: Building Long Term global Champions

Company	Years Public	Market Cap at IPO	IPO Market Cap (€m)	IPO Market Cap (inflated adjusted) (€m)	Current Market Cap (€m)	Multiple increase in Market cap
Paddy Power/Flutter Ent	24	IR£160m	203	347	32,207	93x
Ryanair Holdings	26	IR£250m	317	564	23,972	43x
Kingspan Group	36	IR£25m	32	69	15,591	226x
Kerry Group	38	IR£44m	56	128	13,816	108x
Smurfit Kappa Group	17	€3.5bn	3,500	3,500	11,036	3x
Glanbia	35	IR£80m	102	228	4,831	21x
Average	29			806	16,909	82x

Appendix III : European Initiatives

There are a number of initiatives currently being progressed at local level in other European countries that are aiming to facilitate access to public equity markets for companies and direct more capital towards public equity markets. In many cases, these are building on initiatives that are already in place in these jurisdictions. Some details are set out below.

Policy developments	France	Italy	UK
Facilitating access to public equity markets for companies	French "Loi attractivité" legislation	Manifesto and joint actions Borsa Italiana x Consob	Edinburgh Reform
Simplifying and streamlining regulation for listing companies	Multiple voting rights shares, simplifications of follow-on capital raise	<ul style="list-style-type: none"> • Simplifications of Listing procedures • Streamlining procedures, legal liability regime and investment research 	<ul style="list-style-type: none"> • Single listing segment and simplifications on dual-class shares and track record • Shareholder governance and investment research rules
2. Eliminating local gold-plating	Different initiatives, mainly related to: <ul style="list-style-type: none"> - Rulebook approval procedures by NCA - Supervision - Anti-money laundering regulation 	Contribution to the ongoing review of the Italian TUF and other initiatives, mainly related to: <ul style="list-style-type: none"> - Outsourcing - Rulebook approval procedures - Incident reporting - Organisation of Borsa Italiana - Admission of foreign UCITs 	
II. Directing more capital towards public equity markets [25]	PEA, PER, life insurance, Funds of funds, Tibi funds	PIR, Manifesto	ISA, VCT, Edinburgh Reform
1. Incentivising households to invest in public equities	Directing savings into European equities based on the holder's risk profile	Encouraging investment in Italian SMEs with quotas	Saving with no time constraint
2. Directing long-term savings and investments into European public equities	Supporting investment in tech and listed companies with funds of funds and labels	Creating funds of funds and incentivising long-term investment	Collective investment listed vehicles to support SMEs
3. Encouraging participation to IPOs	Crossover funds and cornerstone investors	IPO Bonus to encourage listings with a tax break	Simplifying investment research at IPO

[25] Please note details of the Retail Savings and Investment Schemes – PEA, PER, PIR & ISA are set out separately in Appendix VI

Channelling investments toward equities

France: funds of funds & Tibi initiative – supporting investment in tech and listed companies

Funds of funds

Launched in 2012 at the initiative of Paris Europlace, the Emergence investment fund remains to this day the only initiative dedicated to investment in listed companies with:

- 20 partner asset management companies managing a total of €32 billion.
- Over €100 million from 16 leading French institutional investors.

In 2022, funds of funds represent 34% of Bpifrance's assets under management but they are mainly invested in private equity. Over 3 years, Bpifrance's investment activities in funds of funds have increased by 34%, and over 10 years by 240%. The fund of funds business mainly invests in and monitors partner funds subscribed via funds of funds managed on its own account, as part of the PME Innovation and France Investissement programmes. It also manages funds on behalf of third parties such as Caisse des Dépôts.

Tibi initiative: a plan to finance the development of technology companies

The Tibi initiative (named after the economist behind this project at the Ministry, Philippe Tibi) was launched by the French Ministry of Finance in 2019 to increase the financing capacity of tech companies by tapping into the savings of institutional investors in France.

- **Phase 1** – 21 French institutional investors committed to investing €6 billion between 2020 and 2022 in late-stage private equity and listed equity funds based in France. The initiative's investor partners have honoured their pledge, injecting nearly €30 billion into the French tech ecosystem.
- **Phase 2** – launched in February 2023 and should represent €7 billion. Listed investment suffers from a relative lack of funds despite 12 additional funds being approved during phase 2 of the Tibi initiative: 26 funds compared to 60 private equity funds.

Channelling investments toward equities

Italy: Manifesto – creating funds of funds and incentivising long-term investment

As part of the recently published Manifesto (which includes 10 key proposals to develop the capital market in Italy), leading market institutions lament the limited weight of Italian institutional investors in the capital of Italian listed companies as they own less than 10% compared to a share of around 20% in all major European markets. The Manifesto proposes:

- Labelling funds as part of the "Italian Capitals - Financial Markets for Businesses" project sponsored by the government and supported by large operators such as banks, foundations, pension funds and social security funds. In practice, 20-25 funds of €100-200 million each for listed SMEs, with a total amount of €3-5 billion to invest.
- Creating a €1 billion fund of funds that use alternative PIRs by selecting 10 fund managers of €100 million each, focusing solely on listed SMEs.

On the other hand, the Italian tax system encourages debt on the capitalisation of companies rather than equity; this favours low creditworthiness and dependence on the banking system.

The Manifesto suggests:

- Pushing forward rules to incentivise risk capital;
- Dialogue with the EU Commission to encourage the capitalisation of SMEs going public with a 3-year fiscal "grace period";
- The IPO Bonus (see below) to become structural;
- Extending the tax credit on capital strengthening beyond the current limits of company size and capitalisation operation;
- Reducing tax on dividends for long-term investments

Channelling investments toward equities

UK: VCT – collective investment listed vehicles to support SMEs

Venture Capital Trusts (VCTs) are collective investment vehicles in the UK, designed to encourage investment in unlisted (or listed) companies and support the financing of SMEs in the start-up or growth phase. They were introduced in the Finance Act 1995 to encourage investment into new UK businesses. They take the form of public limited companies on the London Stock Exchange.

- Managed by approved professionals;
- Eligible securities: unlisted or listed companies on a Growth market, with less than 250 employees, and raising less than £12 million a year (c. €14 million).
- Maximum amount: £200,000 (c. €235,000);
- Holding period: 5 years;
- Taxation:
 - Capital gains: 0% on second-hand shares (purchased on the stock market for instance) or after at least 5 years for new shares;
 - Dividend: 0%
 - Initial 30% income tax reduction on up to £200,000 in a tax year.
- Total: £11.6 billion since 1995 (c. €13.6 billion).
- In 2022/2023, VCTs raised a total of £1.08 billion in funds (c. €1.27 billion), the largest fund being Octopus Titan VCT with £1.1 billion in assets under management (c. €1.3 billion) after raising £237 million this tax year (c. €278 million). However, AIM VCTs dedicated to invest mainly on Growth-market (AIM) listed companies only raised £85 million (c. €100 million).

Incentivising IPOs

France: crossover funds and cornerstone investors – supporting the bridge from private to public

With the Tibi initiative, the French government pushed for the creation of pre-IPO or crossover funds. At the start of the initiative, only one fund was investing in biotech. By focusing the efforts on both listed global tech companies and late-stage unlisted companies, the initiative channelled part of French households' savings through pension funds and insurance companies towards financing pre-IPO companies and supporting them in the IPO:

- InfraVia was the first one in 2020 to raise €270 million from Bpifrance, insurance companies, family offices and entrepreneurs;
- The only previously existing one, Sofinnova partners, reached an investment vehicle of €445 million, raising €160 million additional funds of which €100 million from insurance companies and mutual funds in 2021;
- In 2023, the Caisse des Dépôts – number one institutional investor in French listed SMEs – launched CDC Tech Premium with €300 million to act as a crossover fund, one-to-two years before the IPO of French late-stage tech companies. The fund targets to raise €1.5 billion in the next 5 years. [26]

[26] CDC Tech Premium was a cornerstone investor in Planisware, the French provider of cutting-edge software-as-a-service (SaaS) solutions in the thriving Project Economy, which listed on Euronext Paris on 18 April 2024. €280m of stock was sold in the secondary offering, which gave a market capitalization of €1.1bn at an implied valuation of 16x 2024E EV/EBITDA. The stock closed up over 25% on Day 1.

Cornerstone investors often contribute to this bridge and increasingly take part in IPOs on Euronext Paris. For certain SMEs, they can represent up to 40-50% of the offer. In order to reinforce their role, Bpifrance committed:

- A new package of €500 million to support future IPOs of French tech scale-ups in addition to its €1 billion Large Venture fund investing in tech scale-ups.
- To further strengthen crossover activities by launching the “Cornerstone Investors Club”, a meeting place for private equity funds and institutional asset managers specialising in tech, and top executives of tech companies well before their IPO.

Italy: IPO Bonus – tax break to encourage listings

In recent years, public financing mechanisms for SMEs have been strengthened, private equity in Italy has been promoted, participatory financing platforms have been set up, public-private partnerships have been encouraged and access to financial markets has been facilitated.

This facilitation has been illustrated in particular by the introduction of a IPO bonus, in the form of a tax credit for advisory costs relating to IPOs for SMEs, created in 2018.

- The tax credit available for advisory and market entry costs incurred by SMEs in connection with IPOs has been extended until 2023.
- Maximum eligible cost increased to €500,000 (from €200,000 previously).
- The tax credit is equal to 50% of these costs.
- So far, the tax incentive has encouraged more than 120 IPOs in five years, with a ceiling of resources of €50 million.
- As of 2024, it should be confirmed by an amendment to the Milleproroghe with the aim to ensure €10 million of incentives over 3 years for SMEs.

Thanks to both the PIR and this IPO Bonus, Euronext Growth Milan confirmed its resilience in 2023 with 33 new listings which raised €205 million in equity.

UK: simplifying investment research at IPO

As part of the Edinburgh Reform, the independent Investment Research Review targets the rules relating to investment research in the context of IPOs. They aim at:

- Reviewing and simplifying the IPO timetabling changes introduced in 2018.
- Reducing restrictions placed on connected analysts [27] to meet with potential IPO candidates prior to an investment bank being mandated on an IPO transaction contained in FCA's Conduct of Business rules.
- Increasing the access of unconnected analysts, despite the tendency of issuers to withhold access until later in the process.

Appendix IV: IPO Costs

- Bank fees
- Sponsor fees
- Company/Issuer's lawyers
- Banks' lawyers
- Accountants
- Tax & restructuring
- Commercial DD
- PR
- Additional resourcing
- Stock exchange fee
- Registrar
- Other
 - ESG advice
 - Remuneration advice
 - Virtual Data Room
 - Debt advice
 - Website

[27] Connected analysts are employed by financial institutions with a mandate on the IPO, whereas unconnected analysts are not connected to such institutions

Appendix V: Funding Stockbroking Research on Smaller Cap Irish Companies

Increasing equity research removes some barriers to investment. It is an important tool to ensure the success of an IPO, as well as contributing to a well-functioning aftermarket environment.

The following are the reasons why equity research for smaller cap companies is important:

- (a) **Visibility:** the research is necessary to allow investors to fully understand the companies they are looking at investing in. Since January 2018, MiFID II has accelerated the reduction in equity research focussing on smaller companies, and while we understand there will be changes made in the upcoming Listing Act, more support at domestic level is required. In contrast to large “blue chip” companies, fewer investors are willing to pay for research on smaller companies, particularly those they may not be aware of. Sell-side research is seen as a crucial marketing tool for smaller companies to attract new institutional investors.
- (b) **Liquidity and Trading:** lack of liquidity has been cited as the leading barrier that impacts investors’ interest in smaller cap companies. Many institutions have mandates which restrict investing in quoted companies with lower levels of liquidity. Increased research coverage fuels liquidity in a company’s stock, increasing the universe of investors it could attract. Improving liquidity also limits “shock” share price reactions around training and results updates.
- (c) **Small Cap Valuations:** weak secondary trading conditions in the Irish market, amplified by liquidity risk, leads to lower valuations and underperforming share prices. Investors are reluctant to invest in smaller cap companies at IPO, or will only do so at a steep discount, impacting the value issuers attach to IPO as a route to exit.

As outlined in the 2023 Grant Thornton report, it is evident that companies which have chosen to list in Dublin have a substantial impact with regards to turnover generation, employment, and Government tax revenues each year. The economic impact of listed companies outstrips their privately owned counterparts in terms of annual contribution to the Irish economy. It is envisaged that the costs of supporting research would be negligible to the Government, however, the direct and indirect benefits would be profound and wide reaching.

It is recommended that a detailed cost / benefit analysis should be commissioned to quantify the impact of a reduction in corporation tax income for the State, versus the benefit to the wider economy of an increase in new listed ambitious corporates. [28]

[28] Increasing research coverage on Italian shares is one of the objectives of Italian capital markets reforms, as this is viewed as crucial to the post-IPO success of companies.

Who would qualify/benefit?

- Domestic companies currently listed on Euronext Growth Dublin.
- Domestic and international companies seeking to list in Dublin as their primary exchange.
- International companies looking to add a secondary listing in Dublin.
- Upper market capitalisation threshold of €250m.
- Euronext Growth and Euronext Access to be used initially to pilot the establishment of a State supported research framework.

How to produce/distribute research?

- Companies to be incentivised to engage independent research houses to initiate coverage at IPO.
- Domestic brokers to be incentivised to deepen coverage of small cap stocks listed on any of the Euronext Dublin markets.
- Supported by local tax incentives.

How to subsidise costs?

- Costs borne by companies in engaging non-independent research to be made tax deductible, >100% of the cost in pre-listing period tax incentives to promote the financial viability of domestic brokers, targeted at reducing costs associated with covering smaller cap stocks.
- National IPO fund to be financed by the State, and support the funding of independent research.

Appendix VI: Comparative Retail Savings and Investment Schemes

	UK - ISA	France - PEA	Italy - PIR	Norway - ASK	Japan - NISA
	Individual Saving Accounts	Plan d'épargne en actions	Piano Individuale di Risparmio	Aksjesparekonto	Nippon Individual Saving Accounts
Established	1999	1992	2017	2017	2014
Holding period	Can make withdrawal from an ISA at any time, without losing any tax benefits. [i]	5 years [ii]	5 years	Flexible	Exemption lasts for 5 years (general) / 20 years (savings)
Annual max	£20k split across all types. New British ISA being introduced in 2025 which will allow for an incremental £5k per annum. Can only pay £4k into your Lifetime ISA in a tax year.	Just a lifetime limit	€40k		3.6m yen (\$24k)
Lifetime max	None	The PEA-SME ceiling is €225k. Its calculation does not take into account the gains made since the opening of the plan. Banking and insurance PEAs have a limit of €150k.	€200k		18m yen (\$120k)

	UK - ISA	France - PEA	Italy - PIR	Norway - ASK	Japan - NISA
	Individual Saving Accounts	Plan d'épargne en actions	Piano Individuale di Risparmio	Aksjesparekonto	Nippon Individual Saving Accounts
Different products	<ol style="list-style-type: none"> 1. Cash ISAs 2. Stock & shares ISAs 3. Innovative Finance ISAs 4. Lifetime ISAs 5. Junior ISAs 	<p>2 types of PEA: the traditional PEA (banking or insurance) and the PEA-SME, which is dedicated to the securities of small and medium / intermediate-sized companies,</p> <p>Possible to combine a bank PEA and a SME-PEA</p>	<p>Individual investors may allocate to a PIR account (managed by banks, securities firms, asset managers, insurance companies)</p>	<p>Aksjesparekonto (ASK) can only contain individual stocks domiciled within EEA and listed on regulated markets</p>	<p>NISA program enables investors to trade stocks and investment trusts through dedicated accounts at financial institutions</p> <ol style="list-style-type: none"> 1) Growth (historically called general) 2) Savings (tsuomitate)
Eligibility	<ol style="list-style-type: none"> 1) 16 or over for a cash ISA 2) 18 or over for a stocks and shares / innovative finance ISA 3) 18 or over but under 40 for a Lifetime ISA (first payment); last payment at 50 4) Junior ISA for children under 18 <p>Individual; must also be either:</p> <ul style="list-style-type: none"> - resident in the UK - a Crown servant or their spouse or civil partner if you do not live in the UK 	<p>French tax resident.</p> <p>18+ for normal PEA; youth product "PEA-Jeunes", is limited to €20k</p>	<p>Italian taxpayers. PIR benefits are applicable to individuals investing outside the scope of their business, i.e., non-professional investors. Therefore, retail clients - as defined in the MIFID - other than companies are typically the beneficiaries for PIR.</p> <p>Each individual can hold only one PIR and each PIR can have only one owner (no joint ownership).</p>	<p>A share savings account is a distinctively Norwegian scheme and is therefore best suited to those who are domiciled in Norway for tax purposes.</p>	

	UK - ISA	France - PEA	Italy - PIR	Norway - ASK	Japan - NISA
	<p>Individual Saving Accounts</p>	<p>Plan d'épargne en actions</p>	<p>Piano Individuale di Risparmio</p>	<p>Aksjesparekonto</p>	<p>Nippon Individual Saving Accounts</p>
<p>Scope</p>	<p>The Banking PEA allows individual to acquire shares in European companies while benefiting from a tax exemption, subject to conditions and a payment ceiling of €150,000. The SME-EAP is designed to finance small and medium-sized companies (SMEs) and mid-cap companies. It operates similarly to a bank PEA, with a higher payment ceiling (up to €225,000) and different eligible securities.</p> <p>See endnote[iii]</p>	<p>The 2016 Law required an asset allocation along three lines. [iv]</p> <p>No more than 10% of the PIR can be invested in financial instruments issued by or executed with the same issuer or issuers of the same group, nor in bank deposits.</p>	<p>It is a joint account for equity funds and shares. With a share savings account individual can buy, sell or exchange shares and equity funds without triggering tax along the way. Individual only pays tax when taking out profits.</p> <p>The individual can trade a wide range of equity funds. There is a requirement that the equity fund must be comprised of at least 80% equities.</p>	<p>Under the revised framework, the overall annual investment ceiling subject to tax exemption is now set at 3.6 million yen, with the growth investment quota capped at 2.4 million yen. Individuals can hold up to 18 million yen across their NISA accounts, with permanent tax-exempt status, a drastic revision from the previous time-bound exemptions.</p>	<p>In addition, individuals can hold up to 18 million yen across their NISA accounts, with permanent tax-exempt status, a drastic revision from the previous time-bound exemptions.</p>
<p>Features</p>	<p>Government will add a 25% bonus to an individual's savings, up to a maximum of £1k per year for Lifetime ISA until reach age 50.</p> <p>Individual can withdraw money from Lifetime ISA if:</p> <ul style="list-style-type: none"> - buying a first home - aged 60 or over - terminally ill, with less than 12 months to live 	<p>The PIR initially gained popularity due to flexible requirements set by the 2017 Budget Law. However, changes in 2019 aimed at directing funds toward small and medium-sized companies led to a sharp decline in asset flows. The 2020 Tax Decree has now restored the original, more flexible PIR requirements from 2017.</p>	<p>A share savings account simplifies saving in shares and equity funds. Individual can buy, sell, and exchange shares and equity funds without paying tax on profits, as long as the profit remains in the account. Withdrawals of the cost price are tax-free, but any excess is subject to taxation. Loss deductions are only possible upon account closure, and interest is not provided in the linked bank account due to legal regulations.</p>	<p>In addition, individuals can hold up to 18 million yen across their NISA accounts, with permanent tax-exempt status, a drastic revision from the previous time-bound exemptions.</p>	

	UK - ISA	France - PEA	Italy - PIR	Norway - ASK	Japan - NISA
	Individual Saving Accounts	Plan d'épargne en actions	Piano Individuale di Risparmio	Aksjesparkonto	Nippon Individual Saving Accounts
Income tax exemption	Yes	Yes [v]	Yes	Yes	Yes
CGT exemption	Yes	Yes	Yes	Yes [vi]	Yes
Inheritance tax exemption	Yes, up to when: 1) executor closes it 2) the administration of estate is completed [vii]	No reference	Yes	No reference	No reference

Table Endnotes/References

[i] If your ISA is 'flexible', you can take out cash then put it back in during the same tax year without reducing your current year's allowance.

[ii] Redemptions before 5 years shall result in the closure of the plan, except in the following cases: 1) Recovery or company creation; 2) Dismissal, invalidity or early retirement of the holder or of the holder's Civil partnership or partner; 3) Withdrawal from the plan of securities of businesses in liquidation.

[iii] Cash ISAs can include: savings in bank and building society accounts and some National Savings and Investments products

Stocks and shares ISAs can include: 1) shares in companies (incl. US, UK and European); 2) unit trusts and investment funds (incl ETFs, REITs and Investment Trusts); 3) corporate bonds and 4) government bonds. A stocks and shares ISA is a tax-efficient share dealing account, so you can buy and sell shares within a stocks and shares ISA. You cannot transfer any non-ISA shares you already own into an ISA unless they're from an employee share scheme. When you open a stocks and shares ISA or any type of ISA, you have to sign a declaration. The declaration is required by HMRC and it confirms you're eligible for the ISA in question. There are a few taxes stocks and shares ISAs won't protect you from: 1) Stamp duty and 2) Withholding tax on US dividends. Have to fill in W-8BEN form to reduce tax rate.

Lifetime ISAs may include either: cash or stocks and shares

Innovative finance ISAs include: 1) peer-to-peer loans - loans that you give to other people or businesses without using a bank and 2) 'crowdfunding debentures' - investing in a business by buying its debt. Cannot transfer any peer-to-peer loans you've already made or crowdfunding

debentures you already hold into an innovative finance ISA

Can only open and add money to one of each type of ISA in the same tax year

[iv] A - max 30% completely free allocation (equities or bonds; domestic or international; issued by corporates or governments; listed or not listed); this can include any type of financial instrument, investment product or bank deposits/accounts, where bank accounts cannot represent more than 10% of the assets of a PIR.

B - at least 70% to be invested in securities issued by companies incorporated in Italy, of which at least 21% to be invested mid-small caps, defined as companies not included in the FTSE MIB Index. In December 2019 the composition of the 21% above was further clarified to mean mandatory investment of at least 3.5% in small caps, defined as companies not included within the FTSE MIB or the FTSE Italia Mid Cap Indexes

[v] However, these gains are taxable in the 2 cases following: 1) Withdrawal on the PEA before 5 years; 2) Income of unquoted securities held in the EAP. The revenues of the PEA are subject to the social security contributions regardless of the date of withdrawals.

[vi] Only when the entire deposit and shielding deduction has been taken out will the gains/dividends that are taken out be taxed as capital gains in the non-professional's hand.

[vii] Otherwise, your ISA provider will close your ISA 3 years and 1 day after you die. There will be no Income Tax or Capital Gains Tax to pay up to that date, but ISA investments will form part of your estate for Inheritance Tax purposes. If your spouse or civil partner dies you can inherit their ISA allowance. As well as your normal ISA allowance you can add a tax-free amount up to either: 1) the value they held in their ISA when they died 2) the value of their ISA when it's closed

Notes



PRE-BUDGET 2025 SUBMISSION

a submission by the
Irish Equity Market Forum