

SUPPORTING ENTERPRISE AND SMALL BUSINESS

EOGHAN
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THE DEVELOPING FRAMEWORK FOR ENTERPRISE AND SMALL BUSINESS

Each year we seek to build the capacity of enterprise to create jobs. The actions being taken are making a difference. In the last 12 months, the enterprise sector has created 39,000 jobs widely spread across all sectors. We need to make sure enterprise knows what is available. I have set out here important supports for:

1. **Entrepreneurship and Start-Up**
2. **Business in the Domestic Economy**
3. **Businesses Growing into Export Markets**

1. ENTREPRENEURSHIP AND START-UP

Recent evidence shows that over two thirds of job growth comes from enterprise in the first 5 years of their life. This is why we are placing a big emphasis on start-up and have commissioned a group chaired by Sean O'Sullivan to review our strategy for entrepreneurship.

Unemployed - Start Your Own Business:

An exemption from Income Tax up to a maximum of €40,000 per annum will be provided for a period of two years, to individuals who set up a qualifying, un-incorporated business, having been unemployed for a period of at least 12 months prior to establishing the business.

Capital Gains Tax Relief for Serial Entrepreneurs:

A lower rate of CGT rate will apply for anyone who invests the proceeds of disposal of assets of a business sold since 1st January 2010 in a new business during the next 5 years when the latter comes to be sold. The assets of the new business will have been held for at least 3 years. The CGT payable on the disposal of this new investment will be reduced by the lower of (i) the CGT paid by the individual on a previous disposal of assets in the period from 1 January 2010 and (ii) 50% of the CGT due on the disposal of the new investment. Commencement of this measure is subject to receipt of EU state-aid approval. A commencement date will be announced in 2014 as EU state aid approval is necessary. It will encourage individuals to reinvest the proceeds of a previous asset disposal into a new business and new jobs.

Seed Capital Scheme:

If you are a PAYE worker and start up and work full-time in your own company, you can get tax relief on the capital you invest in the equity of the company. The relief is a refund of the income tax you paid on an equal amount of income in any

of the previous six years. The maximum investment on which relief can be claimed is €600,000.

Three Year Corporate Tax Exemption:

New companies get relief from Corporate Tax for the first three years of up to €5,000 per employee (max €40,000 Tax Credit).

The Micro-enterprise loan fund:

Loans of up to €25,000 are available from Micro Finance Ireland for commercially viable proposals from enterprises with no more than 10 employees that do not meet the conventional risk criteria applied by commercial banks. Borrowers will pay a commercial interest rate. Call 01 2601007 or visit www.microfinanceireland.ie

Local Enterprise Office:

It will be a First Stop Shop for all enterprise supports in every county and also provide the business support service of the local authority. The LEOs will draw and build on the successful County Enterprise Board (CEB) model which supports 900 new projects per annum. It will continue to offer direct access to mentoring, microfinance, grants (where appropriate) and seamless access to the wider range of Enterprise Ireland support for high potential enterprises.

EI Feasibility Study Grant:

Used to investigate the viability and potential of an innovative/high potential start-up and the development of an Investor Ready Business Plan.

Competitive Start Funding:

The Competitive Start Fund offers early stage enterprises with significant potential the opportunity to compete for an investment of €50,000 towards the start-up and market-launch process. Successful starts can graduate to the additional supports available for "High Potential Start-Ups".

2. BUSINESS IN THE DOMESTIC ECONOMY

Nearly three quarters of the new jobs created in the past twelve months are in the domestic economy (including tourism). It is timely to promote the supports in this area.

CRO:

An SME can appeal the refusal of credit by the banks involved in NAMA to this office, provided they have already used the internal review procedure of the bank. The threshold for applications that can be reviewed by the Credit Review Office is now being increased from €500,000 to €3m. Over 55% of appeals have been found in favour of borrowers and this has resulted in €18.5M credit being made available to SMEs and farms, helping to protect /create 1,521 jobs. Too few businesses exercise their right to have an internal review by the bank of a decision to refuse credit and to appeal to the CRO.

VAT Cash Receipts:

The annual threshold for paying VAT on a cash receipts basis for small to medium businesses is being increased from €1.25m to €2m with effect from 1 May 2014. This will save many small businesses the cost of paying VAT upfront at the time of invoicing and having to wait to get money in.

Vat Retained at 9%:

The reduced rate of 9% VAT for tourism related services and goods has been a boost to the tourism sector but was due to expire at the end of this year. The 9% VAT rate is being retained. This will continue to support and encourage growth in small businesses in the tourism sector.

Reduction of Air Travel Tax to 0%:

The rate of the Air Travel Tax will be reduced to 0% from 1 April 2014. This will encourage the development of new routes, new passengers and new jobs.

Tax Relief on Renovations:

An income tax credit of 13.5% on home renovations up to a maximum cumulative expenditure of €30,000 from now until the end of 2015 will be refunded over the two years following the year in which the works are carried out. To qualify at least €5,000 must be spent.

Living City Initiative:

Houses originally constructed pre-1915 homes in the cities of Dublin, Cork, Galway, Kilkenny, Waterford and Limerick where substantial renovation is undertaken (at least 10% of the pre-works value of the property) can get relief on 10% of the expenditure for each of 10 years against your income (provided it is your principal private residence). A starting date will be announced during 2014.

Jobs Plus:

JobsPlus gives an employer who recruits a person who has been at least 12 months out of work a €72-per-week subsidy for 2 years, provided the job provides work on at least 4 days and 30 hours per week. Visit www.jobsplus.ie to register online. It is proposed to reduce the threshold for JobsPlus eligibility to 6 months of unemployment for people aged under 25.

Momentum is a new programme. There are 6,500 places in programmes involving certified classroom training and work experience with a company for people who have been on the live register for 12 months or getting credits. Visit www.momentumskills.ie

JobBridge:

JobBridge offers an internship of 6-9 months to persons who have been signing on as available to work and getting a payment or credits for at least 3 months. Time on completed programmes in FÁS training, back to education or a community scheme will count towards eligibility. Participants will receive €50/week on top of their welfare. Since 1 July 2013, a host organisation may employ an intern under JobsPlus directly from JobBridge. The intern must have been getting a qualifying payment prior to their internship and they must satisfy the required qualifying period and conditions. See www.jobbridge.ie

Credit Guarantee Scheme:

Companies refused credit by their bank for lacking adequate security for a normal commercial loan, or because the bank has limited understanding of the specialized aspects of the business environment

in which they operate are eligible for a partial credit guarantee from the state for up to three years to help them secure the credit. The Government provides the lender with a 75% guarantee for which the borrower pays a 2% premium.

3. BUSINESSES GROWING INTO EXPORT MARKETS

Exports have been the source of all our economic growth in the past 4 years. Every job in the exporting sector creates at least one job elsewhere in the economy. We are working to help these enterprises to continue to grow as we enter new markets.

Employment and Investment Incentive Scheme:

allows up to €10m capital to be raised by a company for investment from private individuals, who will get personal tax relief on the investment provided they hold the investment for at least 3 years. The initial relief for individuals is 30% but up to now it has been subject to a cap for high earners. That cap is now being removed for three years so an individual will be able to invest up to the full maximum of €150,000 per annum allowed under the scheme in a growing company.

Research and Development Tax Credit:

Research and Development attracts additional tax credit of 25% which can be offset against Corporation Tax or PRSI. This credit has only applied to R and D expenditure over and above that spent in 2003. It is intended ultimately that the base year will be phased out entirely over time. In the interim, the amount of expenditure eligible for the R&D Tax Credit on a full volume basis (without reference to the 2003 base year) is being increased from €200,000 to €300,000. The limits on the amount of expenditure on R&D outsourced to third parties which can qualify for the R&D Tax Credit is being increased from 10% to 15%.

Foreign Earnings Deduction:

For the tax years 2012, 2013 and 2014, employees who carry out part of the duties of their employment in Brazil, Russia, India, China or South Africa (each of these countries is known as a "relevant state") may claim a tax deduction (maximum: €35,000) known as the Foreign Earnings Deduction. The basic condition is that, within a period of 12 months (part of which is in the tax year to which the claim relates), the

employee has worked in one or more of the relevant states for a minimum period of 60 "qualifying days".

Trade Finance:

Work is taking place with the European Investment Bank to develop a tailored measure to support the finance of growth of the export sector in Ireland.

Enterprise Ireland has a suite Supports for Companies to develop markets:

- A. **Some are aimed at enterprises taking the early stages to create new opportunities or open export markets**
 - **Potential Exports Division:** EI's new Potential Exporters Division provides a wide range of initiatives focussed on helping companies export more. The 'Get Export Ready' programme includes practical measures for early exporters. A further set of export workshops are available to deepen these skills.
 - **Acumen:** A cross-border Business Development Programme designed to stimulate cross-border trade (between Northern Ireland and the Republic of Ireland) and develop other forms of commercial co-operation amongst SME's throughout the island of Ireland.
 - **Innovation Vouchers:** Vouchers worth €5,000, are available to assist a company to work with a registered college or knowledge provider to explore a business opportunity or technical problem.
- B. **Enterprise Ireland also supports companies with well-planned export strategies:**
 - Developing a new product offering
 - **Research and Development opportunities**
 - Entering an entirely new geographic market
 - **Going Global Grant**
 - **Internationalisation Grant**
 - **New Geographic Market Research Grant**
 - **International Selling Programme**
 - Taking on a marketing graduate to place in-market
 - **Graduates for International Growth**
 - Developing improved business processes that maximise efficiency
 - **Lean Transform Grant**
 - **Lean Start Grant**

Development capital scheme (€225 million):

Enterprise Ireland is partnering with experienced private fund managers to create a fund targeted at growing manufacturing, technology and international trading services companies in Ireland. The main objectives of the Fund are to:

- Increase the availability of risk capital to established Irish companies,
- To close the equity gap experienced by Irish SMEs,
- To encourage and leverage private sector investment in the Irish economy

Through the Fund, Enterprise Ireland has up to €50m available to make commitments of up to €25m with fund managers.

Clients of Enterprise Ireland should contact their Development Adviser. If you are not a client of Enterprise Ireland, please contact your local Enterprise Ireland office to discuss eligibility criteria.

The seed and venture capital schemes (€700m):

Last May, the Government announced a new call for expressions of interest under the €175 million Seed and Venture Capital Scheme 2013-18, which will see the continuation of the Government's support for innovative Irish SMEs. The scheme is targeting an additional €525 million in funding from the private sector, which will mean a total fund of €700 million available for investment over the lifetime of the scheme. This new Seed and Venture Scheme 2013-18 will proceed by way of a series of calls for partners to establish individual funds tailored to different sectors and strategies in line with Enterprise Ireland targeted areas. The first call under this new scheme was made in May 2013 and Enterprise Ireland has recently made commitments to a number of funds in the Technology and LifeSciences Sectors. It is expected that these funds will begin to come on stream in 2014 – announcements will be made as the funds are established.

Over €800m in funding is available in Ireland through networks of angel investors, seed and venture capital firms. A total of €645m is under management in EI-supported SVC funds. The funds currently supported by Enterprise Ireland are:

- AIB Seed Capital Fund - €53m
 - AIB Start-up Accelerator Fund - €22m
 - Atlantic Bridge Venture Fund - €67m
 - Atlantic Bridge Venture Fund II - €75m
 - Bank of Ireland Early Stage Equity Fund - €32m
 - Bank of Ireland Kernel Capital Partners - €27m*
 - Bank of Ireland Kernel Capital
 - Growth Equity Fund 2013 - €27m*
 - Bank of Ireland Start-up and Emerging Sectors Equity Fund - €17m
 - Delta Partners - €105m
 - Fountain Healthcare Partners - €73m*
 - Seroa Kernel LifeSciences - €75m
 - NCB Ulster Bank Diageo Fund - €75m
- * - No longer open for New Investments

Innovation fund Ireland (€250m):

Innovation Fund Ireland is a joint initiative between Enterprise Ireland and the NPRF and provides a unique opportunity for leading international venture capital fund managers to establish their European headquarters in Ireland and access entrepreneurs and innovative companies. Ireland already has a very active venture capital industry and Innovation Fund Ireland is an initiative to further increase the availability of risk capital for innovative companies.

Under the Scheme commitments have been made to a number of Funds. The following funds have been established and announced to date; DFJ Esprit, Polaris, Soffinova and Highland Capital Partners.

NPRF support funds for the SME sector (€850 million):

The National Pensions Reserve Fund, NPRF has developed a range of support funds for the SME sector to provide equity, credit and recovery investment. The NPRF will invest between €350 million and

€500 million with a view to creating a total funding pool of at least €850 million for investment in SMEs.

- **BlueBay Ireland Corporate Credit I Ltd:** The BlueBay fund, to which the NPRF has committed €200 million, is a €450 million credit fund that will provide loans to larger SMEs and mid-sized businesses in Ireland. BlueBay is a wholly-owned subsidiary of Royal Bank of Canada and is a specialist asset manager of fixed income credit, corporate loans and alternative products. Loan amounts are expected to range in size from €5 million to €45 million and BlueBay is able to access additional capital for situations that require larger amounts. The loans can be used by borrowers for a variety of purposes such as refinancing existing liabilities, acquisition finance or investment expenditure. Pure real estate finance is not intended to be included.
- **Carlyle Cardinal Ireland SME Equity Fund:** The Carlyle Cardinal fund, to which the NPRF has committed €125 million, is a €300 million - €350 million private equity fund that will focus on investing in healthy businesses seeking to grow, including those with overleveraged balance sheets. The fund, which has received commitments from other-third party investors, is operational and is managed by Carlyle Cardinal Ireland in Dublin.
- **Better Capital Ireland SME Turnaround Fund:** The Better Capital fund, to which the NPRF has committed €50 million, is a €100 million private equity fund that will invest in underperforming businesses which are at or close to the point of insolvency but have the potential for financial and operational restructuring. The fund is operational and is managed by Better Capital in Dublin.

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