

EIS

A Guide to Tax Relief Investment Opportunities

The Employment and Investment Incentive Scheme (“EIS”)

The EIS is one of the few remaining sources of total income relief, allowing you to obtain income tax relief on investments in qualifying SMEs (small and medium sized enterprises). An individual with a taxable income liability in the year the EIS investment is made can obtain tax relief from the following:

1. PAYE earnings
2. Rental income from property held in a personal capacity
3. ARF distribution income

Tax relief is available in two tranches: an initial 30% in year 1 with a further 10% when additional criteria are met in year 4.¹

Cantor Fitzgerald Ireland Corporate Finance Track Record

- Raised in excess of €70m in EIS funding since 2011.
- €15m repaid to date, with an average return of 1.5x (including tax relief).
- Funds raised on an individual company basis.

Key Features of EIS

Investment term:	4 Years
Relief available:	30% in year 1 + 10% in year 4
Investment type:	Equity
Minimum investment:	€25,000
Risk category:	High

Investor Requirements

- Investors must have an income tax liability to the value of the relief being claimed in a given tax year.
- Investors must not be connected to an investee company.
- Investors should always seek specific advice in relation to their own personal circumstances when considering investing in the EIS scheme.
- Investors are responsible for submitting their own individual claim for tax relief to the Revenue Commissioners.
- Investors should seek competent professional tax advice on the efficiency of investing in EIS.

Key Risks

- Investment in unquoted companies with no early exit mechanism (minimum 4-year term).
- Investors are exposed to the performance of the investee company and, as such, may lose some/all of their invested capital.
- Income tax relief may not be granted or may be withdrawn if the conditions of the legislation are not satisfied by the investee companies and/or eligible investors.
- Adverse changes in local, domestic or international economic conditions could affect the value of the investee company.
- EIS investments may be transferable however they are not traded on a regulated market.
- EIS Investments are unregulated and therefore outside of Client Asset Regulations & the Investor Compensation Scheme.

¹The investee company must prove they have increased employment levels, or have met pre-defined R&D expenditure requirements over the term of the investment.

Cantor Fitzgerald Ireland Corporate Finance has raised EIS funds across a range of industries:



Renewable Energy



Telecoms



Food & Beverage sectors



Retail



Technology



Healthcare

Recent Transactions



Lough Gill Distillery
€7.5m EIIS Equity Fundraise
December 2017 & 2018



Boxever
€6.8m Private Equity & EIIS Fundraise
November 2017



Healthbeacon Ltd
€6m Private Equity and EIIS Fundraise
December 2018



Bio-marine Ingredients Ireland
€3m EIIS Equity Fundraise
December 2018



eLight
€6.4m EIIS Equity Fundraise
2016 & 2017



West Cork Distillers
€10m EIIS Equity Fundraise
2015, 2016 & 2017

Illustrative Example of EIIS Investment Return

This example illustrates the potential return on an EIIS investment of €100,000 assuming the investment grows by 20% over a 4 year period.

Investor Cost

Investment Amount	€100,000
Plus once-off commission at 3%	€3,000
Total Cost to Investor	€103,000

First Tranche Income Tax Relief @30%	-€30,000
Second Tranche Income Tax Relief @ 10%	-€10,000
Net Cost of Investment (note 1)*	€63,000

Potential Return on Investment

Net Sale Proceeds (note 2)	€120,000
Less Net Cost of Investment (note 1)	€63,000
Gross Gain (including tax relief)	€57,000

Capital Gains Tax (note 3)	-€5,191
Net Return to Investor*	€51,809

Potential Times Money	1.55x
Potential IRR	14.6%

*Assuming EIIS terms are achieved

Notes:

1. Net cost of investment calculated as €100,000 plus 3% commission and less income tax reliefs.
2. Net sale proceeds calculated as amount invested plus assumed growth of 20%.
3. Capital Gains Tax based on 33% of net proceeds less total cost of investment and allowing for annual capital gains threshold of €1,270.

Warning: This information is on our understanding of current tax legislation and the current Revenue Commissioners interpretation thereof and is subject to change without notice.

Warning: This information is intended as a general guide only and is not a substitute for individual tax advice. Potential investors should seek competent professional tax advice specific to their circumstances prior to investing. Investors are responsible for establishing their entitlement to participate in any investment and for making their own income tax relief claims.

Warning: EIIS investments are high risk, you could lose some or all of the money you invest.

This document has been prepared for information purposes only. It is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specific advice should always be sought prior to investment, based on the particular circumstances of individual investors.