

Tax memorandum

Employment Investment Incentive (EII) Tax Relief

1. Introduction

The Employment Investment Incentive (EII) is a tax relief scheme introduced by the Irish Government to encourage individuals to invest in early-stage and growth-oriented small and medium-sized enterprises (SMEs) in Ireland. It is governed under Part 16 of the Taxes Consolidation Act 1997 and administered by the Revenue Commissioners. The scheme is designed to support Irish businesses in securing equity-based finance by offering tax incentives to investors.

Please note that this memorandum provides a high-level generic overview of the EII tax regime for information purposes only and cannot be relied upon by any party. It is recommended that you obtain tax advice relating to your own personal facts and circumstances prior to making any investment.

2. Key Features of the EII Scheme

a. Tax Relief Available

➤ **Income Tax Relief**

Under current rules and depending on the risk finance investment the following income tax relief will be available:

Risk finance	Income Tax Relief
Initial “first-time risk finance” investments (company never operated in any market)	50% relief
First-time investments in companies that have been operating in any market for less than 10 years or less than 7 years since its first commercial sale	35% relief
Expansion risk finance investment in view of a new economic activity	20% relief
Follow on risk finance investment provided for in the business plan	20% relief



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Indirect investment through qualifying intermediaries	30% relief
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In order that an investor can claim EII relief, the company must issue an Statement Of Qualification (SOQ) to a qualifying investor. Without a valid SOQ, an investor cannot claim relief against their income for the qualifying investment.

➤ **Key Features:**

From 1 January 2025 Individuals may invest up to €1 million per annum in claiming EII relief.

The shares must be held for at least 4 years and must be new shares issued by the company for a cash investment, which may be redeemable shares.

The shares must not carry preferential rights to a dividend or preferential rights on a winding up, except where the shares are issued through qualifying intermediaries.

There can be no other terms of the shares, or agreements made with the investor, which substantially reduce the risk that the investor will get their capital back or any expected dividend.

An investor cannot be connected with the company i.e. should be a third-party investor.

An investor cannot avail of both Angel Investor Relief and EII relief with respect to the same shares.

b. Qualifying Companies and Use of Funds

To qualify under the EII scheme, a trading company must:

- Be unquoted and tax resident in Ireland or another EEA state.
- SME company (< 250 employees and <€50 million turnover or <€43 million balance sheet)
- Be carrying on a qualifying trade (e.g., manufacturing, internationally traded services, or certain types of green energy).
- Not an undertaking in difficulty
- Must hold a tax clearance certificate

Under current rules, the lifetime limit on the amount a company may raise is €16.5 million and the maximum a company can raise in any 12-month period is €5.5 million.

Where a company has a number of partner businesses and/or linked businesses, an RICT group may be established for the purposes of the relief and the above-mentioned limits pertain to the relevant RICT group as opposed to an individual company basis.



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It is important to note and in order to avail of the relief, any intention to raise investment by the company must be supported by a business plan that existed prior to any such funding being sought. This is a critical document and careful consideration should be given when drafting same.

Certain trades are specifically **excluded**, including but not limited to:

- Dealing in land or financial assets.
- Professional services.
- Certain property-based activities.

Funds raised must be used for:

- The purposes of carrying out trading activities, or
- Where a company has not commenced trading, to carry out such relevant activities, on research, development and innovation

Amounts raised cannot be spent on buying a trade or shares in a company only in certain permitted circumstances.

c. Clawback of EII relief

If the company is responsible for an event that the investor cannot be involved in, the company will face an assessment to withdraw any excess relief granted. However, if an event leads to the withdrawal of relief and it is determined that the company is not responsible, the withdrawal will be directed against the investor instead.

See Appendix I which outlines the process to claim relief under current EII rules.

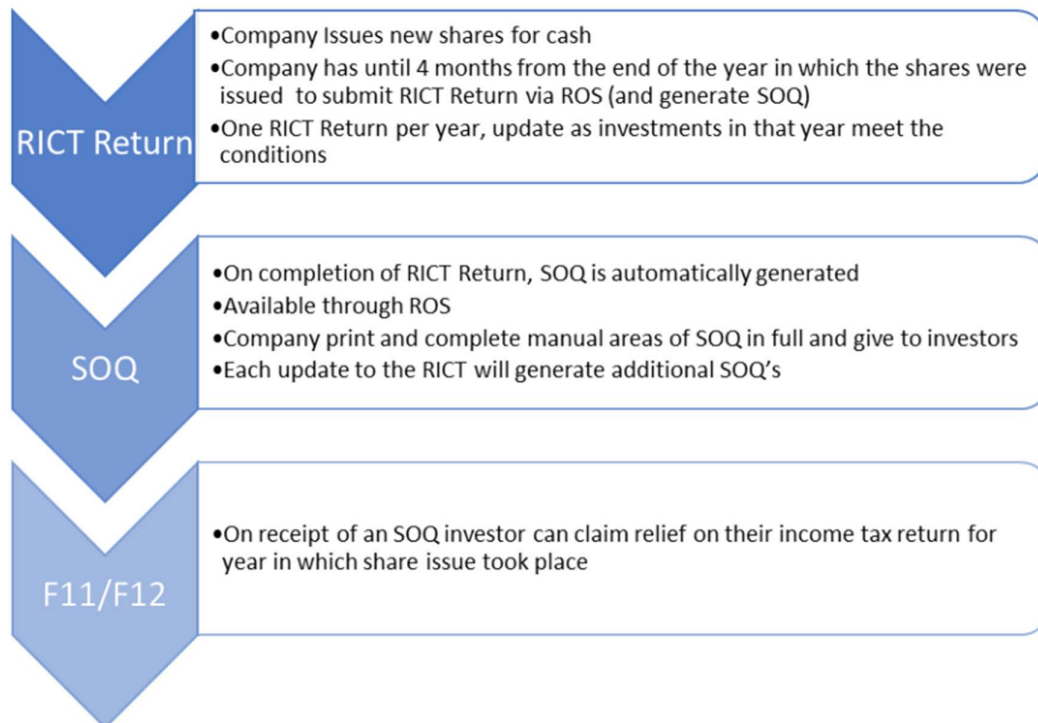
Date: July 2025

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Appendix I



Appendix II

Example A: Initial Risk Finance (company never operated in any market)

Investment Amount	€100,000
Amount of investment that may be deducted from income	$€100,000 \times 125\% = €125,000$
Maximum amount of relief that may be claimed	$€125,000 \times 40\% = €50,000$
Rate of relief	50%

Example B: Initial Risk Finance (operating in any market for less than 10 years or less than 7 years since its first commercial sale)

Investment Amount	€100,000
Amount of investment that may be deducted from income	$€100,000 \times 87.5\% = €87,500$
Maximum amount of relief that may be claimed	$€87,500 \times 40\% = €35,000$
Rate of relief	35%

Example C: Expansion risk finance investment in view of a new economic activity/Follow on risk finance investment provided for in the business plan

Investment Amount	€100,000
Amount of investment that may be deducted from income	$€100,000 \times 50\% = €50,000$
Maximum amount of relief that may be claimed	$€50,000 \times 40\% = €20,000$
Rate of relief	20%