

23rd October 2009

Shelter in a Tax Storm - Business Expansion Schemes

It's that time of year for taxpayers to consider ways in which they can minimise their tax liability.



The Business Expansion Scheme (BES) and pension contributions are the main two ways to reduce your tax bill since the majority of other tax shelters have been closed off. "With an improved choice of BES candidate companies, investors can match their risk preferences to the profile of the company" according to Chris Ball, Corporate Finance Director, Russell Brennan Keane.

Chris has been working on BES fundraising projects for many years, observed, "The number of enquiries from companies seeking to raise funding has significantly increased in recent years on the back of both the increased funding limits of €2 million permitted under BES and difficulties facing businesses in raising funds elsewhere."

Russell Brennan Keane Corporate Finance assists individual companies structure their BES share offering, prepare the suite of Investor Documents required to facilitate the investment and the team actively works with the company to raise funding for their scheme.

2007 was a record year for the level of investment by the Irish taxpayer in qualifying BES companies, with €137 million invested. This represented a threefold increase on the previous year.

Though official figures have not been released, evidence would suggest a significant reduction in 2008 investment levels. "Due to the economy uncertainty and financial credit restrictions, particularly in late 2008, investors were slow to take on any level of risk, preferring to hold onto their cash" noted Chris. There does however appear to be an increase in the number of enquires from investors seeking BES investment opportunities, indicating that appetite is beginning to come back to the market.

BES is a suitable route for tax relief for all sizes of investor. The tax breaks are attractive being at the marginal rate of tax. Qualifying investments can range from €250 to €150,000 in any one year under the BES Scheme, but if you really like the company and want to invest more, you can carry the balance forward."

Chris stressed that there is always a risk when investing in a private company. “There is undoubtedly risk involved, particularly in the current climate, but there is also a reward for taking this risk with companies offering an attractive potential return. For many people, the fact that BES provides tax relief for a once off payment and a 5 year holding period is also a big attraction.”

For further information on the BES investment opportunities, please contact Chris Ball, Russell Brennan Keane on (01) 6440100 or (090) 6480600 or cball@rbk.ie.

Examples of BES Investment Opportunities:

Alimentary Health

“Alimentary Health Limited is a speciality biotech company, developing probiotic strains for the management of inflammatory and infectious disease, primarily based around digestive disorders. Procter & Gamble has entered two license agreements with Alimentary Health for the use of their products, (1) Align® - an over-the-counter tablet for the management of digestive conditions rolled out nationally in the US in May 2009; and (2) Prostora(TM) Max - a new probiotic supplement for dogs. The Company was established in 1999 by its CEO Dr. Barry Kiely and a number of leading academics from University College Cork in the Microbiology, Medicine and Food Science departments.”

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Protectas Health

Protectas Health Limited is an innovative and pioneering lifescience company established in 2006. It operates the world’s first commercially dedicated storage facility for equine umbilical cord blood, extracted from thoroughbred foals at birth. The blood sample is processed to deliver a high concentrate of stem cells. These are cryogenically frozen and stored on site for the owner for future treatment of injury throughout the horse’s lifetime. The Management team of David Crimmins, Terry Sullivan, Dermot Dougan and Margaret Goggin bring a wealth of technical, product development and marketing experience.

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ENDS

About RBK

Russell Brennan Keane is one of Ireland's leading business advisory and accountancy firms. With 50 years experience providing professional advisory services to a range of clients in the mid to large corporate market in Ireland, from offices in Dublin, Athlone and Roscommon.

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