

Employment & Investment Incentive Scheme

The Logic:

For General Information and Discussion and not to be construed as advice

For top rate taxpayer:

€50,000 Deposit versus €50,000 EIIS Investment

Risk Factors	*Bank Security Deposit Guarantee Scheme *Negative interest rates *DIRT & PRSI & USC	*Investee company valuation *EIIS Approval *Revenue changes *Value at year 3
Tax Efficiency	0 refund	41% refund(2 tranches)
Capital Growth Net (Secure??)	1% /annum @ 50%(DIRT +PRSI+USC)	No guarantees Company valuation NB i.e. Share Price Growth
Capital at risk	€50,000 Deposit Guarantee Scheme covers funds up to 100k per account per individual.(Funds are only as secure as the State Guarantee)	€29,500 On the assumption that 41% relief is rebated in 2 tranches. 30% in yr 1 and 11% in yr 4
Maximum return (net)	2% gross/annum 51,500	1% gross/annum 71,924 assuming Capped Return Option and CGT @33% with first 1270 Exempt.
Access	Liquid or maybe Fixed Term (3 yrs)	3yr minimum

Commentary:

In assessing suitable investments for our clients, one of the Criteria we look at is the significance of Tax on their decisions and indeed our recommendations. Interest rates are at an all time low and Budget 2013 has increased **Deposit Interest Retention Tax to 41%**. In addition Interest earned is to be treated as Earned Income from 2014 so PRSI and indeed USC will apply in most cases. Currently the best Deposit Rate we can get for our customers is 2% per annum (CAR) if they are willing to **Fix** for 3 yrs. The Table above compares using an EII Scheme to a typical Fixed Term Deposit with the only real variable being the Share Price Growth in Investee Company. (This is the Risk, you are taking when you buy any share). The share price would need to fall by in excess of 38% to achieve a real return less than the return achieved on Deposit.

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