

# **Relief for Investment in Corporate Trades Employment Investment Incentive and Start-up Capital Incentive Qualifying Investor Perspective**

## **Part 16-00-04**

This document should be read in conjunction with Part 16 of the Taxes Consolidation Act 1997

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# 1 Introduction

Part 16 of the Taxes Consolidation Act 1997 ('TCA') provides for income tax relief for investment in corporate trades ('RICT')<sup>1</sup>. The reliefs are the Employment Investment Incentive ('EII'), the Start-Up Relief for Entrepreneurs ('SURE') and the Start-Up Capital Incentive ('SCI') (together 'the Part 16 reliefs').

The Part 16 reliefs are designed to help small and medium-sized enterprises ('SMEs') attract equity-based risk finance investment from individual investors by allowing those investors to claim income tax relief on qualifying investments.

The Part 16 reliefs are permitted forms of State aid within Article 21 and Article 21a of EU Commission Regulation No. 651/2014 of 17 June 2014 as amended by Commission Regulation No. 2023/1315 of 23 June 2023, declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty<sup>2</sup> (referred to as the "General Block Exemption Regulation" (GBER)). Article 21a of GBER permits risk finance tax incentive schemes in SMEs where natural persons (individuals) are the investors. Many of the phrases and terms used in respect of the relief take their meaning from GBER.

The purpose of this Tax and Duty Manual ('TDM') is to provide guidance to individual investors who wish to avail of relief under EII and SCI. For detailed guidance in relation to the application of these reliefs to a company, please refer to [TDM Part 16-00-03](#). For detailed guidance in relation to SURE, please refer to [TDM Part 16-00-05](#).

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<sup>1</sup> Part 16 comprises sections 488 to 508Z TCA.

<sup>2</sup> [Commission Regulation declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty](#)

## 2 Overview

The Part 16 reliefs are a permissible form of State aid and operate within the parameters of GBER. The principal conditions for the reliefs emanate from the requirements of GBER.

The Part 16 reliefs assist qualifying companies in raising investment by providing income tax relief to individuals who make qualifying equity-based risk finance investments in those companies. EII provides income tax relief to investors who are not connected to the company or its Relief for Investment in Corporate Trade (RICT) group. Broadly, a **RICT group** refers to the company and all its partner and linked businesses (see section 7 of [TDM Part 16-00-03](#) for further information in relation to the meaning of a RICT group). SURE provides income tax refunds to encourage employees or former employees to start their own businesses, and SCI provides income tax relief to family members of existing shareholders in start-up companies.

For the Part 16 reliefs to apply, there are a number of conditions which must be met by the company seeking investment, by the RICT group of which the company is a member, by the investor and in respect of the investment, which is by way of subscription for eligible shares. Relief is available in respect of eligible shares which are issued on or before 31 December 2026 where the relevant conditions are met.

For investors, the Part 16 reliefs operate by allowing an investor to deduct a proportion of their investment from their total income. In turn, this lowers the investor's taxable income and results in an income tax saving for the investor.

### 2.1 Key features of EII and SCI

The features of SURE are set out in [TDM Part 16-00-05](#). The key features of EII and SCI as relevant to investors are as follows:

- To be eligible to avail of relief under EII and SCI, an investor must be a 'qualifying investor'. Qualifying investors may avail of income tax relief on qualifying investments made in qualifying companies of up to €1,000,000<sup>3</sup> annually.
- A qualifying investor is an individual who subscribes for new shares in a qualifying company for cash (see section 3). The investment can be made directly in the company by an individual or, in the case of EII, directly by a Designated Investment Fund (DIF) or indirectly by a Qualifying Investment Fund (QIF) (see section 5).
- In the case of EII, a qualifying investor must not be connected with the company during a period that, in general, begins 2 years before, and ends 4 years after, the investment is made (known as the "**compliance period**"). Broadly, an individual will be connected with a company if that individual, or an associate of that individual, is a director or employee of, is in a partnership

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<sup>3</sup> This is the maximum limit that applies for investments made on or after 1 January 2025.

with, or has an interest in the capital of, that company or any company in the RICT group (see section 3).

- An individual investor must invest a minimum amount of €250 in the company and eligible shares received by the investor must be held for four years. The minimum investment limit does not apply where EII investment is made through a DIF or a QIF.
- A qualifying investment must come within one of three types of investment: (1) initial risk finance investment, (2) follow-on risk finance investment, or (3) expansion risk finance investment (see 4.2). In line with GBER, the rate of relief available to qualifying investors ranges from 20% to 50% of the amount of the qualifying investment depending on which type of investment is being raised (see 6.2).
- A qualifying investment must be based on a business plan that meets certain requirements and must be used by the company wholly or mainly for a qualifying purpose within the relevant period.
- Relief is given to a qualifying investor by allowing a deduction of a proportion of the amount of their investment from their total income. In line with the maximum rates permitted by GBER, the proportion of the investment that can be deducted varies from 50% to 125% of the amount invested depending on the type of investment made and on whether the investment was an indirect investment through a QIF (see 6.2.1).
- A qualifying investor may claim relief when they have received a Statement of Qualification (SOQ) from the company in respect of the qualifying investment. Where the investment is made by a DIF or QIF, the qualifying investor may claim relief when they have received a Manager's Certificate from the fund manager (see section 7).
- The reliefs operate on a self-assessment basis and, in general, investors may claim relief in the year of assessment in which the investment is made. Any unused relief may be carried forward and deducted from total income in future years (see 7.3).

## 2.2 Specific features of SCI

The SCI is designed to help early-stage micro companies attract equity-based risk finance from investors who are associates, in general, family members. In this regard, SCI is an exception to the general rule under EII that investors who are associates of shareholders of a qualifying company cannot qualify for relief as they are connected with the company.

### 3 Qualifying Investor

A qualifying investor is an individual who subscribes for eligible shares directly in a qualifying company or, in the case of EII, through a DIF or QIF (see section 5 below).

The investor must not be connected with the company throughout the compliance period<sup>4</sup>. The compliance period is the period beginning 2 years before the issue of eligible shares or, if later, beginning on the date the first company in the RICT group was incorporated<sup>5</sup>, and ending 4 years after that date.

#### 3.1 Individual connected to the company

An individual is connected to a company where the individual or an associate of the individual:

- is in a partnership with the company, or any company in the RICT group,
- is a director or employee of the company, or any company in the RICT group, or
- subject to certain conditions, has an interest in the capital of the company, or any company in the RICT group.

An associate is any relative or partner of the shareholder. A relative means the husband, wife, civil partner, ancestor, lineal descendant, brother or sister of the shareholder.

A RICT group broadly means a group made up of a company and all its partner businesses and linked businesses. At a high level, linked businesses are businesses where one controls another while partner businesses are businesses where one holds a significant minority shareholding of over 25% in the other<sup>6</sup>.

For the purposes of determining whether an individual is connected with the company, the RICT group will also include any company which was a subsidiary of the company at any time during the compliance period<sup>7</sup>.

Investors cannot circumvent the connected party rules by making an arrangement with another individual to make reciprocal investments in each other's companies. In that event, the individuals will be treated as connected with the company in which they have subscribed for shares<sup>8</sup>.

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<sup>4</sup> Section 500 TCA

<sup>5</sup> Section 488 TCA and known as the 'pre-investment period'.

<sup>6</sup> See section 7 of [TDM 16-00-03](#) for further information in relation to a RICT group.

<sup>7</sup> This requirement applies whether the company became a subsidiary before, during or after the year in which the individual claims relief, and regardless of whether it is a subsidiary while the individual is a partner, director or employee of, or has an interest in, the capital of the company.

<sup>8</sup> Section 501 TCA

**Example 1**

Alex invests in Boxes Limited, which is owned by Anna. Anna invests in Cartons Limited, which is owned by Alex. Neither Alex nor Anna will be qualifying investors for the purposes of the relief where this is an arrangement designed to attempt to avoid the connected party rules and avail of relief.

### 3.2 Director or employee of the company or any company in the RICT group

Where an individual, or an associate of an individual, is a director or employee of the company in which the investment is made, or of another company in the RICT group, the individual is, in general, connected with the company.

However, the individual will not be connected if the only payments that the director or employee receives, or is entitled to receive, from the company during the relevant period are reasonable payments that an independent third party would receive in the same position. These payments include the following:

- reasonable payments of expenses incurred by the individual or his or her associate in their duties as a director or employee,
- reasonable interest on money lent to a company in the RICT group,
- any dividend or other distribution paid by a company in the RICT group which does not exceed a normal return on the investment,
- payments for the supply of goods to a company which do not exceed their market value,
- any reasonable remuneration paid for services rendered to a member of the RICT group in the course of a trade or profession, and
- any reasonable remuneration which is paid to a director or employee in the course of the directorship or employment.

### 3.3 Interest in the capital of the company

An individual will “have an interest in the capital of the company” if they or their associate holds, or is entitled to acquire, any of the issued share capital, loan capital, voting rights or rights to assets on a winding up of that company.

An individual also has an interest in the capital of the company if:

- the individual can control it in the manner set out in section 11 TCA, such that the affairs of the company are conducted in accordance with the wishes of that person, or
- if, within the compliance period, the individual had control of another company which has become a subsidiary of the company.

In determining whether an individual has an interest in the share capital of the company, no account is taken of the following shares held by that individual or their associate in a company:

1. Shares in respect of which the individual or their associate was entitled to relief under Part 16 provided neither the individual, nor a person connected with that individual, has control of the company in the compliance period,
2. Founder shares provided no other shares have been issued by the company and the company has not yet commenced trading or made preparations for the carrying on of any trade or business.

## 4 Qualifying Investment (Investor Perspective)

A qualifying investment is an investment:

- for eligible shares in a qualifying company made directly by an individual or, in the case of EII, made by a DIF or a QIF (see section 5),
- where the funds invested are used wholly or mainly by the qualifying company for a qualifying purpose within the four-year relevant period<sup>9</sup>,
- that is based on a business plan that meets certain requirements<sup>10</sup>, and
- that is one of the types of investment that may be raised by a company – initial, expansion or follow-on risk finance investment (see 4.2).

Where the above requirements are met, the company will issue a Statement of Qualification (“SOQ”) to the investor to confirm that the company is a qualifying company and that the investment is a qualifying investment (see 7.1).

In the case of EII, where an investment is made through a DIF or QIF, the company will issue the SOQ to the fund and the fund will issue a Manager’s Certificate to the investor confirming that they hold the SOQ in respect of the investment (see 7.2).

The minimum investment by a qualifying investor must be €250. This limit does not, however, apply in the case of EII where the investment is made through a DIF or QIF.

The investment must be an arm’s length transaction and must be for bona fide commercial reasons and not part of an arrangement where it is reasonable to consider that the main purpose of the arrangement is to secure a tax advantage<sup>11</sup>.

### 4.1 What are eligible shares?

Eligible shares must be new shares issued by the company for a cash investment. The shares must be issued on or before 31 December 2026. They may be redeemable shares but may not carry preferential rights to a dividend or preferential rights on a winding up<sup>12</sup>.

Shares can be subscribed for, and issued to, a nominee on behalf of an individual and, where this is the case, all reporting obligations of that nominee as set out in section 892 and section 894 TCA must be fulfilled as required. See Tax and Duty Manual [Part 38-03-13](#) for further details on the automatic return of information required. Where these reporting obligations are not met, the shares are not eligible shares.

There can be no other terms of the shares, or agreements made with the investor, which would substantially reduce the risks related to the investment. In particular,

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<sup>9</sup> See section 6.5 of [TDM 16-00-03](#) for further detail on the qualifying purpose of an investment.

<sup>10</sup> See section 6.1 of [TDM 16-00-03](#) for further detail on the business plan and relevant requirements.

<sup>11</sup> Section 508L TCA

<sup>12</sup> See 5.3 below for exception where investment is made through a QIF.

there can be no arrangements that would guarantee a repayment of capital or the payment of a dividend. Arrangements of that type will mean the shares are not eligible shares and the investment will not be a qualifying investment.

**Example 2**

The founder shareholders of Teatime Limited entered into agreements with EII investors at the time of their investment for new shares in the company. The agreements gave the investors rights over the assets of the company in the event that they would not be able to dispose of the shares at the end of the four-year relevant period. The investors will not be able to claim relief in respect of those shares as a result of this agreement.

The relief cannot be given on shares awarded in lieu of wages or shares issued for no consideration.

**Example 3**

Jane works for Super Solutions Limited. As part of her remuneration package, she is issued with 200 newly issued ordinary shares in the company. These are not eligible shares as Jane did not pay cash for the shares.

Relief will not be due in respect of shares issued on the conversion of a director's loan<sup>13</sup>.

## 4.2 Types of investment that may be made in a qualifying company

The lifecycle of the qualifying company determines what type of investment is made:

- **Initial risk finance investment:** this is the first time a RICT group is raising risk finance under any of the Part 16 reliefs.
- **Follow-on risk finance investment:** this is where a RICT group seeks to raise further risk finance under the Part 16 reliefs, having previously raised risk finance investment.
- **Expansion risk finance investment:** this is where a RICT group seeks to raise risk finance to expand their business in certain circumstances.

For more detailed guidance on the meaning of initial, follow-on and expansion risk finance investment, please refer to section 6.4 of [TDM 16-00-03](#).

The rate of relief that may be claimed by an investor on the investment depends on the type of risk finance investment has been made in the company (see 6.2).

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<sup>13</sup> Section 508P TCA - the receipt of the shares constitutes the receipt of value from the company resulting in the reduction of any relief due to the investor by the value received.

### 4.3 Circumstances in which an investment will not be a qualifying investment

There are a number of specific circumstances in which an investment will not be a qualifying investment as follows:

- If the investor has entered into an agreement or arrangement that directly or indirectly substantially reduces the risk associated with the investor's shares<sup>14</sup>.
- If the company-
  - carries on a business (or acquires the assets of a business) which was previously carried on by the investor, or an associate of the investor, or by a company owned or controlled by those persons, or
  - acquires another company that the investor, or a person connected to the investor, owned or controlled<sup>15</sup>.

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<sup>14</sup> Section 495 TCA

<sup>15</sup> Section 499 TCA

## 5 Making an investment through an Investment Fund

This section applies only in respect of investors making investments under EII. Relief is not available under SCI for investments through a fund.

In general, an individual may avail of EII relief, with some modifications, in respect of qualifying investments made in qualifying companies by DIFs and QIFs to which they have subscribed<sup>16</sup>. The conditions and requirements that apply in respect of qualifying investments as set out in section 4 apply also in the case of investments made by DIFs and QIFs.

Relief is claimed by individual subscribers to the fund in respect of the amount invested by the fund in proportion to the value which the individual's subscription to the fund bears to the total amount that is available in the fund for investment.

### 5.1 Designated Investment Funds

A DIF is a type of investment fund that is established for the sole purpose of investing in qualifying companies under EII and has been designated as a DIF by Revenue for the purposes of Part 16<sup>17</sup>.

A DIF comprises of the subscriptions of a number of individuals. The subscription of each individual is considered to be invested by the DIF on a pro rata basis over all investments made by the fund.

Each individual subscriber who meets the requirements to be a qualifying investor may claim relief in respect of investments made by the DIF in qualifying companies, in proportion to the value their subscription to the fund bears to the total amount that is available in the fund for investment.

An investment made in a qualifying company by a DIF is a **direct** investment in the company for the purposes of the calculation of the deduction from income that may be claimed by an investor.

### 5.2 Qualifying Investment Funds

A QIF is an investment limited partnership authorised in accordance with the Investment Limited Partnerships Act 1994 or a limited partnership registered in accordance with the Limited Partnerships Act 1907 and managed by an Alternative Investment Fund Manager ('AIFM')<sup>18</sup>.

QIFs may invest in qualifying companies under EII, as well as companies that do not qualify for EII investment. The fund comprises of the subscriptions of a number of subscribers and may include subscribers who are not individuals. Each subscription is

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<sup>16</sup> Chapter 7, Part 16, TCA

<sup>17</sup> Section 508I TCA

<sup>18</sup> Section 508IA TCA

considered to be invested by the QIF on a pro rata basis over all investments made by the fund.

Each individual subscriber, who meets the requirements of being a qualifying investor, may claim relief in respect of investments made by the fund in qualifying companies in proportion to the value their subscription to the fund bears to the total amount that is available in the fund for investment<sup>19</sup>.

An investment made in a qualifying company through a QIF is an **indirect** investment in the company for the purposes of the calculation of the deduction from income that may be claimed by an investor. Because of this, the rate of relief is different than it would be for direct investment in the qualifying company or investment through a DIF.

### 5.3 Modification for investment through Investment Funds

As noted, there are several modifications which apply to qualifying investments made through DIFs or QIFs. These modifications include:

- No minimum investment amount applies where an investment is made through a DIF or a QIF.
- Eligible shares that are issued to the managers of a QIF may carry preferential rights to a dividend or preferential rights on a winding up.
- There is an exception to the connected persons rules to allow an individual whose partner holds shares in a qualifying company to make a qualifying investment in that company which applies in circumstances where the only reason that the individual and the shareholder are partners is because they are partners in a QIF.
- The managers of a DIF or a QIF must issue investors with a Manager's Certificate in place of a Statement of Qualification in relation to qualifying investments made by the investment funds.

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<sup>19</sup> Section 508J TCA

## 6 The Relief

A qualifying investor may claim income tax relief on qualifying investments of up to a combined total of €1,000,000 annually under the Part 16 reliefs.

### 6.1 Operation of the relief

The relief is given by allowing the investor to claim a deduction from their total income of a proportion of the amount of their investment for the year of assessment in which the shares are issued.

The proportion of the investment that can be deducted varies from 50% to 125% of the amount invested depending on the type of investment made and on whether the investment was an indirect investment through a QIF. This results in an effective maximum rate of relief ranging from 20% to 50% of the investment amount, in line with the rates permitted under State aid rules.

The actual rate of relief an investor receives on the investment amount depends on their individual circumstances. In particular, it depends on whether the investor has enough income taxed at the higher rate to fully absorb the deduction. In the event that they do not have enough income taxed at the higher rate to fully absorb the deduction, the rate of relief that they receive on their investment will be lower than the maximum permitted rate.

To ensure that the relief given on investments is within the maximum rates permitted under State aid rules, the relief that may be claimed by an investor is capped. This means that if the difference in the amount of income tax payable by the investor on claiming the deduction from their total income and the amount of income tax that would have been payable by the investor if they did not claim the deduction leads to an income tax saving on the investment that is greater than the maximum permitted rate of relief on investments, then the relief is capped at the level of the maximum permitted rate.

### 6.2 Rates of relief

Different rates of relief apply to investments. The rate of relief depends on whether the investment is initial, follow-on or expansion risk finance investment and on whether the investment was made directly in the company by an individual, or, in the case of EII only, directly by a DIF, or indirectly by a QIF. The proportion of the investment that may be claimed as a deduction from income ensures that the resulting income tax saving is within the permitted rates under State aid rules.

The rate of relief on **initial risk finance investment** depends on whether the investment is in a company in a RICT group that is not operating in any market or in a company in a RICT group that is operating in any market within certain eligibility periods.

In the case of **follow-on risk finance investment**, the rate of relief depends on whether the investment is made when the RICT group is operating in any market within those same eligibility periods or if it is made when the RICT group is operating outside of those periods.

The rate of relief on **expansion risk finance investment** is the same in all periods.

The tables below set out the proportion of the investment that may be claimed as a deduction from income by an investor in the case of EII and SCI and the corresponding maximum rate of relief available on each type of investment.

- EII & SCI Direct Investment and EII Investment through DIFs

| <b>Type of risk finance investment</b>  | <b>Proportion of investment amount that may be deducted from income</b> | <b>Maximum rate of relief on the investment amount</b> |
|---|---|--|
| Initial risk finance investment in a RICT group that has not been operating in any market   | <b>125%</b>   | <b>50%</b>   |
| Initial or follow-on risk finance investment in a RICT group operating for less than 10 years, or less than 7 years since first commercial sale | <b>87.5%</b>  | <b>35%</b>   |
| Expansion risk finance investment in a RICT group to fund a new economic activity   | <b>50%</b>  | <b>20%</b>   |
| Follow-on investment in a RICT group operating for more than 10 years, and more than 7 years since first commercial sale                        | <b>50%</b>  | <b>20%</b>   |

- EII Investment through Qualifying Investment Funds (QIFs)

| <b>Type of risk finance investment</b>   | <b>Proportion of investment amount that may be deducted from income</b> | <b>Maximum rate of relief on the investment amount</b> |
|--|---|--|
| All initial, follow-on or expansion risk finance investment through a qualifying investment fund | <b>75%</b>  | <b>30%</b>   |

### 6.2.1 Calculation of deduction from income

As noted in 6.1, the proportion of the investment that may be claimed as a deduction from income ensures that the resulting income tax saving is within the permitted rates under State aid rules. The examples below demonstrate how the proportion of the investment which may be deducted from income ensures that the relief is within permitted State aid limits. The maximum amount of income tax saving in each example is dependent on the investor having sufficient income taxable at the higher rate (40%).

Where an investor makes an **initial risk finance investment in a RICT group that is not operating in any market**, 125% of the amount invested by the investor may be deducted from income. The maximum rate of relief available on this type of investment is 50%. For example:

|   |                                    |
|---|------------------------------------|
| Investment Amount                                     | €100,000                           |
| Amount of investment that may be deducted from income | $€100,000 \times 125\% = €125,000$ |
| Maximum amount of income tax saving                   | $€125,000 \times 40\% = €50,000$   |
| Rate of Relief  | 50%                                |

Where an investor makes an **initial risk finance investment or a follow-on risk finance investment in a RICT group which has been operating in any market for less than 10-years or less than 7-years since its first commercial sale**, 87.5% of the amount invested by the investor may be deducted from income. The maximum rate of relief available on this type of investment is 35%. For example:

|   |                                    |
|---|------------------------------------|
| Investment Amount                                     | €100,000                           |
| Amount of investment that may be deducted from income | $€100,000 \times 87.5\% = €87,500$ |
| Maximum amount of income tax saving                   | $€87,500 \times 40\% = €35,000$    |
| Rate of Relief  | 35%                                |

Where an investor makes an **expansion risk finance investment**, 50% of the amount invested by the investor may be deducted from income. The maximum rate of relief available on this type of investment is 20%. For example:

|   |                                  |
|---|----------------------------------|
| Investment Amount                                     | €100,000                         |
| Amount of investment that may be deducted from income | $€100,000 \times 50\% = €50,000$ |
| Maximum amount of income tax saving                   | $€50,000 \times 40\% = €20,000$  |
| Rate of Relief  | 20%                              |

Where an investor makes a **follow-on risk finance investment in a RICT group which has been operating in any market for more than 10-years and more than 7-years since its first commercial sale**, 50% of the amount invested by an investor may be deducted from income. The maximum rate of relief available on this type of investment is 20%. For example:

|   |                          |
|---|--------------------------|
| Investment Amount                                     | €100,000                 |
| Amount of investment that may be deducted from income | €100,000 x 50% = €50,000 |
| Maximum amount of income tax saving                   | €50,000 x 40% = €20,000  |
| Rate of relief  | 20%                      |

For **investments made indirectly via a qualifying investment fund**, 75% of the amount invested may be deducted from income. This applies irrespective of when the qualifying investment is made. The maximum rate of relief available on this type of investments is 30%. For example:

|   |                          |
|---|--------------------------|
| Investment Amount                                     | €100,000                 |
| Amount of investment that may be deducted from income | €100,000 x 75% = €75,000 |
| Maximum amount of income tax saving                   | €75,000 x 40% = €30,000  |
| Rate of Relief  | 30%                      |

## 7 Claiming relief

Where a qualifying investment has been made, the qualifying investor may claim relief as outlined in section 6 provided certain conditions are met.

A qualifying investor can claim relief on the investment when:

- they have been issued with an SOQ in respect of the investment by the qualifying company, or
- in the case of an investment made through a DIF or a QIF, they have been issued with a Manager's Certificate in respect of the investment by the managers of the fund.

### 7.1 Statement of Qualification

As noted in section 4, a qualifying company must issue investors with an SOQ in respect of qualifying investments so the investor can claim relief. An SOQ is a statement by a company that:

- (a) the company is a qualifying company, and
- (b) the investment is a qualifying investment.

The SOQ contains details of the company in which the investment was made, the shares issued, the investor, the amount of the investment and the amount of relief, that is the deduction from income, that may be claimed by the investor in respect of that investment.

Companies must issue the SOQs to qualifying investors by 31 December of the year following the year in which the eligible shares were issued in respect of an investment. This means that where, for example, a company issued eligible shares in the course of 2025, it must issue the SOQs to investors by 31 December 2026.

### 7.2 Manager's Certificates

As also noted in section 4, the managers of a DIF or QIF must issue investors with a Manager's Certificate as opposed to an SOQ in relation to qualifying investments made by the fund.

Where a qualifying company has received an investment under EII from a DIF or a QIF, the company instead issues the SOQ to the managers of the investment fund.

On receipt of the SOQ, the investment fund manager:

- files a Return of Information of Investment Fund ('IF return') with Revenue, in which it provides information in relation to the investment and the subscribers to the fund, and
- issues Manager's Certificates to the individual subscribers to the fund.

The Manager's Certificate details the amount of the subscription, the qualifying investments made by the fund and the relief, that is the deduction from income, that may be claimed by the investor.

On receipt of the Manager's Certificate, investors may claim relief on qualifying investments made through DIFs and QIFs.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]

### 7.3 Income tax return

On receipt of the SOQ or Manager's Certificate, investors can claim relief on their income tax return Form 11 or Form 12, as appropriate.

#### 7.3.1 Year in which relief is claimed

In general, investors claim relief in the year in which the investment is made.

Where the investment is made through a DIF or QIF, and the eligible shares in respect of the investment are issued in the year following the year in which the individual subscribed to the fund, the individual claims relief in the year in which they subscribed to the fund.

#### **Example 4**

Emily made a qualifying investment in ABC Limited on 1 July 2025. Castle Designated Investment Fund also made an investment in ABC Limited on 1 July 2025. Castle Designated Investment Fund is made up of a number of subscriptions of individuals who subscribed to the fund in 2024. Thomas is one of the subscribers to the fund. The eligible shares in each case were issued on 1 July 2025.

Emily claims relief in her income tax return for the year of assessment 2025, which is the year of assessment in which the investment was made. As Thomas subscribed to the fund in 2024, and the eligible shares in respect of the investment were issued in the following year 2025, Thomas claims relief in his income tax return for the year of assessment 2024.

#### 7.3.2 Carry forward of unused relief

An individual can claim income tax relief on qualifying investments under the Part 16 reliefs up to a combined total of €1,000,000 annually.

If an individual invests more than €1,000,000 in a year of assessment or does not have enough income to absorb the full relief in that year, any unused relief may be carried forward and deducted from total income in future years<sup>20</sup>.

In each year, relief is given for earlier investments in priority to relief for later investments.

**Example 5**

Seán makes a qualifying investment of €100,000 in 2025. The deduction of income that may be claimed in respect of that investment is €87,500.

Seán's income in 2025 is €80,000.

As Seán has insufficient income in 2025 to absorb this deduction, the unused relief of €7,500 is carried forward to 2026.

## 8 Withdrawal of Relief from the Investor

In general, the conditions that apply in respect of qualifying investors, qualifying companies and qualifying investments must be met throughout the four-year relevant period and, where appropriate, the compliance period. Where there is a change in circumstances such that those conditions cease to be met, the relief due in respect of an investment is withdrawn.

In some cases, the relief is withdrawn from the company and in others it is withdrawn from the investor. In general, where it is the case that the qualifying company is responsible for the event that results in any condition ceasing to be met, the resultant withdrawal of relief will be from the company. In other cases, the withdrawal of relief will be from the investor.

For detailed information on the circumstances in which relief is withdrawn from the company, see section 11 of [TDM 16-00-03](#).

### 8.1 Circumstances in which relief is withdrawn from an investor

Relief is withdrawn from an investor in the following circumstances:

- where relief has been claimed by the investor and it is subsequently found not to have been due (other than in circumstances where the withdrawal is to be from the company), or
- the relief is no longer due because, within the relevant period –

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<sup>20</sup> Section 508 TCA

- (i) the investor had arrangements in place or entered into agreements that substantially reduced the risk associated with the investment,
- (ii) the investment ceases to be a qualifying investment as a result of the company carrying on or acquiring a business previously carried on or controlled by the investor,
- (iii) the amount of relief is subject to a reduction as a result of:
  - a. the disposal of eligible shares (see 8.2),
  - b. the investor acquiring certain options or entering into certain agreements in respect of the eligible shares (see 8.3),
  - c. the disposal of a qualifying subsidiary by the qualifying company (see 8.4), or
  - d. the qualifying investor receiving value from the company (see 8.5),
- (iv) the raising of the risk finance aid by the company and the subscription for shares by the investor were not for bona fide commercial purposes and were part of a scheme or arrangement the main purpose or one of the main purposes of which was the avoidance of tax, or
- (v) the investor ceases to be a qualifying investor.

In the case of relief claimed under SCI, in addition to the instances set out above, the relief will be withdrawn from the investor where:

- an assessment is made on the company in respect of that investment, and
- the tax payable under that assessment remains unpaid, and
- it is reasonable to consider that there were arrangements in place the main purpose, or one of the main purposes, of which were to avoid paying any tax arising on such an assessment.

The withdrawal of relief in all cases is made by means of raising a Case IV Schedule D assessment on the investor for income tax for the year of assessment in which the relief was given. Interest will apply and, in general, will apply from the date of the happening of the event that gives rise to the withdrawal.

## 8.2 Disposal of Shares by an individual

If shares are disposed of before the end of the compliance period, it will, in general, result in a reduction in the relief to which the individual may be entitled in respect of those shares.

If the disposal of the shares is not by way of a transaction made at arms-length, the individual is not entitled to any relief and the full amount of the relief due will be withdrawn. Otherwise, the relief to which the individual is entitled in respect of the investment will be reduced by the amount that the individual receives for the disposal.

### 8.2.1 What is a disposal?

A disposal includes a disposal of shares by way of sale or gift. It also includes a disposal of an interest or right in or over shares, as well as certain share for share exchanges.

### 8.2.2 Disposal between spouses

In general, where the disposal of shares is between spouses or civil partners, there will be no reduction in the amount of relief claimed by one spouse or civil partner. This includes the circumstances where the disposal occurs on the death of an investor and the shares are passed to the investor's spouse or civil partner.

If, however, following a transfer between spouses or civil partners, the spouse or civil partner to whom the shares were transferred disposes of those shares to a third party within the compliance period, the relief will be withdrawn. If that disposal was by way of a transaction made at arms-length, the relief will be reduced by the amount received for the disposal, otherwise the relief will be withdrawn in full.

### 8.2.3 Disposal on the death of an investor

Where a disposal of shares arises because of the death of an investor, other than in circumstances where the shares pass to the investor's spouse or civil partner, the relief due in respect of those shares is withdrawn.

#### **Example 6**

Sandra makes an investment of €100,000 in Company Y in December 2023 and is obliged to hold the shares until the end of the compliance period in December 2027.

Sandra claims a deduction of €100,000 against her income for the tax year 2023. Sandra dies in January 2025. In her will, she leaves her shares in Company Y to her friend Aoife. As Aoife receives the shares for no consideration, the disposal is not at arm's length and the relief due to Sandra for the tax year 2023 is reduced to nil.

The relief is withdrawn by the raising of an assessment against Sandra's estate.

#### **Example 7**

Andrew makes an investment of €75,000 in Sleptime Limited in February 2022 and is obliged to hold the shares until the end of the compliance period in February 2026.

Andrew claims a deduction of €75,000 against his income for the tax year 2022 and receives a refund of tax. Andrew dies in 2025. Andrew did not have a will. His

shares in Sleeptime Limited form part of his assets to be sold and the proceeds distributed among his family.

The shares in Sleeptime Limited are sold at arm's length for €50,000. The relief claimed by Andrew in 2022 (€75,000) is reduced by the consideration received for the shares of €50,000. The relief is partially withdrawn by the amount of the consideration received. An assessment is raised against Andrew's estate.

If the shares had instead been sold at arm's length for €80,000, the relief would have been withdrawn in full. Although the disposal of the shares would have been by way of an arm's length transaction, the consideration received for the shares would have exceeded the relief due, reducing the relief to nil.

#### 8.2.4 Disposal of mixed shareholdings

Where an individual holds some shares for which relief was given and some shares for which relief was not given, any disposal by that individual is treated as being a disposal of the shares in respect of which relief was given rather than the shares for which relief was not given<sup>21</sup>.

In the case of a disposal of shares in respect of which relief was given, where those shares were acquired at different times, shares acquired earlier are treated as having been disposed of first.

#### 8.2.5 Disposal of bonus shares

Where there is a bonus issue of shares, generally by way of an allotment of shares to a company's shareholders in proportion to their holdings where that allotment is not made for any payment, the shares comprising an individual's new holding (i.e. the original shares on which the relief was given plus the bonus shares) are to be treated as shares in respect of which relief has been given.

A disposal of those shares before the end of the compliance period is treated as a disposal of shares in respect of which relief has been given (a part disposal of the new holding being treated as a disposal of a corresponding part of both the original shares and the bonus shares).

### 8.3 Investor acquires certain options or enters into certain agreements

Where an investor acquires certain options or enters into certain agreements in relation to eligible shares, relief is not available and is withdrawn from the investor. Those options or agreements are:

- an option obtained in the four-year relevant period which, when exercised, would oblige the person from whom the option was acquired, or any other

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<sup>21</sup> Section 508M(3) TCA

person, to purchase the eligible shares for a price which is other than the market value of the shares at the time the purchase is made,

- an agreement entered into in the four-year relevant period which would require the person with whom the agreement is made, or any other person, to purchase the eligible shares at a price other than the market value of the shares at the time of the disposal, or
- an agreement which would require a person to dispose of eligible shares at a price that is less than the market value of the shares at the time of the disposal.

## 8.4 Disposal of a Qualifying Subsidiary

In certain circumstances, the disposal by a qualifying company of a qualifying subsidiary<sup>22</sup> is treated as a part disposal by the qualifying investors of their eligible shares. This will result in the withdrawal of relief from the investor.

This will arise if:

- a qualifying company disposes of a qualifying subsidiary before the end of the four-year relevant period in respect of a qualifying investment, or if the qualifying subsidiary is wound up or dissolved,
- the amounts raised from the qualifying investment in the qualifying company were invested in eligible shares of that qualifying subsidiary, and
- the amounts raised from the disposal of the qualifying subsidiary were not returned to the qualifying investors without undue delay.

In such cases, the qualifying investors are treated as if they partially disposed of the shares that they hold in the qualifying company for an amount equal to the market value of the qualifying subsidiary or the amount for which it was disposed of, if higher. This will trigger a withdrawal of the relief claimed by the investors in respect of that partial disposal.

## 8.5 Qualifying investors receiving value from the company

Where an individual invests in a company under EII or SCI, and within the compliance period, the individual or their associate receives value from:

- the company,
- any company in the RICT group, or
- any person connected with the RICT group,

any relief which is due to the individual in respect of the eligible shares is reduced by the amount of the value received<sup>23</sup> and is subject to withdrawal from the investor.

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<sup>22</sup> See section 5 of [TDM 16-00-03](#) Qualifying Company Perspective for detailed guidance on the meaning of qualifying subsidiary.

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For the purposes of considering whether an individual has received value from the company or any company in the RICT group, the RICT group will include any company which is a subsidiary of the qualifying company at any point during the compliance period<sup>24</sup>.

The meaning of 'value received from a qualifying company' is widely construed and comprises of most payments or transfers to the individual or their associates, including payments for share capital or rights to share capital, repayments or extinguishments of debts and any transfers of assets for less than market value. There are some limited exceptions which include reasonable remuneration to employees and directors, ordinary dividend payments, interest at commercial rates, and payments for goods or services which do not exceed their value.

#### 8.5.1 Exception for EII – Capital Redemption Window

In the case of EII, there is an exception to the general rule that if an individual receives value from a company within a compliance period, the amount of relief to which the individual is entitled must be reduced.

The exception does not apply in respect of investments made under SCI.

If an individual has multiple investments in the same company, each will have its own compliance period. This means that if a company redeems the shares of the individual at a time when the compliance period for those shares has ended, and while other shares held by that individual remain within their compliance period, the individual will have received value from the company within a compliance period. This will result in a reduction of the relief due to the individual in respect of the shares still in their compliance period by the amount of the value received.

If those shares were shares in respect of which EII relief was available, there will be no reduction in relief in respect of any shares still in their compliance period if the following conditions are met:

- the most recent risk finance investment made under the Part 16 reliefs in any company in the RICT group was at least 18 months prior to the return of capital,
- the RICT group does not raise risk finance investment under the Part 16 reliefs for a period of 12 months after the return of capital, and
- the qualifying investor from whom the investment is redeemed does not make a further qualifying investment in that company under any of the Part 16 reliefs for a period of 5 years after the redemption of their shares.

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<sup>23</sup> Section 508P TCA

<sup>24</sup> The requirement applies regardless of whether the company became a subsidiary of the qualifying company before, during or after the year in which the individual claims relief, or whether the individual received any value from the company.

Where the exception applies, a company can redeem the shares of an individual where the compliance period for those shares has ended, without triggering a reduction of the relief due to the individual in respect of other shares held by the individual which are still within their compliance period.

**Example 8**

Alpha Ltd issued EII eligible shares to Mike in January 2020 (tranche A), January 2021 (tranche B) and January 2023 (tranche C).

In March 2024, Alpha Ltd redeemed the tranche A shares issued to Mike in January 2020. The compliance period for those shares had ended.

The tranche B and tranche C shares issued to Mike were still within their compliance period.

As it was less than 18 months since Alpha Ltd last raised EII investment at the date of redemption of Mike's tranche A shares, the company did not meet the conditions to avail of the capital redemption window.

The relief due to Mike in respect of the eligible shares still in their compliance period is therefore reduced by the amount of the value received, which is the amount received by Mike in respect of the tranche A shares.

**Example 9**

Capital Ltd raised risk finance investment under EII over a number of years. Tina invested in Capital Ltd on 31 December each year from 2020 to 2023. Capital Ltd last raised EII investment on 31 December 2023. In October 2025, the company redeemed the eligible shares issued to Tina in respect of her 2020 investment.

The compliance period in respect of the shares issued on 31 December 2020 had ended 4 years after the date of the share issue on 31 December 2024. The shares issued to Tina in respect of the investments made on 31 December 2021 and on 31 December 2022 were still within their compliance periods when the redemption of shares occurred.

As the last time that the company had raised EII or SCI or SURE investment was 31 December 2023, more than 18 months prior to the redemption of shares in October 2025, the company met the conditions to avail of the capital redemption window. It redeemed Tina's shares without triggering a withdrawal of relief in respect of her other investments in the company, which were still in their compliance period.

To avail of the exception provided by the capital redemption window, and not trigger the withdrawal of relief of Tina's other investments still in their compliance period, the company must not raise further investment for a period of 12 months

from the date of the redemption. In addition, Tina cannot make another qualifying investment in Capital Ltd for a period of 5 years from the date of the redemption.

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## 9 Disposing of the Investment - Capital gains tax implications

The disposal of eligible shares by an investor may also give rise to capital gains tax (CGT) implications for the investor. The implications depend on whether a gain or a loss for CGT purposes arises on the disposal.

### 9.1 Disposal resulting in a gain

When an investor disposes of shares in respect of which EII or SCI relief was claimed by the investor, and where a gain arises on the disposal, a CGT liability will arise.

### 9.2 Disposal resulting in a loss

Where a loss arises on a disposal of shares for which EII or SCI relief was claimed by the investor, loss relief for CGT purposes is not available.

In general, for CGT purposes, a loss arises on the disposal of an asset where the acquisition cost of the asset exceeds the proceeds received on the sale of the asset (i.e. the deduction of the acquisition costs from the sales proceeds results in a loss).

In cases where an investor disposes of shares for which a loss arises, the amount of the deduction from the sale proceeds for the purposes of calculating the loss is restricted. It is reduced by the lower of:

- the amount of the income tax relief obtained, or
- the amount by which the deduction exceeds the consideration.

The effect of this restriction is that the result for CGT purposes will normally be that no gain or no loss arises on the disposal.

## Appendix A Qualifying Investor Decision Tree

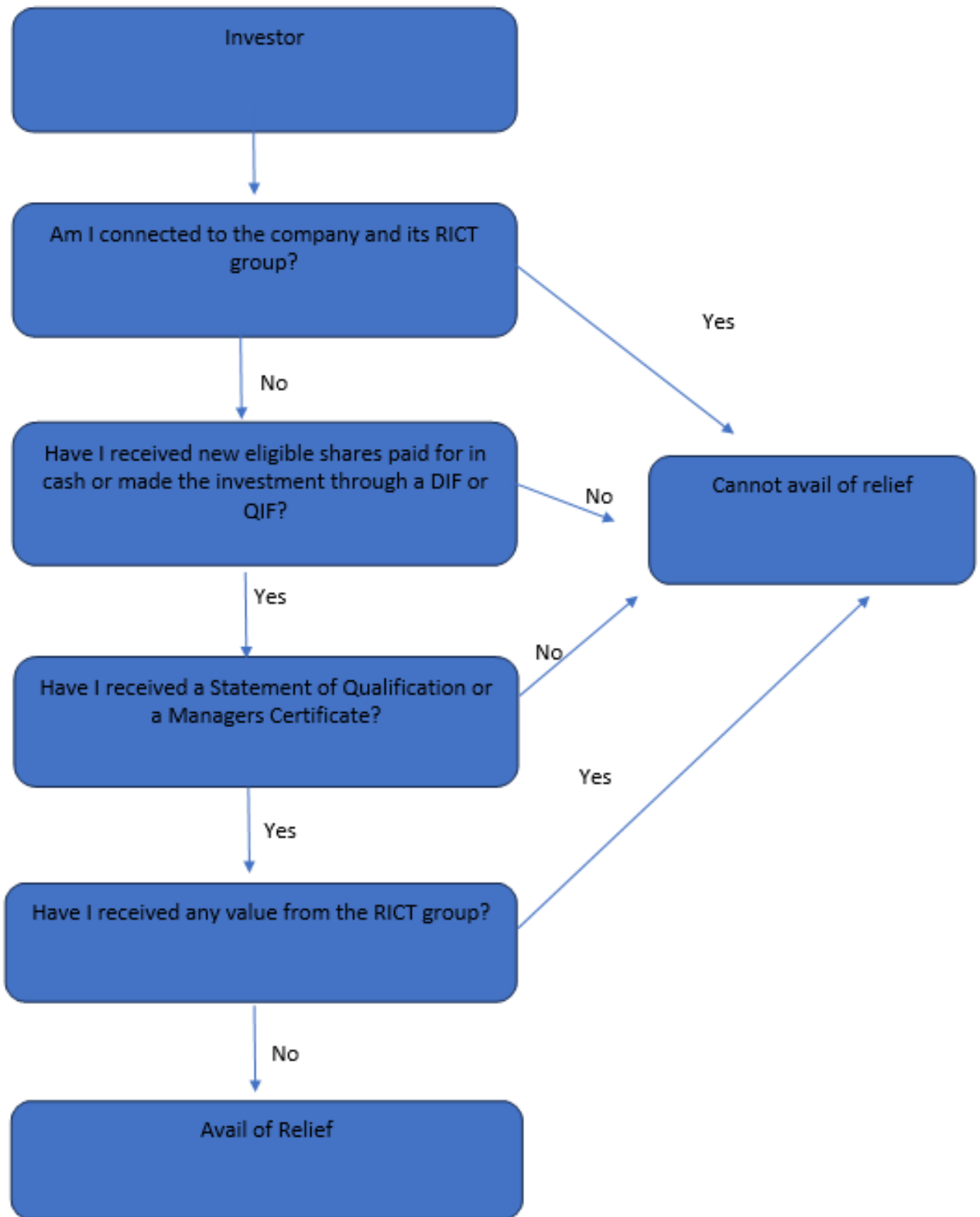


Figure 1 Qualifying Investor Decision Tree