

## **Compelling evidence in favour of BES says ITI**

### ***"Taxation at the apex of economic policy" says Redmond***

#### **40% say BES led to growth in company workforce**

Wednesday, 10 January 2007: The Chief Executive of the Irish Taxation Institute (ITI), Mark Redmond has said that the review of the Business Expansion Scheme (BES) published today provides "compelling evidence" that BES is central to creating and sustaining economic activity, particularly among small businesses.

Mr Redmond made his comments after a Government published survey (see highlights below) of companies who have used BES found that over 60% of these companies employed less than 15 staff and in two thirds of cases, their annual sales were less than €1 million. 40% said it encouraged them to increase their workforce.

Commenting, Mr Redmond said: "This review shows that taxation is at the apex of the Irish economy, especially for the small business sector. It presents compelling evidence that innovative tax policy like BES helps companies grow, creates jobs, leads to improved services, supports Irish exports and generates revenue for the exchequer.

Mr Redmond drew attention to the influential role BES is playing in incentivising new businesses, products and services. 52% of respondents said BES made them more ambitious to grow with 47% attributing BES finance as a key factor in launching new or improved products and services. "These findings demonstrate that a proper functioning BES is often a key factor in getting new ventures up and running and new products and services onto the market", he said.

Mr Redmond highlighted that the risk taken by investors in using BES has resulted in real economic returns.

He said: "What is often forgotten when considering BES is the risk attached for the investor. Investors using BES do so at their own risk. If their investment fails they are at a loss. But if the investment succeeds, both the investor and the State gain – the investor in the form of a return, the State through increased corporation, income and VAT tax receipts."

Mr Redmond said that the future of BES should continue to be shaped by economic and social needs. He urged Minister Cowen to build on improvements announced in the Budget by expanding BES to key national needs like renewable energy, infrastructure and broadband in the forthcoming Finance Bill.

"Tax policy is a proven tool in meeting key economic and social needs.

“With this in mind, ITI is calling on the Minister to expand BES to positive effect in key need activities like renewable energy, infrastructure and broadband. Investment in these activities is now imperative if we are to meet the stated objective of achieving a high value economy”, he concluded.

## **ENDS**

### **Further info:**

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## **BES Review**

The BES review, carried out by the Department of Finance in conjunction with the Department of Enterprise, Trade & Employment and the Revenue Commissioners found that:

- Those companies surveyed came from the following sectors:
  - o 58% classed themselves as manufacturing,
  - o 22% as international services,
  - o 12% as tourism projects and
  - o 8% as other.
- Over 70% of companies were new, being set up in the past ten years.
- One third of all firms were start-ups or in the development phase.
- The bulk of firms, over 60%, employed less than 15 staff and in two thirds of cases their annual sales were less than €1 million.
- Export sales represented 56% of output for all firms surveyed.
- 34% availed of BES for R&D investment
- 62% see a requirement for BES fundraising over the next three years with 70% indicating the total amount of equity required being less than €1million