

# Relief for investment in innovative enterprises

## Investor's perspective

### Part 19-06A-02

This document should be read in conjunction with Chapter 6A of Part 19 of the Taxes Consolidation Act 1997

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# 1 Introduction

Relief for investment in innovative enterprises (hereafter referred to as the “relief”) was introduced by section 54 of Finance Act 2024, which inserted Chapter 6A into Part 19 of the Taxes Consolidation Act 1997 (TCA 1997). The relief was commenced by Ministerial order on 1 March 2025. The purpose of this Tax and Duty Manual (TDM) is to provide an overview of the relief from the perspective of the investor, being an investor who makes a qualifying investment in a qualifying company. Tax and Duty Manual 19-06A-01 provides detailed guidance in relation to a qualifying company.

The relief is designed to encourage investors to acquire significant minority shareholdings in early-stage innovative enterprises which are less than 7 years old. The relief allows investors that are unconnected to the company to avail of a reduced effective rate of Capital Gains Tax (CGT) of 16% (or 18% in the case of investments made via a partnership) on the sale of a qualifying investment. For a qualifying investment to be made, the company must hold certificates of qualification and provide a copy of these certificates to the investor at the time of investment. Where the conditions of the relief are met, a reduced rate of CGT may apply on a gain of up to twice the value of the investor’s initial investment on the sale of those shares. There is a lifetime limit of €10 million on the amount of gains of an individual investor that can avail of the reduced rate of CGT.

The relief is a permitted form of State aid within 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>1</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 (individual’s) are the investors. Many of the phrases and terms used in respect of the relief take their meaning from GBER.

## 1.1 Overview

The relief is available to individuals and allows a qualifying investor to avail of a reduced CGT rate of 16% (or 18% in the case of investments made via a partnership) on a gain arising on the sale of a qualifying investment in a qualifying company subject to certain conditions.

The qualifying investment must be made before 31 December 2026. The shares must be held by the investor for at least 3 years before the disposal. There are conditions which must be met by the company, by the investor, and in respect of the shares, at the time the investment is made, while the investment is held, and when there is a disposal of the investment.

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<sup>1</sup> [Commission Regulation declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty](#)

Prior to a qualifying investment being made a company must ascertain that it is a qualifying company. A qualifying company is one that holds certificates of qualification which consist of:

- a certificate of going concern, and
- a certificate of commercial innovation<sup>2</sup>.

The company must provide a copy of its certificates of qualification to each investor on the date the investment is made. The investor can confirm that the certificates are valid on the date of investment by consulting a publicly available register maintained by Revenue.

The investor is required to maintain a copy of the certificates of qualification during the time the investor holds the shares in the company. The investor will be required to return certain information from the certificates of qualification.

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<sup>2</sup> Tax and Duty manual 19-06A-01 contains details on how a company may make an application for Certificates of Qualification.

## 2 Qualifying Investment (investor perspective)

A qualifying investment is an investment in eligible shares in a qualifying company by an individual, or by an individual via a qualifying partnership. The qualifying company is required to provide copies of its certificates of qualification to the investor at the time of the investment. The investor should ensure that these certificates are valid at the date of the investment by checking the public register of Certificates of Qualification maintained by Revenue.

The investment is also required to meet the following conditions:

- The investment must be made by way of a subscription for eligible shares issued before 31 December 2026 in the qualifying company.
- The investment by an individual must be at least €20,000. This is reduced to €10,000 where the investment results in an acquisition of 5% or more shareholding in the company.
- The investment by a qualifying partnership must be at least €20,000. Please see section 5 for further details.
- The eligible shares will need to be held for a period of at least 3 years during which the investor cannot hold more than a 49% shareholding in the qualifying company or any company that is a member of the relief group.
- The investment must be made as part of the initial risk finance funding round by the company. Shares in that round can be issued in separate tranches or all together at the end of the round.

The Investor is required to retain a copy of the certificates of qualification provided by the qualifying company at the time of investment. Certain details included in the certificates of qualification will be required in the tax return of the Investor when making a claim for relief. Please see section 7 for details on making a claim.

### 3 Eligible Shares

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

There can be no other terms on the shares, or agreements made with the investor, which would substantially reduce the risks related to the investment. In particular, arrangements that would guarantee a repayment of capital or the payment of a dividend will preclude the investment from qualifying.

If the investment is through a nominee, then all reporting obligations of that nominee as set out in section 892 and section 894 TCA 1997 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.

The relief cannot be given on shares relating to a conversion of director's loans, or on shares awarded in lieu of wages, or shares issued for no consideration.

The investment must be an arm's length transaction and must be for bona fide commercial reasons and not part of an arrangement that it is reasonable to consider the main purpose of which is to secure a tax advantage.

#### **Example 1**

Frank works for Cup Limited. As part of his remuneration package, he is issued with 200 newly issued ordinary shares in the company. These are not eligible shares as Frank did not pay cash for the shares.

## 4 Qualifying Investor

A qualifying investor is an individual who subscribes on their own behalf for eligible shares in a qualifying company.

An investor, or an associate of the investor, cannot be “connected”<sup>3</sup> with the company. Essentially, what this means is that an investor should be a third-party investor with no prior connection with the company.

References to connected in this context include situations where the individual or an associate<sup>4</sup> of the individual:

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

No account will be taken of shares in a company where an individual or an associate may be entitled to Investor’s relief on a future disposal, and neither the individual, nor a person connected had control of the company at the date of investment.

A person will “have an interest in the capital of the company” if they or an associate do, or can, hold any of the issued share capital, loan capital, voting rights or rights to assets on a winding up.

### Example 2

Ruth invests €50,000 in a company of which her mother Joan is a director. Ruth, as the daughter of Joan, is an associate of Joan. As Joan is a director of the company, she is considered connected to the company. Since Ruth is an associate of a person connected with the company, Ruth is not a qualifying investor and will be unable to avail of the relief.

In addition to the requirement that the investor not be connected with the company, there are a number of specific arrangements which, if made, will prevent an investment qualifying for relief:

- An investment will not be a qualifying investment if there exists an arrangement that directly or indirectly substantially reduces the risk associated with the investor’s shares.<sup>5</sup>

<sup>3</sup> For the purposes of the relief “connected” is defined by sections 600H and 600I TCA 1997.

<sup>4</sup> As defined in section 433(3) in relation to a participator. See TDM [Part 13-01-02](#) for further information.

<sup>5</sup> Section 600K TCA 1997

- An investment will not be a qualifying investment if within 3 years from the date of the investment 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.<sup>6</sup>
- An investor will not be entitled to the relief where the company acquires another company that the investor, or a person connected to the investor, owned or controlled, within 3 years from the date of investment.<sup>7</sup>

Investors cannot circumvent these rules by arranging reciprocal investments.<sup>8</sup> That is an individual will be treated as connected with a company if that individual subscribes for shares in that company as part of a scheme or arrangement which allows another individual to subscribe for shares in a company with which the first individual, or any other individual who is a party to the arrangement, is connected.

**Example 3**

Alex invests in Company B, which is owned by Anna. Anna invests in Company A, which is owned by Alex. Neither Alex or Anna are qualifying investors for the purposes of the relief where this is an arrangement to attempt to avoid the connected party rules and avail of relief.

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<sup>6</sup> Section 600L(1) TCA 1997

<sup>7</sup> Section 600L(2) TCA 1997

<sup>8</sup> Section 600I TCA 1997



## 5 Investment through Partnerships

An individual may avail of this relief, with some modifications, through an investment made in eligible shares by a qualifying partnership. To do so, the individual must be a partner in the partnership and must have invested at least €20,000 in the partnership prior to the date of the investment by the partnership in eligible shares in a qualifying company.

### 5.1 Qualifying Partnership – Conditions

A qualifying partnership is one which has been established under a valid written partnership agreement and which has as its principal business the investment of funds in accordance with a defined investment policy for the benefit of its investors.

The terms of this partnership agreement must provide that the funds are to be invested in eligible shares without undue delay. The agreement must also provide that prior to investment in eligible shares the funds are to be held in a separate deposit account in a bank licenced to operate in the State.

Subject to a commission at a rate specified in it, the terms of the partnership agreement must provide that any dividends and interest are to be paid without undue delay to the partners.

The management fees or other expenses associated with the establishment, running, winding down or termination of the partnership may not exceed the rates specified in the partnership agreement.

The partnership agreement must provide for audited partnership accounts to be prepared annually and submitted to Revenue when requested.

### 5.2 Qualifying Partnership – the Investment

The investment made by a qualifying partnership must be at least €20,000.

The option to make a €10,000 investment where that represents at least 5% of the share capital of the company **is not** available where the investment is made through a qualifying partnership.

#### **Example 4**

Alex makes an investment of €15,000 in Glider Limited, a qualifying company. This investment represents 8% of the share capital of Glider Limited. This may be a qualifying investment for Alex.

**Example 5**

The Warrior Partnership makes an investment of €15,000 in Glider Limited, which represents 8% of the share capital of the company. This is not a qualifying investment for The Warrior Partnership.

**Example 6**

The Lake Partnership makes an investment of €25,000 in Glider Limited, which represents 9% of the share capital of the company. This may be a qualifying investment for The Lake Partnership.

The investment must be held by the partnership for 3 years from the date of the investment and the total shares, including the eligible shares, held by the partnership in the qualifying company must be no more than 49% throughout that 3-year period.

The partnership must retain copies of the certificates of qualification of the company which were valid at the date of the investment.

### 5.3 Qualifying Partnership – the Relief

Where there has been a disposal of a qualifying investment in a qualifying company by a qualifying partnership which meets all the conditions for the relief, the individual may claim relief on the amount of the gain apportioned to them as a partner. See section 6 and section 7 for further information in relation to a disposal of the investment and how the individual investor who is a member of the qualifying partnership may claim the relief.

Relief is given by applying a reduced effective CGT rate of 18% to the gain attributable to the partner. There is a lifetime limit of €10 million on gains for each individual investor that may avail of the reduced rate of CGT under this scheme, which includes both investments as individuals and through qualifying partnerships.

**Example 7**

Quest Partners is a qualifying partnership with 12 partners, each entitled to an equal share of any profits or gains. Quest Partners made an investment of €1,000,000 in Tensor Limited, a qualifying company. Having held the investment for 4 years, the partnership disposes of the investment realising a chargeable gain of €720,000.

Each of the 12 partners will be liable to CGT on chargeable gain of €60,000 (€720,000/12). Without the relief each partner's liability would be €19,800 (€60,000 @ 33%).

Assuming the individual partners have not reached their lifetime limit, they will each be chargeable at a reduced rate of 18%.

Therefore, each partner will have a CGT liability on the chargeable gain of €10,800.

## 6 Disposing of the Investment

The relief is available to a qualifying investor on a sale of eligible shares in a qualifying investment to third parties, where the shares have been held for a minimum period of 3 years from the date of investment.

Relief is not available in circumstances of a share redemption, a repayment of share capital or repurchase by a company. It is also not available on part disposal of the shares within the meaning of section 534(b) TCA 1997. See Tax and Duty Manual [Part 9-01-04](#) for further details on part disposal of assets.

### Example 8

Ivan makes a qualifying investment of €20,000 in Tympanum Limited, a qualifying company.

In 2029, Tympanum Limited redeems Ivan's shares. Ivan may not claim the relief on the redemption of the shares.

### Example 9

Amari makes a qualifying investment of €40,000 in Acorns Limited a qualifying company.

In 2029, Amari sells the rights to dividends from her shares in Acorns Limited to Ross. This is a part disposal. Amari may not claim the relief.

The amount of the chargeable gain to which relief is available is calculated as the lower of:

1. the chargeable gain arising on the disposal of the investment,
2. twice the amount of the qualifying investment in the eligible shares disposed of,  
and
3. the balance of the lifetime limit available to the individual investor.

A lifetime limit exists on the total amount of chargeable gains that may avail of the reduced rate of CGT for each individual investor. The lifetime limit is €10 million. Where the individual makes several sales in a year to which the relief is available, relief is treated as available on the earlier disposal of shares in advance of the later disposal of shares.

## 7 Claiming the Relief

The relief is a CGT relief and is claimed on the investor's Income Tax return. The following details should be returned:

- the name and address of the qualifying company which issued the shares,
- the date on which the investment was made,
- the value and number of the shares subscribed for as part of the qualifying investment, and
- the unique identification number of the certificate of commercial innovation provided by the qualifying company.

With the exception of investments made through qualifying partnerships, (which applies an effective reduced rate of CGT of 18% to the gain attributable to the partner), the relief provides for an effective reduced rate of CGT of 16% to individual investors on a gain the value of which is up to twice the value of the investor's initial investment.

### Example 10

Pat makes a qualifying investment of €20,000 in Tree Limited, a qualifying company.

In 2028, Pat sells the shares to Betty, and a chargeable gain of €25,000 arises.

Absent relief, Pat's CGT liability would be €8,250 (€25,000 @ 33%).

Availing of relief, Pat has a CGT liability of €4,000 (€25,000 @ 16%).

### Example 11

Jess makes a qualifying investment of €20,000 in Tree Limited, a qualifying company.

In 2030, Jess sells the shares to Harold and a chargeable gain of €75,000 arises.

Absent relief, Jess's CGT liability would be €24,750 (€75,000 @ 33%).

The maximum relief Jess may avail of is €40,000. This is twice the value of Jess's initial investment of €20,000.

Availing of relief, Jess has a CGT liability of €17,950 made up of:

Reduced rate: €40,000 @ 16% = €6,400

Standard Rate: €35,000 @ 33% = €11,550

**Example 12**

Naoise makes a qualifying investment of €2,500,000 in a qualifying company.

In 2030, Naoise sells the shares to Ali and realises a chargeable gain of €2,800,000.

Absent relief, Naoise's CGT liability would be €924,000 (€2,800,000 @ 33%)

Relief would be available on the full amount of this gain since it is less than twice the initial investment.

However, Naoise has previously claimed relief on chargeable gains of €9,000,000 arising from another qualifying investment. The gains covered by the relief are subject to a lifetime limit of €10,000,000, therefore €1,000,000 may be taxed at the reduced rate (€10,000,000- €9,000,000 previously claimed). The balance will be taxed at the standard rate of CGT.

Availing of relief, Naoise has a CGT liability of €754,000 made up of:

Reduced rate: €1,000,000 @16% = €160,000

Standard Rate: €1,800,000 @33%= €594,000

## 8 Interaction of Investor's relief with other available reliefs

### 8.1 Interaction of Part 16 TCA 1997 and Investor's relief

Investor's relief may not be claimed where a claim under the RICT schemes of Part 16 TCA 1997 has or will be made in respect of the same eligible shares.

### 8.2 Sequence of claiming Investor's relief for CGT purposes

In the event that the disposal of eligible shares qualifies for more than one CGT relief, section 6000 TCA 1997 provides the sequence in which the reliefs may be claimed.

Relief is not available in tandem with either revised entrepreneur relief (section 597AA) or retirement relief (section 598 or 599). Where a disposal of eligible shares may qualify for relief under one or more of the schemes, those reliefs shall apply instead where relief under those provisions is more favourable. That is the investor may choose the relief which is most beneficial in the given circumstances.

## 9 Annex I – Investor Decision Tree

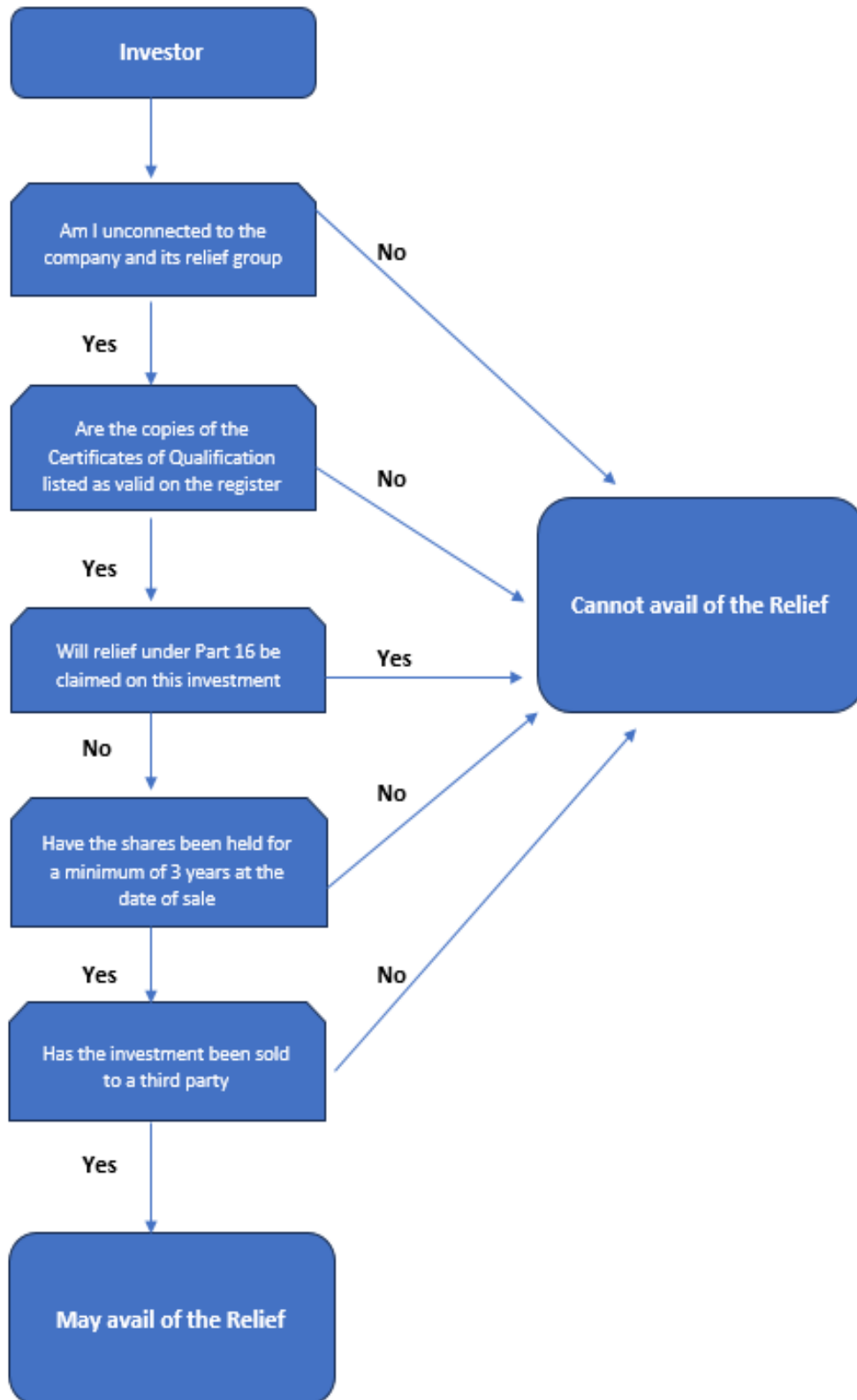


Figure 1: Investor Decision Tree