

# Money Matters

A series of weekly articles by Quintas Experts

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## TAX BASED INVESTMENTS

### BES AND FILM TAX RELIEF

As the Government continues to clamp down on tax shelters, the Business Expansion Scheme (BES) and Film Relief are a few of the viable options left for tax payers looking for some tax relief. Any individual wishing to reduce their 2010 tax liability could do so by making a BES or Film investment before 31 December 2010.

In general, Tax Based Investments are perceived as only benefitting the wealthy. However, these investments are attractive to all top rate tax payers (41%) and should be considered.

#### BES

BES is an investment in a qualifying company on which the taxpayer obtains tax relief at 41% in the year of investment. Often a company would promise a return of approximately 20% over the five year period. For example, say you invest €50,000 in a BES company you receive tax relief of €20,500 ( $€50,000 @ 41\% = €20,500$ ) giving a net cost of €29,500. At the end of this period if the company meets its obligations it would return €50,000 to you thereby ensuring that your investment has grown by 20%. However, the return is closer to 100% when you factor in the tax relief that you would have originally received.

BES is a risk based investment and should suit your own personal risk profile. For investors who are willing to take on the risk in the current environment, the quality of companies looking to raise funds through the BES has improved substantially, with profitable companies looking at BES due to lack of finance available through banks.

Rather than investing in one particular company, individuals may prefer to invest through a designated BES fund. The benefits of designated funds over private placements include:

- As the fund will invest in a portfolio of companies, the risk is spread across a range of companies in diverse sectors;
- An experienced and professional management team will select and manage the investments;
- The fund is highly regulated by the Financial Regulator; and
- Funds may provide for transparency by way of bi-annual reporting to investors.

Following on from the success of the 2008 and 2009 Quintas Wealth Management BES Funds, the 2010 Horizon BES Fund (managed by Quintas Wealth Management Limited) will commence fundraising shortly.

#### FILM RELIEF

Film relief is also an investment in a qualifying company where 41% tax relief is available. The return is normally circa 8% of the amount invested [e.g.  $€50,000 @ 8\% = €4,000$ ]. The investment is for 12 months and 100% finance is available.

Film relief is seen as a low risk investment and therefore the potential return is less than a BES investment. It is extremely attractive for PAYE workers, as it is a short term investment, with 100% finance normally available.

Where an individual is paying tax at the top rate of tax consideration should be given to reducing their tax liability through BES and/or Film relief.

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