

## **Budget 2015 - Changes to EII – Briefing Note**

### **Old EII – Qualifying Companies**

Companies that qualified for EII prior to Budget Day had, inter alia, to meet the following requirements

- Be a small enterprise (less than 50 employees) located anywhere in the State, *at seed, start-up or expansion stage* of development.
- Be a medium-sized enterprise (less than 250 employees), located anywhere in the State, *at seed or start-up stage of development*.
- Be a medium-sized enterprise (less than 250 employees) located in assisted areas (i.e. outside Dublin, Meath, Kildare, Wicklow, Cork City and County (excluding Cork Docklands)), *at expansion stage of development*.

### **New EII – Qualifying Companies**

From Budget day, all small and medium-sized enterprises located throughout the State can qualify for EII provided all of the other qualification criteria are met.

### **EU State Aid Risk Finance Guidelines**

Since EII last received State Aid approval from the European Commission, the Risk Finance Guidelines issued by that body have changed. Ireland is required to bring any existing approved schemes into line with the new Guidelines.

### **What the new Guidelines mean**

The revised guidelines from the Commission take account of the fact that SMEs may face difficulties in gaining access to finance, *particularly in the early stages of their development*. The Commission notes that business finance markets may fail to provide the necessary equity or debt finance to newly created and potentially high growth SMEs resulting in a persistent capital market failure, which negatively affects SMEs growth prospects.

In allowing for state aid for risk finance investments, the Commission has moved away from qualification criteria based on whether an enterprise is in seed, start-up or expansion phase and has now set new criteria on the type of companies that can qualify. These new criteria are set out below:

- The company must not have commenced trading, or
- The company must have been operating for less than 7 years, or
- The company requires investment to launch a new product or enter a new market.
- In addition, companies operating for more than 7 years, which do not meet the conditions above, may receive follow on investments provided the possibility of such investments were foreseen in the original business plan.