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# EU FUNDING FOR INTERNATIONAL GROWTH

If you are an SME<sup>1</sup> with an innovative idea you may want to consider applying to the EU for funding for your business idea.

In recent years hundreds of Irish organisations have received funding ranging in amounts from €50,000 to several million euros. The EU fund, known as Horizon2020, has a budget of €75 billion of which Ireland is targeting €1.25 billion. Many successful Irish applications have come from the medical sciences area but it is noteworthy that sectors such as agri-food and renewable energy have also had success – there has even been a project about the levels of bacteria in beer.

There are many aspects to a successful application but two key themes are absolutely vital – innovation and scalability. Your business idea must be bringing some new product or service or combination of product & service to the market and you need to be able to demonstrate an ability to scale your business internationally – the EU wants global winners!

Continued



# EU FUNDING FOR INTERNATIONAL GROWTH

As a self-check guide you might want to see how you answer the following questions

- 1 Have we identified a significant problem in the market and/or a significant market opportunity?
- 2 Have we identified a credible solution to the problem?
- 3 Is there real innovation in our solution?
- 4 Are the end user benefits of our solution clear and measurable?
- 5 As a company, are we ambitious enough and capable of taking our idea internationally, globally?
- 6 Is the potential market big enough?

You should be answering strong “Yes” to each of the above questions. The application process is highly competitive so anything less than a very high quality submission will likely be unsuccessful.

There are 2 key phases to keep in mind.

In **phase 1** projects can attract a grant of up to €50,000 (projects are funded up to a level of 70% up to maximum of €50,000) – the focus here is about exploring and assessing the technical feasibility and commercial potential of a breakthrough innovation that a company wants to exploit and commercialize e.g. a market analysis. The ultimate objective is to put a new product, service or process in the market and this could be a first or very early step. Note the innovation can be a new service or process and not necessarily a product that comes from a traditional laboratory.

**Phase 2** funding is available for innovation projects underpinned by a sound and strategic business plan and the EU has indicated levels of funding €500,000 – € 2.5 million (covering up to 70% of eligible costs, or in exceptional, specific cases up to 100%).

The activities which might be eligible are scaling-up or validation for market replication aimed at bringing the innovation to investment readiness and maturity for market take-up.

The outcomes from phase 2 funding should be

- ➔ a new product, process or service that is ready to face market competition and
- ➔ a business innovation plan incorporating a detailed commercialisation strategy and a financing plan in view of market launch

It is worth mentioning here the importance of having and communicating your capacity as a management team to deliver on your plans. Many applications focus on innovation as if a new idea alone will bring success. It is useful to remember the example of the now forgotten Sony Walkman – the idea originated with Phillips in Netherlands but Sony’s implementation was far better!

For more detailed information and excellent support and advice contact your local Enterprise Ireland office who have a dedicated and experienced team.

With EU support maybe the next Google or iPhone will start in a small Irish start up – best of luck!

*<sup>1</sup>(note: the EU definition of SME is less than 250 employees and less than €50m turnover so the vast majority of companies in Ireland qualify)*



## TAX RESIDENCY OF IRISH INCORPORATED COMPANIES

A company is broadly regarded as resident in Ireland for tax purposes either by being incorporated in Ireland, or by virtue of it being centrally managed and controlled in Ireland (irrespective of where it is incorporated). It is permissible under Irish tax legislation for an Irish incorporated company to migrate its residence to a foreign jurisdiction. In order to become foreign tax resident, the Irish company would have to transfer the location of the company's effective management from Ireland to the foreign jurisdiction. To that end all the board meetings, strategic decisions and negotiation of contracts should take place outside of Ireland. Foreign tax resident directors may also need to be appointed to the board.

The company will be required to do a corporation tax return until the date of cessation of operations in Ireland. An important point to note is that an exit tax is imposed on companies that cease to be Irish tax resident in the form of a charge to capital gains tax on the market value of company assets at the date of cessation. It may be possible to defer the charge where the company becomes tax resident in another EU/EEA jurisdiction. The exit charge will not apply where –

- ➔ The assets continue to be used in Ireland for the purposes of a trade carried on by a branch or agency, or
- ➔ At least 90% of the Irish company's issued share capital is held by a non- Irish tax resident company which is ultimately controlled by residents of a country with which Ireland has a tax treaty.

The residency rules are also pertinent for companies looking to relocate to Ireland following Brexit. To that end it is important when considering moving your company to engage your advisors early to ensure all angles are covered.

## VIES RETURNS

VAT Information Exchange System (VIES) returns are usually filed on a quarterly or monthly basis. Where an Irish Company supplies services, the VIES return can be filed every quarter. With regard to goods, VIES returns must be filed on a monthly basis where the value of goods exceed €50,000 per quarter.

VIES returns must be submitted electronically on ROS by 23rd day of the month following the relevant VIES period. In recent times Revenue are delaying the repayment of VAT refunds until VIES returns and Return of Trading Detail returns are submitted up to date. Revenue may also impose penalties for failure to file VIES returns on time.



## PAYE MODERNISATION

Revenue has announced that they are planning a major overhaul of the PAYE system and are working towards rolling out a new real time system by 1st January 2019. This real time system will enable Revenue to ensure that employees are receiving their correct cutoffs and credits.

To that end the incidences of year end over or under payments for employees should be minimal. The main changes to the current system will be:

- 1 Employees will be able to log on to their Revenue account and view the information that employers have submitted for them
- 2 Payroll software will automatically submit the periodic file to Revenue without the need to physically upload the file on the ROS website.
- 3 Payroll software will automatically update for changes to P2c files regarding tax credits and cutoff
- 4 The correct treatment of illness benefit will be facilitated in the system
- 5 P60's, P45's, P30's and P35 forms will no longer be required.

To that end payroll will have to be updated every week or month as the file will be automatically uploaded to Revenue. Therefore in the event of an error in the payroll, the file will have to be corrected and resent to Revenue. Continuous errors or late submissions may cause Revenue interventions.

For most businesses that have a good payroll department or bookkeeper the new system will lead to greater efficiencies. However for businesses who do things after the fact, i.e. pay staff first and put the payment through payroll software at a later date the changes may be problematic. To that end a major change in the employers mindset will need to occur over the next 12 months to ensure that they are ready for the change.

## PAY AND FILE SUMMARY

The following is a summary of upcoming pay and file dates:

### INCOME TAX

Filing date of 2016 return of income (self-assessed individuals)	31 October 2017
Pay preliminary income tax for 2017 (self-assessed individuals)	31 October 2017
On-Line pay and file date for 2016 return of income	14 November 2017

### CAPITAL GAINS TAX

Payment of Capital Gains Tax for the disposal of assets made from 1 January 2017 to 30 November 2017	15 December 2017
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### CORPORATION TAX

Filing date for Corporation Tax returns for accounting periods ending in November 2016	21 August 2017
Balancing payment of Corporation Tax for accounting periods ending in November 2016	21 August 2017

# TOP 5 TIPS FOR AN EFFECTIVE DIGITAL MARKETING STRATEGY

**S**o you want to increase your web presence but you're not sure how to make the most of your business online? The first step is to take the time to develop a digital marketing strategy that is able to take your business to the next level, addressing the crucial areas of online advertising and creating a professional and effective platform for your brand.

Studies show that businesses with a clearly defined digital marketing strategy outperform those who do not have a strategy in place, so you can see that it's well worth getting to grips with the options.

## 1. SET YOUR OBJECTIVES.

A successful strategy is much more likely if you're very clear about what you want to achieve. Define your KPIs (Key Performance Indicators) clearly, and set specific targets for these that can be measured by a tool such as Google Analytics. If a KPI is that you want more leads from your site, for example, a goal such as getting ten leads per month by month six makes this target measurable and specific.

## 2. UNDERSTAND YOUR STARTING POINT.

You should aim to learn from past mistakes by looking at your own business history, the competitive market and the context of the industry. It's important to consider any changes in technology, products or customer expectations that are relevant to you, and to look at what your competitors are doing. Carrying out a competitive audit can provide significant information on the industry/competitive dynamics, and also gives you a baseline to use for comparison as you go forward.



## 3. FOCUS ON THE CUSTOMER.

Remember that your digital strategy should be centred on your customer, not on you. Your research should consider what your customers are looking for, what sort of terminology they are using, and how they want to interact with you. You can find out more about your demographic by using Audience Reports (in Google Analytics) to identify key information about your target consumers.

## 4. STICK TO YOUR BUDGET.

You should clearly define your budget and your resource

commitment from the outset, and be clear about where resources and budget will be applied, considering what return you are expecting from each. For example, you may run an email campaign that aims to deliver leads and a Facebook campaign that is expected to grow your audience. These are both valid activities, but they have very different objectives.

## 5. REVIEW CONSTANTLY.

Digital marketing is easily measured online, and you can review your strategy and make adjustments frequently. If you have been clear with your KPIs and targets, you can set up systems to measure conversions and track your performance compared to your plan. Don't be afraid to make changes quickly if something isn't working: updating your plan, adjusting your tactics and regularly reviewing your strategy allows you to make the most of your digital marketing and web presence.

If you don't already have a clear Digital Marketing Strategy, the best time to start is now!

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## GET A "HOTDESK" IN A HOT LOCATION

**E**nterprise Ireland are working to help Irish SME's to get their first taste of expansion by offering three available private office spaces in their business incubation facility. The location of Enterprise Ireland's New York office is the much sought after area of Midtown Manhattan and has been known to help open doors for start-up companies. Providing facilities such as

internet, printing, kitchen, and boardroom for participating companies, it is an opportunity that rarely comes along. While the facility has ten private offices, all have been almost always occupied until now. The business incubation facility also offers 'Hotdesk' space where you can avail of a desk and the facility for up to 12 days of usage per month. There is also business support in the

form of development sessions and networking lunches with other clients as well as sales development, legal and HR sessions.

Intended to be a soft landing first step into the New York or North American market, Enterprise Ireland hopes that the support available at the facility will enable a business to expand and move to their own space after the first year.



## STANDARDS FOR RENTED HOUSING REGULATIONS 2017

All landlords are now required by law to fully comply with the standards for rented housing. In this regard, all landlords should ensure that their properties are fully compliant with fire safety standards and regulations for rented properties.

The new Standards for Rented Houses came into effect on 1st of July 2017 and are set out in the Housing (Standards for Rented Houses) Regulations 2017. Some of the main requirements are:

- ➔ In houses, that there should be a suitable self-contained fire detection and alarm system as well as a suitably located fire blanket.
- ➔ In multi-unit buildings (i.e. buildings that contain two or more dwellings that share a common access), each self-contained dwelling shall contain a fire detection and alarm system, an emergency evacuation plan and emergency lighting in the common areas.
- ➔ For all properties, installations for supply of gas, oil and electricity should be maintained in good working repair and safe working order.

If you require any further advice on safety information or the standards, please contact your local authority.



## DO YOU QUALIFY AS A MICRO COMPANY?

The Companies (Accounting) Act 2017 introduced a change to the Companies Act 2014 where there is a new 'micro' category of company. Small sized companies may be exempted from the full extent of the requirements relating to annual Financial Statements in respect of any financial year. The exemption applies to financial years beginning 1st January 2015. To qualify as a micro company you must satisfy two of the following conditions for a financial year and the financial year immediately preceding that year (i.e. 2014 and 2015):

<b>Balance Sheet total not exceeding</b>	<b>€350,000</b>
<b>Turnover not exceeding</b>	<b>€700,000</b>
<b>Employees not exceeding</b>	<b>10</b>

*Note: An investment undertaking, a financial holding undertaking, a holding company that prepares group financial statements or a subsidiary that is included in the consolidated financial statements of a higher holding undertaking may not qualify as a micro company.*

## 150,000 TO BENEFIT FROM INCREASE IN MINIMUM WAGE

Minimum wage workers are set to see their pay increase by up to €12 a week in January as the minimum wage is increased by 30c an hour. Only those on full-time hours will benefit, as the lower rate is increased to €9.55 an hour.

In the midst of economic uncertainty prior to Brexit negotiation, some feel that the rise in costs once again puts undue pressure on Irish business owners.



### TOP 5 BUSINESS APPS TO SIMPLIFY YOUR DAY



#### GOOGLE DOCS

Edit, export and view documents efficiently while you are on the go. Create new documents or edit existing files on an easy to use app that also allows you to collaborate with colleagues in the same document at the same time. You can even work offline if you need to.



#### SLACK

Create teams and message each other, assign tasks and create deadlines. Helpful for managing multiple projects with different groups of people.



#### REVAPP

Easy and secure access to Revenue's services to help you manage your Irish tax affairs, on the go. This also gives you access to Receipts Tracker – the easy way to record and manage receipts for your expenses.



#### FLIPBOARD

This app brings together news, popular stories and conversations around any interest or passion. Download the app, select your interests and Flipboard will create a magazine just for you.



#### Tiny Scanner – PDF Scanner App

You will never have to worry about not being near a scanner again. Use this app to turn your smartphone into a scanner. This app also turns the scanned documents into PDF's for safe distribution.

## BENEFICIAL OWNERSHIP REGISTER

From November 2016, any corporate or legal entity registered in Ireland is obliged to comply with the Fourth EU Anti-Money Laundering Directive with regard to the beneficial ownership of the entity. There are two steps a company must take in order to comply with this directive:

**Step One:** Obtain and hold "adequate, accurate and current" information on their beneficial owner(s) in a beneficial ownership registrar.

**Step Two:** File this information with a central beneficial ownership register. This register is in the process of being established and legislation in relation to this was expected to be in place from June 2017, however CRO have now revised the timeline for this to Quarter 4 of 2017.

# BUILDING INTERNATIONAL CONNECTIONS FOR IRISH SME'S

Post-Brexit fears are still very real for many Irish companies. Given the prospect of the UK leaving the EU, the focus of Irish businesses working in new export markets has arguably become more intense than ever before.

To aid SMEs in their bid to grow amidst this period of uncertainty, Bank of Ireland has partnered with WebPort Global to offer free access to the global online portal, which is designed to support SME growth through international trade. WebPort Global is simply a trusted online hub for business who want to grow internationally while having support in the form of readily compiled research and guided connections. It is a place where you can:

- ➔ Connect with ready buyers for your products and services
- ➔ Analyse new market data to grow your business rapidly
- ➔ Source materials and services to support your business expansion
- ➔ Access experts and information who can fuel your growth
- ➔ Reach a global network of trusted international contacts

Bank of Ireland SME clients that register for the service will have free access to the portal for 12 months, with the direct goal of helping them to connect with international customers. They will also have 6 months access to a concierge service which builds critical information on foreign trade.

SMEs can go online and build a profile describing their business and what they do. This element operates very much like social media platforms. A representative of WebPort Global will then touch base with the SME to

establish their business objectives and export history and goals as part of the concierge service. WebPort Global will then use this information to research potential export markets for each SME before returning with online trade leads. These leads will already have been informed of the SMEs business and will as such be a 'warm lead', having already shown interest in what the SME has to offer. The concierge service is researched by trade experts using direct connections to world trade centres. There are currently 90 world trade centres in 60 different countries and it is through such centres that the relevant information is mined.

WebPort also offers SMEs the opportunity to participate in their Global Trade Export Network which offers trade reports and case studies relating to their export fields. SMEs may also join in or create interest groups in order to allow them to create discussions and learn from each other online.

Membership of the WebPort Global community will expose SMEs to a back catalogue of over 4 million pages of trade research as well as direct concierge advice and the online tools and marketplace to promote products and services.



## THE COMPANIES (ACCOUNTING) ACT

The Companies (Accounting) Act 2017 (the “2017 Act”) came into force on the 09 June 2017 and it substantially amends, updates and supplements the Companies Act 2014 (the “Companies Act”). It should be noted that the majority of the provisions of the 2017 Act came into force on that date with the new accounting requirements applying in respect of financial years which commence on or after 1 January 2017.

The 2017 Act results in a number of key changes for unlimited liability companies (“ULCs”). There is a change to the filing obligation. Under the Companies Act only “designated ULCs” are obliged to file financial statements in the Companies Registration Office (“CRO”) however the 2017 Act widens the parameters for classification as a “designated ULC”, as a result bringing significantly more ULCs within the filing regime. Prior to the 2017 Act, many ULCs were able to rely on an exemption from filing financial statements where their membership included either an unlimited liability entity incorporated in a jurisdiction outside the EEA or a natural person. As a result “non-disclosure structures” were often designed using an Irish ULC. The revised criteria for a “designated ULC” will mean that ULCs which are owned or controlled (directly or indirectly) by a limited liability company will now fall within scope for filing obligations. ULCs who do not fall within the criteria of a “designated ULC” will continue to remain outside the filing regime.

The 2017 Act provides that unlimited companies which are holding companies of undertakings whose members have limited liability are “designated ULCs” but this provision will only take effect for financial years commencing on or after 1 January 2022.

The Companies Act requires that the registered name of all unlimited companies must end in “unlimited company” or “UC” (or the Irish equivalent). Previously, ULCs could apply for an exemption from the name change requirement. The Minister will no longer be able to grant such exemptions. ULCs currently availing of the exemption will remain unaffected, but will not be able to renew the exemption on expiry of the 5-year exempt period.

Under the Companies Act a foreign limited liability body corporate is required to register with the CRO where it has an operation in Ireland which would constitute a “branch”. The 2017 Act extends this obligation to any foreign unlimited liability entity that is a subsidiary of a limited liability body corporate. This provision of the 2017 Act has not yet come into force, but once it does it will have the effect of bringing more foreign companies within the branch filing regime.

## PROPERTY BUYER BEWARE

The recent Supreme Court case of David Walsh v. Jones Lang Lasalle (‘JLL’) Limited concerned a material error in a sales brochure in respect of a property at 77 Upper Gardiner Street, Dublin 1 (‘the Property’) and the disclaimer contained therein. The length of time it took for the Supreme Court appeal to be heard is concerning, given the sale of the Property closed in September 2000, the High Court decision was given in 2007 and the appeal was not heard until 2017.

JLL produced a sale brochure for the Property which contained the following disclaimer *“Whilst every care has been taken in the preparation of these particulars, and they are believed to be correct, they are not warranted and intending buyers/lessees should satisfy themselves as to the correctness of the information given.”* The brochure described the area of the first floor as 972m<sup>2</sup> (10,463 square feet) but the true area was 8,573.5 square feet. Mr. Walsh did not check the measurement and purchased the property assuming the brochure was correct. When the error in the measurement came to light JLL admitted it but sought to rely on their disclaimer to avoid any liability to Mr. Walsh.

The High Court concluded that JLL was liable and that the disclaimer did not operate to protect them. Mr. Walsh was awarded compensation of €350,000 which was the amount by which it could be said that Mr. Walsh overpaid for the property in reliance on the mistaken floor area. JLL appealed to the Supreme Court who overturned the High Court’s decision and found that the High Court was wrong in finding a duty of care was owed by JLL to Mr. Walsh. The Supreme Court analysed the relevant case law in detail and concluded that the disclaimer was important evidence in establishing that the agent (retained by the seller) assumed no responsibility to the buyer for the accuracy of statements contained in the brochure.

Arising from the decision, it is clear that Sales Agents should of course ensure that all promotional material is accurate, but equally they should ensure that a clear disclaimer is included. Also, purchasers should carry out a detailed inspection and measure all floor areas before buying property. The judgment provides clarification of the law on negligent misstatement and the legal significance and importance of disclaimers in brochures and other promotional material.

## WILL I OR WON'T I?....

A Will is an instrument whereby a person’s assets are distributed on his/her death, pursuant to his/her wishes (subject to certain conditions). However a relatively large proportion of us have not made a Will. This may be to do with a person’s fear of death and feeling overwhelmed by the fact that a document pertains to ones wishes following death, it may be that a person hasn’t considered death or maybe the cost of getting a Will drafted is thought to be prohibitive.

However, overcoming these notions and making a Will not only ensures that your wishes will be fulfilled with respect to distribution of your property but also makes settling your affairs easier on family and friends.

A person is said to die intestate if they die without leaving a Will, which results in your estate not being divided in accordance with your wishes and a higher cost

of probate thus reducing the amount of wealth transferred to loved ones.

There are many benefits to making a Will and very few drawbacks. Perhaps the biggest benefit is that it allows you to dictate, via a clear legal document, how you want your assets distributed following your death. Further it allows you to provide for the special needs of family members and gives you to opportunity to ensure the minimum tax is paid on death.

The making of a Will should not be done last minute or only by elderly people. A lot of thought and planning should go into it and, in many instance, a Will should be regularly revisited to take account of your current circumstances (family, financial etc.) and in line with changes to the taxation regime.

# TOP 3 INVESTMENT CRITERIA



A survey amongst venture capital investors revealed the top three criteria that are used in assessing the attractiveness of a proposition. Business angel investors are probably no different. The top three criteria arising from the survey were:

1. Management team;
2. Exit opportunity; and
3. Revenue potential.

*Tip: make sure that every contact with a potential investor addresses the top three investment criteria in some form.*

From the above, it is worth noting that venture capital investors are not overly focused on what the company does (the product or service is not in the top three criteria). They are interested in how they will make money from their investment. Whilst business angel investors tend to focus more on what the company does and aim to add their relevant domain experience to the opportunity, the 'sell' is not a 'product sell' but a 'commercial opportunity sell'. Entrepreneurs often miss this point as they are passionate about their product.

## 1. MANAGEMENT TEAM

This is the number one, most important criterion for investors. People (investors) invest in people. Question: how well would you need to know someone before you gave them €100,000 of your own money? Investors spend a great deal of time becoming comfortable with the management team and the business. They will assess your knowledge of the market, the opportunity and your ability to execute the business plan. The management team's track record will be assessed. Using advisors and/or non-executive directors will add further credibility to your proposition. A management team consists of more than one person – investors do not usually back one-man bands. They usually also avoid family businesses with family members (husbands, wives, brothers, sisters, etc.) being actively involved in the management of the business. Investors do not want to add the potential for family relationship breakdown to their list of risks. Investors like to see at least the core of a developed management team. Early stage businesses in particular often do not have a full time team. Therefore your business plan needs to address how you plan to fill the gaps in the management team as the business grows and develops.

## 2. EXIT POTENTIAL

This is another critical criterion. It is important to recognise that investors want to make as much money as possible from their investment. That is the business that they are in. Typically an investor will seek to invest at €1 per share and sell at €7 or more per share. Whilst that is the usual aim, outcomes can be lower than this. Most investors invest for a capital gain at the end of the investment. They do not want to be locked into a company 'forever'. Venture capital funds have a typical life of ten years so that they must make and realise their investments in that time frame. Business angels do not have the same constraints but they still wish to realise their investment, typically in a five year time frame. Consequently investors seek capital plays rather than income plays (e.g. annual dividends).

There are three main investor exits. They are a share buyback, an Initial Public Offering ('IPO') and a trade sale.

- A share buyback is where the company or the other shareholders buy the investor's shares. It is the most unattractive option as it will lead to the investor and the other shareholders being in serious conflict at exit: the investor wants the company to be valued as high as possible whilst the other shareholders will want the company valuation to be as low as possible. Share buybacks do happen but are not preferred at the outset by investors;
- An IPO is listing the company's shares on a recognised stock exchange and, in theory, the investor is free to sell its shares on the open market. However, selling a significant amount of shares in a relatively young thinly-traded public company is likely to have a hugely negative impact on its share price (it will bomb!) and is, therefore, usually not a preferred exit for investors; and
- Usually the best exit option to maximise investment sale proceeds is a trade sale for cash, where all shareholders exit at the same time as the entire company is sold to a third party (usually another corporate). This alignment of interest means everyone wins and is in stark contrast to the share buyback mentioned earlier. The business plan should mention any mergers and acquisitions (M&A) activity in your industry that would give some substance to the trade sale aspiration.

Other exits exist (such as secondary buy-outs, management buy-outs (MBOs) and liquidation (both solvent and insolvent)) but the one that maximises value for all is the trade sale.

## 3. REVENUE POTENTIAL

This is the third most important criterion. The revenue potential needs to demonstrate that the business is scalable; scalable enough to yield a significant return for an investor. Anything that you identify that demonstrates this is important:

- a. The scale of existing orders and sales funnel;
- b. The size of the market – it needs to be big enough (usually involving international sales) to build a significant business; and
- c. Evidence of any other business in the industry showing similar growth to the growth that is being planned.

*Tip: the revenue potential of the company must demonstrate a scalable business that is capable of producing significant returns for an investor.*

[hban.org](http://hban.org)