

# IFA Aquaculture

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Home of The Irish Salmon Growers' Association & The Irish Shellfish Association

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2<sup>nd</sup> April, 2009

Mr Jim Kelly,  
Secretary,  
Commission on Taxation,  
Le Pole House,  
Ship Street Great,  
Dublin 8.

Dear Mr Kelly,

I am aware the Commission is likely to be quite advanced in its work by now, but the following proposal reflects changed circumstances in the financing of investments by SME's.

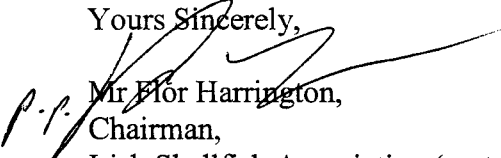
The proposal centres on the creation of a **BES-type scheme** which would involve the freeing up of capital to maintain and create jobs and exports while at the same time releasing some commercial debt based liquidity back into the banking sector. The proposal arose in the shellfish production sector but which could be applied to any indigenous business with a manufacturing profile based on the exploitation of sustainable or renewable natural resources.

The scheme would be used to **encourage investment into SMEs to replace bank debt**. It would give a return to the investor in the form of an appropriate tax allowance. If the government linked this to displacing bank debt then the banks would be getting liquidity and business getting capital at the same time. Some ratio might need to be talked about so that a percentage could be used to give companies more access to capital than they had previously, for example a 50% ratio. In that case **€100,000 invested would give the investor €60,000 back in tax immediately and result in €50,000 liquidity for the bank and an extra €50,000 capital available to the company**. The investor would also get his €100,000 back after 5 years with a premium of, say, 5%

The end result of the scheme would be that the company would have a low interest loan, more capital, and the bank would have liquidity. The government would get a much better return for investment by liquidating the banks this way because private money would be encouraged to come "out of hiding" to help kick start the economy through tax incentives. Obviously this should be targeted at natural resource-based, sustainable industries that bring in revenue from exports and maintain or increase jobs.

I would be grateful if you would ask the Commission to consider this proposal in the context of their deliberations.

Yours Sincerely,

  
P.P. Mr Flor Harrington,  
Chairman,  
Irish Shellfish Association (part of IFA Aquaculture)