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BUSINESS

France tops tax attractiveness index

by Niamh Hennessy

IRELAND has been knocked off the top spot in a list of the attractiveness of European countries when it comes to tax and the legal environment.

France topped the rankings, which were compiled by the European Private Equity and Venture Capital Association because of the French focus on Young Innovative Companies (YICs).

Director general of the Irish Venture Capital Association Regina Breheny said: "The French allow tax relief for YICs against employee taxes. This is much better than allowing it against profits as many innovative young companies do not make profits in the first few years."

Ms Breheny said that a focus in today's budget on YICs could get Ireland back to number one in Europe in terms of its investment attractiveness.

"This is an important influence on foreign direct

investment and the third successive time that Ireland has ranked in the top two," she added.

Britain dropped out of the top three this year, for the first time. It was replaced by Belgium which has made changes to its pension fund environment and new fiscal R&D incentives.

Britain topped the league in 2003 and 2004, and took fourth place this year.

The findings signal out Greece, Spain and Portugal as successful reformers saying they have continuously improved their tax and legal environment for private equity and venture capital over the past years.

"While those three countries have a shorter history of private equity investing and hence a less mature market, governments are undertaking significant efforts to create a favourable investment environment," it said.