'Tax issues are only part of the jigsaw in business succession'

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Tax partner Aidan Byrne is responsible for the delivery of all tax services to the firm's clients, and specialises in advising corporate clients on optimum tax structures. In particular, he advises companies considering foreign direct investment into Ireland. He also advises Irish owner- managed companies on corporate tax strategy and succession planning issues.

TAX INCENTIVES With the abundance of young talent willing to take the risk in establishing their own business, as a country we must be prepared to reward this entrepreneurial spirit by increasing the lifetime limit for revised Entrepreneur Relief to the €5m, €10m or €15m suggested in the Tax Strategy Group's consultation paper. As the paper notes, increasing the lifetime limit to €15m would see less of a cost to the Exchequer than a 3% reduction in the overall rate.

This relief is compared unfavourably to its UK equivalent and an increase in the limit will go some way to bridging that gap. It is worth reminding ourselves too that the basic UK CGT rate is currently 20%, with 28% in certain circumstances.

With the uncertainty of Brexit hanging over the country, introducing an uplift in the lifetime limit for ER would encourage many more of Ireland's talent to strike out on their own, knowing that success in their field will be somewhat matched by the financial return for their efforts on exit.

BUSINESS EXIT The important retirement tax issues to plan for include but are not limited to the following:

- Smooth transition from one generation to the next where a family business is concerned. Planning will ensure that the necessary criteria for valuable tax reliefs (available to all parties) are achieved and are not needlessly missed out on.
- Where the person retiring is not 'passing-on' the business but is instead selling to a third-party purchaser, planning needs to be considered in light of generous tax reliefs like Retirement Relief and Entrepreneur Relief.
- Ensuring that the potential retiree's pension pot is fully funded within the allowable limits in order to get the most from it on retirement.
- Identifying if the potential retiree's business is able to pay a tax-free termination payment on retirement.

Engaging with professionals who understand the drivers of value creation for businesses that are moving towards succession, either within family or to a third party, is key. Tax issues play a part in this but are only part of the jigsaw. We work with our management consulting and corporate finance colleagues to ensure that a business is ready and able to effect business succession.

BREXIT The key issues that clients are grappling with is their supply chain management and access to market. Whilst this is not tax planning per se, there are potential tax issues that will occur including significant cashflow issues arising from VAT at point of entry and actual costs in the context of potential tariffs. The volatility of sterling is also a concern.

Many clients have traditionally treated the UK as the same market i.e. they have not set up entities or operations there as the connectivity and market access to date has been not an issue. A number of clients are now looking at setting up UK subsidiaries to mitigate what they think will be a hard Brexit and no deal. Some are looking at buying businesses in the UK, securing an established foothold at a reasonable price with sterling being low at present.