

# Reinvigorating Irish Equity Capital Markets to Support the Growth of Irish Companies

July 2023

Supported by



# Contents



	Page
<b>Executive Summary</b>	<b>3</b>
<b>Introduction</b>	<b>6</b>
<b>Section I: Capital Markets in Ireland – Context and Impact</b>	<b>8</b>
<b>Section II: Findings from Ecosystem Consultation</b>	<b>11</b>
<b>Section III: Observations from Other Markets</b>	<b>16</b>
<b>Section IV: Recommendations for Future Market Development</b>	<b>19</b>
<b>Appendix</b>	<b>22</b>



# Executive Summary

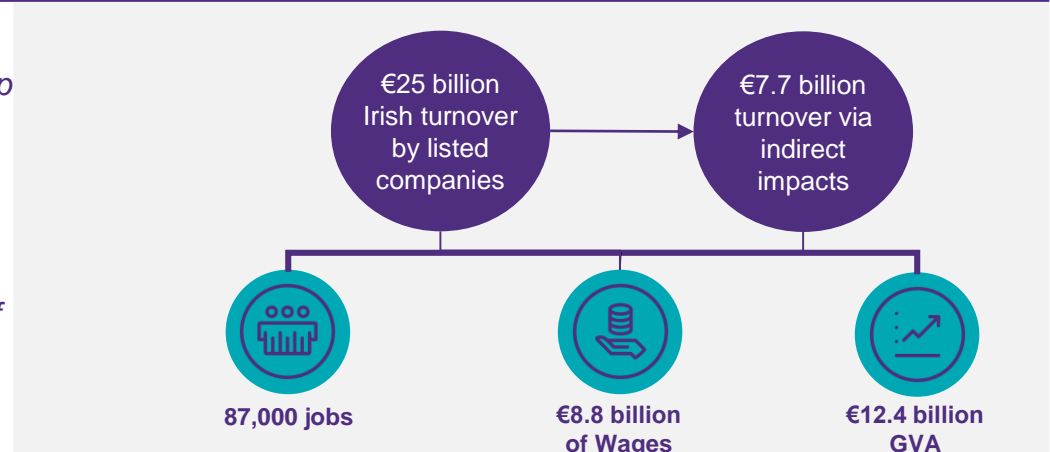
# Executive Summary

Irish equity capital markets have served the funding needs of many Irish companies that have grown to become global champions. The economic contribution of the Irish listed company sector is significant (see below). Delivering a world-class environment for starting and scaling internationally focussed enterprises is a key government priority. A dynamic funding environment is crucial to that ambition but a key element is not performing to its full potential – domestic equity public markets need support to remain a viable funding option for Irish companies into the future. Currently, new listings in Ireland are lower than in many comparator markets and recent announcements by companies such as CRH and Flutter Entertainment regarding US listings increase the need for action within the Irish Government and wider ecosystem. Implementing measures which will reinvigorate domestic equity public markets as a funding mechanism for Irish companies can ensure long-term viability and success.

## Domestic Impacts of Euronext Dublin Listed Companies, 2022

*Given the economic impact that listed companies make, and evidence that suggests newly listed companies outstrip their privately-owned counterparts in terms of annual growth and workforce increases<sup>1</sup>, implementation of measures to further leverage public equity securities markets in Ireland is essential.*

*Listed companies in Ireland are more ‘rooted’ to Ireland and a viable domestic equity public market is a key part of the funding mix for home grown, globally ambitious companies.*



## Diagnosing the issue

### The problem

A lack of new listings in Ireland indicates that Irish equity capital markets are not serving the funding needs of Irish growth companies to maximum effect nor contributing their full potential to the development needs of the Irish economy.



### Why is this happening?

- A lack of domestic institutional and retail capital in Irish listed companies
- The domestic broker base has contracted in recent years linked to a significantly changed ECM environment post MiFID II
- EU securities legislation has made listing less attractive, more complex and more expensive
- The growth of Private Equity and other markets being ahead of Ireland in incentivising IPOs



### If action is not taken

- Domestic equity capital markets will become less relevant as a funding source
- The ecosystem will contract in line with a smaller corporate base
- Irish companies will be less able to fund growth from their home market, loosening their ties to Ireland

<sup>1</sup> Empowering EU Capital Markets for SMEs: Final report of the Technical Expert Stakeholder Group on SMEs

# Executive Summary

*Ireland is at a pivotal moment with regards to public listings. Action is required to ensure the local domestic equity market remains a viable funding mechanism for Irish companies, commercially viable for market participants and continues to support the funding needs and expansion of Ireland's growth companies.*

## A LOCAL EXCHANGE IS CRITICAL TO SUPPORTING LOCAL ENTERPRISE

*The three recommendations below are considered by Grant Thornton to represent the best balance of impact and deliverability.*

#1 Cornerstone Investor	Establish a bespoke cornerstone investor/fund to support IPOs, with a specific emphasis on projects of strategic national importance – for instance, investments aligned to the Government's Climate Action Plan, and specifically capital-intensive industries which have the potential to generate long-term commercial returns.	Why? The lack of a sizeable domestic investor pool weakens Ireland's appeal. A Cornerstone investor addresses a current lack of domestic institutional capital.
#2 Stocks and Shares ISA and VCTs	Introduce both a stocks and shares tax free savings scheme like the UK ISA scheme and Venture Capital Trust regime to increase retail investment (see appendix for an overview of ISAs and VCTs).	Why? Stimulates retail investment and contributes to creating a more vibrant retail equity culture in Ireland.
#3 Incentives to support enterprises to IPO	Implement targeted Capital Gains Tax for founders/owners to increase the attractiveness of fundraising via public markets to support their growth.	Why? Incentivises entrepreneurs and founders to access public markets.

### Other Recommendations

Other recommendations that are worth carefully considering are:

- The abolition of Stamp Duty on Euronext Dublin equities in order to reduce transactional costs relative to other locations, thus boosting competitiveness. Stamp duty is a transactional cost that impacts on Ireland's ability to attract investors relative to other markets.
- Tax credits for issuers' expenses incurred by companies as part of the listing process.
- Initiate a campaign, led by Enterprise Ireland and Euronext, building on IPOready and including further strategic supports to companies seeking IPO.

### Next Steps

*With the concerted efforts of all stakeholders, Ireland's equity capital markets can return to a more vibrant state. For each recommendation, a working group of key stakeholders with an interest or influence over public listings should be formed without delay to develop the detail to support the implementation of these recommendations and any other relevant activities that will support an increased level of listing activity.*



# Introduction

# Introduction

## Background to the Analysis

### Introduction

Capital through public markets in Ireland is an important funding mechanism for scaling Irish companies and needs to be as attractive and accessible as possible so that more companies IPO and access Irish capital markets to fund their growth and global ambitions.

Ireland's equity capital markets have been in decline over a significant period, suggesting the challenge is complex and deep rooted rather than just cyclical (Figure 1). Currently, new listings in Ireland are among the lowest in Europe. Recent announcements about US listings by companies such as CRH and Flutter Entertainment increase the need for action within the Irish Government and wider ecosystem to implement measures which will reinvigorate domestic equity public markets as a funding mechanism for Irish companies.

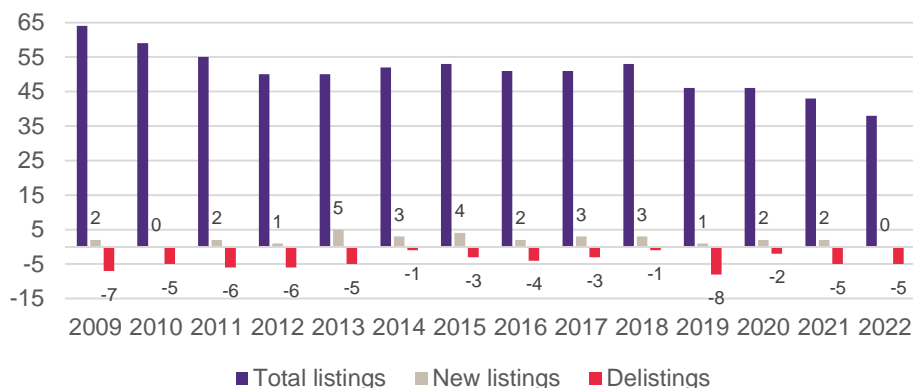
To explore this issue, and drive the ambition to incentivise more IPOs in the Irish market, Grant Thornton have been commissioned by some members of the Irish Equity Market ecosystem<sup>1</sup> to undertake an impact assessment of the public equity securities market in Ireland, assess the key market dynamics that contribute to a lower level of IPOs in the Irish market, and devise a series of recommendations to support further development of the market over the coming years as a viable funding mechanism for Irish companies.

It is important to note that while the issue of too few listings is acute in Ireland (just two of the 212 Euronext listings in 2021 took place in Dublin), it is not a unique issue to Ireland. The wider context is one of volatility and change. Figure 2 shows how IPOs have trended lower since 2015 across Europe, bar a particularly buoyant 2021 post-Covid. As a result, other markets, including London, are considering how to increase the number of listings they achieve.

Action requires an understanding and assessment of any barriers or policy differences in Ireland, especially when compared to other public equity markets in Europe and elsewhere.

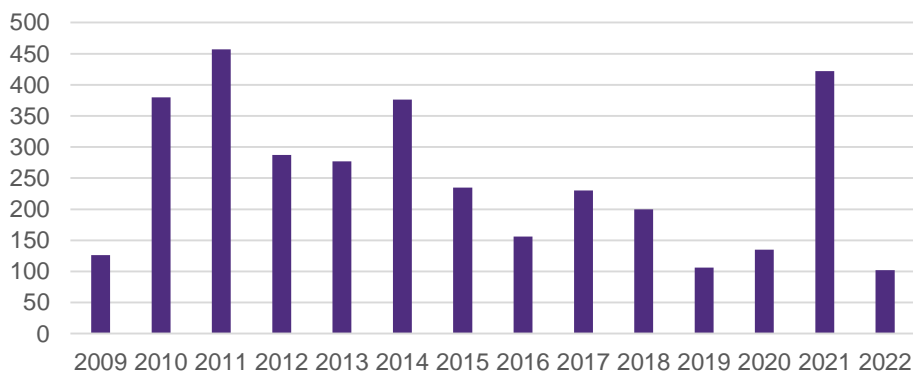
<sup>1</sup> J&E Davy, Enterprise Ireland, Euronext Dublin, and Goodbody Stockbrokers.

**Figure 1: Euronext Dublin: Total Listings, New Listings and Delistings from 2009 to 2022**



Source: Euronext

**Figure 2: Total number of IPOs in Europe from 2009 to 2022**



Source: Statista



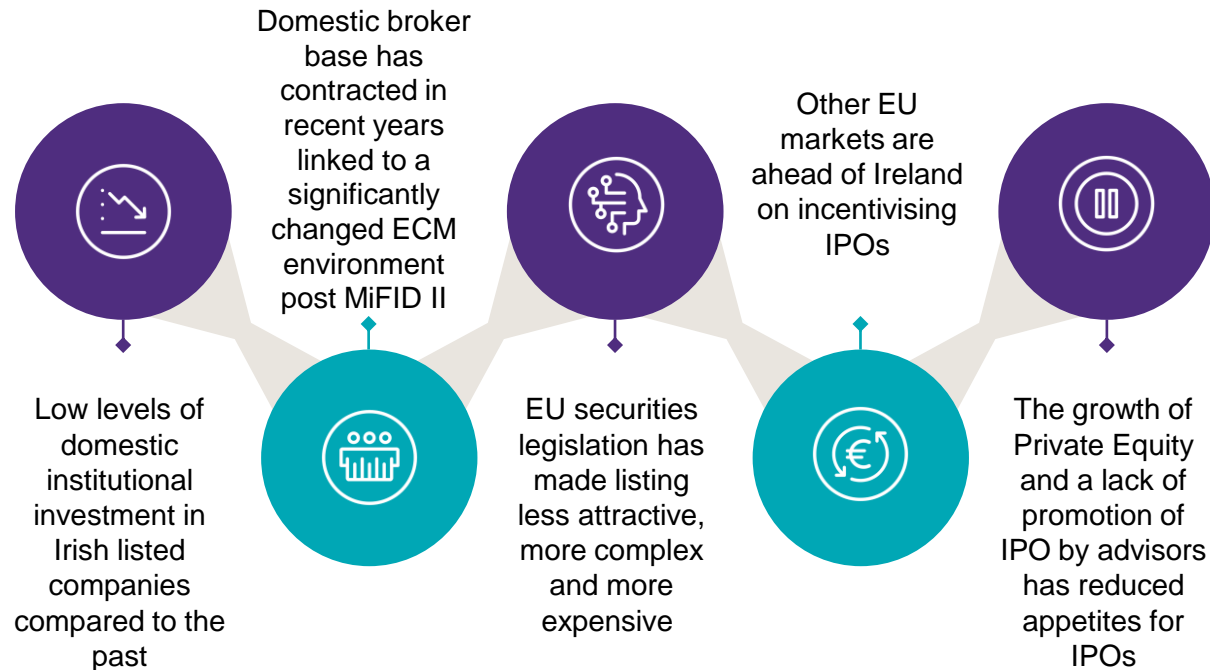
# Section I: Capital Markets in Ireland – Context and Impact



# Capital Markets in Ireland: Context

*Irish equity capital markets have served the funding needs of many Irish companies that have grown to become global champions. The economic contribution of the Irish listed company sector is significant and delivering a world-class environment for starting and scaling internationally focussed enterprises is a key government priority.*

A dynamic funding environment is crucial to that ambition but a key element is not performing to its full potential – domestic equity public markets need support to remain a viable funding option for Irish companies into the future. Currently, new listings in Ireland are lower than in many comparator markets and the number of departures from Irish equity markets has exceeded the number of new entrants over the past decade. In 2023, Diageo and Engage XR have delisted and CRH plans to delist from the Dublin market in September 2023. This further accelerates the need to reinvigorate Irish equity capital markets. The dynamics of equity capital markets in Ireland have changed dramatically over the past decade, and continue to do so. The key dynamics are summarised as:



# Capital Markets in Ireland: Impact

## Contributions to Economic Activity

*Companies listed on Euronext Dublin and Euronext Growth Dublin are vital to Irish economy; accounting for €33 billion in turnover\*, €12.4 billion in Gross Value Added each year, while also supporting 87,000 jobs and €8.8 billion of Irish wages.*

### Contributions to Economic Activity

It is evident that companies which have chosen to list in Dublin have a substantial impact with regards to turnover generation, employment, and Government tax revenues each year.

### Turnover

The 36 companies currently listed in Dublin have a combined annual domestic turnover of approximately €25 billion. Based on Grant Thornton's economic modelling, it is estimated that these companies generate €7.7 billion of additional, indirect turnover each year as a proportion of revenues are spent across the Irish economy – hence creating 'ripple effects' via suppliers and other enterprises.

### Employment

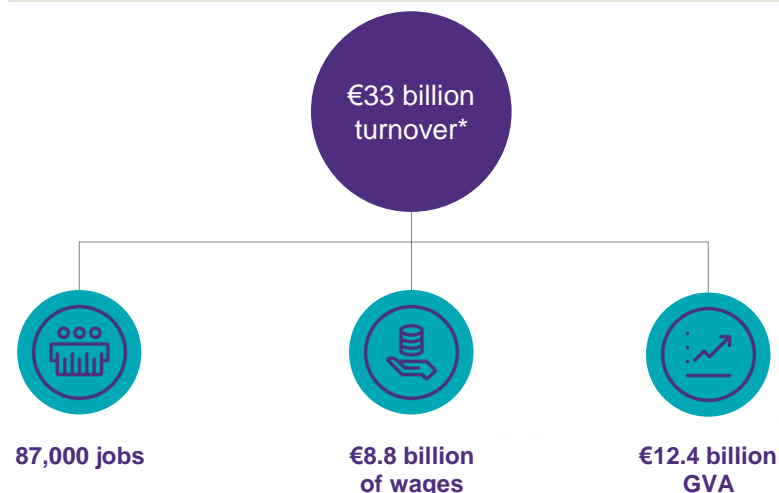
The Irish-listed companies also employ approximately 47,000 people across the country, directly generating €6.7 billion in wages. Such employment drives subsequent, downstream benefits:

- Over 40,000 jobs are indirectly supported by Irish-listed companies; and
- An annual €9.5 billion in direct Gross Value Added is generated in the Irish economy each year. Including indirect impacts increases this to €12.4 billion.

### Conclusion

Given the economic impact that listed companies make, and an evidence base that suggests newly listed companies outstrip their privately-owned counterparts in terms of annual growth and workforce increases<sup>2</sup>, it is clear that reinvigorating Irish equity capital markets to deliver more listings is in the wider interests of Ireland's economic ambitions – specifically with regards to supporting companies to grow, scale and become global leaders.

**Figure 3: The Domestic Impact of Euronext Dublin Listed Companies**



\* Direct and indirect impacts

<sup>2</sup> Gross Value Added is an economic productivity metric that measures contribution to an economy. GVA is the monetary value of total output less the cost of inputs.

<sup>3</sup> Empowering EU Capital Markets for SMEs: Final report of the Technical Expert Stakeholder Group on SMEs

[https://finance.ec.europa.eu/system/files/2021-05/210525-report-tesg-cmu-smes\\_en.pdf](https://finance.ec.europa.eu/system/files/2021-05/210525-report-tesg-cmu-smes_en.pdf)



## Section II: Findings from Ecosystem Consultation

# Findings from Ecosystem Consultation

## Key Themes

*Consultations with domestic stakeholders from across the ecosystem were focussed on examining the key challenges and opportunities which currently face the Irish equity markets – and gathering insights on potential actions to reinvigorate Irish equity capital markets as a viable funding mechanism for scaling Irish companies.*

### Background

In order to gauge market sentiment and provide a solid evidence base, Grant Thornton undertook stakeholder consultations and desk research on the key challenges and opportunities which currently face the Irish equity markets. A selection of stakeholders from the following professions and backgrounds were engaged one-to-one for the purposes of this exercise:

1. Investors;
2. Financial advisors;
3. Legal firms;
4. Listed companies;
5. Government agencies; and
6. Other service providers engaged in the wider equity market ecosystem.

A range of key topics were explored with these stakeholders and were subsequently further investigated via desk research. The topics covered in this section are presented in two themes – firstly, market challenges and then potential remedies. The topics below are presented based on the ecosystem's view of their priority.

### Market Challenges: The Ecosystem Perspective

**Too few potential IPO candidates and a smaller ecosystem:** State agencies, brokers and advisors have a crucial and collaborative role to play in supporting more companies to choose an Irish listing. The ecosystem should be leveraged to better target and support Irish companies and develop them to IPO.

State agencies – such as Enterprise Ireland – actively promote entrepreneurialism and business development amongst companies which may choose to access equity finance in order to stimulate growth. A large majority of stakeholders were broadly supportive of these agencies, yet underlined how more could be done to promote domestic and European public equity markets as a source of finance. While supports from such bodies were viewed as highly important and beneficial for early-stage companies, a greater emphasis is required on listing as an option.

Further, the Irish equity market ecosystem contains significant experience and expertise with regards to IPOs, but it has contracted in the past decade. For multiple reasons, including recent poor post-IPO performances by a number of companies, only the most sizeable companies and/or those with compelling and attractive offerings are generating interest domestically. This is an inherent obstacle to increasing listings in Dublin. There is also a need to put IPOs on the radar of companies at a much earlier stage in their growth planning.

With regards to building a pipeline, Euronext Dublin's IPOready programme is seen as a positive, though further investigation is warranted on the question of why so few companies completing the programme have ultimately chosen to list to-date.

# Findings from Ecosystem Consultation

## Key Themes

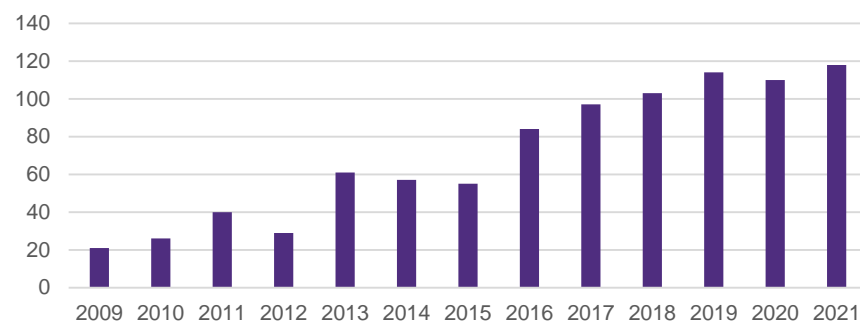
*“We need companies from outside of Ireland to list here, and need to make it an attractive regulatory regime for them.”*

– Equity Market Stakeholder

**Private Equity:** Although private money is an important funding option for Irish companies, an IPO provides a viable long-term funding mechanism as companies move to the next phase of growth.

Private equity funds have increased in value over recent years. Figure 4 shows the trend in private equity funding across Europe. Historically low interest rates have supported the availability of cheap money, but the recent increases in rates alter the context and may prompt companies to consider IPO.

**Figure 4: Value of private equity funds raised in Europe, 2009 to 2021 (billion euros)**



Source: Statista

**Regulation:** The regulatory environment for new listings in Ireland is considered to be costly and at times onerous by a majority of stakeholders. Initiatives underway at an EU level need to be accelerated to enhance the accessibility and attractiveness of public equity markets.

Companies seeking to list incur costs which are sizeable due to the expertise and advice required to meet often complex regulatory standards.

This is particularly challenging for smaller companies which are not raising significant amounts of equity via listing, yet must cover costs for a range of professional advisors both pre- and post-listing.

Engagements with regulators are considered to be time consuming and detailed scrutiny of company documentation and elongated periods of assessment are seen as particularly challenging. Consultees with experience of other jurisdictions suggested a regulatory environment with a growth and competitiveness remit could deliver better results for Irish equity capital markets.

While both the listing process and the ongoing reporting requirements for listed companies are viewed as onerous, the majority of stakeholders did not see an opportunity for significant unilateral regulatory change in Ireland, especially as many regulations are driven by the EU.

**Market Performance & Risk:** Share price performance and liquidity post listing are important factors for founders and private shareholders when considering an IPO.

While equity financing has been a popular route for many Irish companies over many decades, recent high-profile IPOs have had mixed results. Although not listed in Dublin, the fact that Uber and Deliveroo had underwhelming launches gets noticed, weighing on market confidence.

A majority of stakeholders have pointed to prominent cases such as these as deterrents for companies which may be considering accessing public equity markets – alongside the likes of costs, disclosure requirements, and other regulatory burdens. The risks of post-listing share price under-performance and a lack of liquidity for smaller cap companies are the biggest concerns in this regard and were highlighted in the majority of instances.

# Findings from Ecosystem Consultation

## Key Themes

*“Government agencies do well across the initial years of a company’s existence but once it reaches the point of adolescence it stops, and this is a shortcoming.”*

– Equity Market Stakeholder

### Potential Remedies: The Ecosystem Perspective

**Fiscal Levers:** Fiscal policy measures are key to unlocking the potential of Irish equity capital markets as a more viable funding option for Irish companies.

Fiscal and other policy measures to encourage activity amongst market participants are options at the Government’s disposal, and were common themes through consultations.

- Stamp Duty is considered a challenge and was flagged by multiple stakeholders. It is seen as both a deterrent to investing activity and a competitive disadvantage for Irish companies relative to US, UK and EU companies.
- Alternative, Government-backed options to encourage greater investor activity, are potentially viable. As explored in Section IV, an adaption of the UK’s Individual Savings Account (ISA) scheme was flagged as a potential opportunity, and would appear to have potential in an Irish context. Similar schemes exist in other EU markets, such as France and Italy.
- The Irish Employee and Investment Incentive Scheme (EIIS), which provides tax relief to individual investors in unquoted micro, small and medium sized trading companies, was credited as a positive in terms of Irish fiscal policy. According to a number of stakeholders, there exists scope for it to be further extended to smaller listed companies on the SME growth markets – providing greater liquidity in this segment of the market, and hence tackling one of the key challenges facing stakeholders.

Further fiscal measures which – according to number of stakeholders – could encourage smaller companies to access public equity markets include:

- Capital Gains Tax breaks for large (defined as market capitalisation of over €10 billion) or potentially mid cap companies (i.e. between €2 billion and €10 billion) which choose Ireland for an IPO, thus potentially stimulating a ‘halo effect’.
- Tax credits on listing costs incurred by companies as part of an IPO process.

The view was also expressed that company supports are appropriate and effective for companies up to the stage of ‘adolescence’, but that there exists a gap from this critical phase with regards to supporting companies and flagging the opportunities and benefits of public equity markets.

# Findings from Ecosystem Consultation

## Key Themes

*“Every Irish equity offering needs an anchor investor, and a cornerstone fund can address this.”*

*– Equity Market Stakeholder*

**Cornerstone Investors:** Cornerstones are a key feature of other smaller markets. A cornerstone investor is an investor (typically a large institution) which agrees to subscribe for or purchase a minimum value of shares as part of a company's IPO offering. This provides positive momentum and reduced pricing risk. Given the low level of domestic institutional investment in Irish listed companies, the establishment of a cornerstone investment fund in Ireland could stimulate more IPO activity.

The concept of greater involvement by a cornerstone investor in the listing process in Ireland was supported by a large majority of stakeholders. The involvement of such an investor was considered to be a means via which further listings could be encouraged as risks for other investors are reduced, and a potent signalling effect is generated for other investors – both domestically and internationally.

While the specific identity and role of a cornerstone investor were not unanimously agreed amongst stakeholders, they include state agencies, pillar banks, and family offices.

A Cornerstone's role in the listing process could be focussed on specific projects and sectors of national importance and/or areas of specific Government priority. One such example is the renewable energy sector which is capital intensive, has substantial growth prospects and can contribute meaningfully towards both economic growth and Government policies over the coming years.

**Whole system response:** A broader market response is needed to reinvigorate Irish equity capital markets.

Reinvigorating Irish equity capital markets is too urgent to be the responsibility of one actor. Government and stage agencies, regulators, Euronext, brokers and advisors all need to work together to build a pipeline of potential IPO companies and incentivise key decision makers within companies to choose an Irish listing. Companies that list in Ireland are more rooted to Ireland, thus delivering greater economic impacts.



## **Section III: Observations from Other Markets**



# Observations from Other Markets

## Background

### Comparator Markets

For the purposes of this report, a selection of equity markets internationally were chosen for detailed analysis, based on a combination of factors including recent IPO activity levels, location and scale. The markets selected include two Euronext locations of **Oslo** and **Paris**, along with **Stockholm**, **London** and **New York**. This section sets out a number of key findings from each market which may be instructive for the future development of the Irish equity market. The insights provided are based on desk research and interviews with corporate finance specialists in each market and are presented on the basis of being initiatives that have been devised and implemented to deliver a more dynamic equity capital market in these locations. Key observations from comparator markets are:

- Most EU countries have, or are implementing, specific supports for their equity capital markets and to incentivise IPOs. These are absent in Ireland.
- Most countries do not have a tax on trading and, for the few that do, it is considerably less than 1% (UK 0.5%, France 0.3%, Italy 0.1%). Ireland is at a competitive disadvantage with regards to trading tax.

#### France

Av. IPOs 2020-2022: 57

- €1 billion of public funds to be mobilised via public sector financial institutions to support tech IPOs.
- High frequency of direct quotations where companies 'test the water' and build profile via a listing, but raise no funds.
- The Plan d'Epargne en Action (PEA) enables individuals to invest up to €225,000 in the stock market for at least 5 years and pay no income or capital gains tax, thus increasing liquidity.

#### Norway

Av. IPOs 2020-2022: 58

- Considered to have a 'risk-taking' culture, versus relative conservatism in Ireland.
- Active ecosystem with a large number of investment banks and houses.
- Frequent use of cornerstone investors to support IPOs.
- ESG, energy and infrastructure sectors specifically targeted for the coming years.
- Common use of Euronext Growth as a stepping stone to the main Euronext Oslo market.

#### Sweden

Av. IPOs 2020-2022: 66

- New rules and processes to allow for US issuers to list in Sweden and remain compliant with US securities law.
- Active ecosystem with a large number of investment banks and houses.
- Strong, family-backed private equity culture which benefits early stage companies – and engenders loyalty to Swedish equity markets.

#### United Kingdom

Av. IPOs 2020-2022: 74

- Individual Savings Account (ISA) scheme provides a mechanism for retail investors to invest in an IPO.
- Venture Capital Trusts (VCTs) viewed a key element of the UK ecosystem.
- The UK Listing Review, 2021, recommended changes to the UK capital markets' legal and regulatory landscape to drive growth in the financial services sector. Changes to listing rules, free float requirements (reduced from 25% to 10%) and prospectus regulations are all proposed/have been implemented over the course of 2022/2023.

#### United States

Av. IPOs 2020-2022: 565

- The JOBS Act (2012) loosened regulations on reporting, oversight, and advertising for companies trying to raise investor funds.
- The Act reduced disclosure requirements for companies with revenue of less than \$1 billion.
- An "IPO On-Ramp" was established where "Emerging Growth Companies" had up to two years post-IPO to comply with certain auditing requirements.



# Observations from Other Markets

## EU Commission & Selected European Countries

The European Commission and a number of countries across Europe have also taken recent steps to stimulate greater equity market activity.

### European Commission

The European Commission has proposed measures to further develop the EU's Capital Markets Union (CMU) and make EU capital markets more attractive. The proposed measures include:

1. Simpler prospectus rules to make it easier and cheaper for companies to list;
2. Changes to MiFID to increase research coverage, especially for small listed companies;
3. Multiple-vote share structures to enable company owners to sell shares but retain control; and
4. More flexible disclosure requirements.

### Observations from other European countries

#### Italy

The Italian government has introduced measures to stimulate IPOs including 50% tax credits for consultancy costs relating to the listing of SMEs (up to €500,000), and an individual saving plan (PIR) which grants income tax exemptions up to €30,000 per annum for investments in SMEs which are not on the main listing.

#### Poland

Two tax credits were introduced by the Polish government in 2022, covering:

1. Issuers' expenses of between 50% and 150% of advisory costs incurred; and
2. Individual investors' income tax for income derived from the paid disposal of shares subscribed for or acquired as part of an IPO.

#### Turkey

The Turkish government has enacted a 2 percentage-point discount to its standard Corporate Tax rate of 20% for companies listing on the Borsa Istanbul. The discount applies for five accounting periods.



# Section IV: Recommendations for Future Market Development

# Actions to Attract Irish Companies to the Stock Market

Ireland is at a critical juncture with regards to public listings. New listings are not coming through to the same extent as in other markets and there have been high profile delistings announced by companies such as Diageo and CRH. Action is required to ensure the local domestic equity market remains a viable funding mechanism for Irish companies. If the government’s objective, noted in White Paper on Enterprise 2022-2030, is to expand both the pipeline of high-growth and population of scaled Irish firms, then it is crucial to bring together all key stakeholders to work together in a coordinated and focussed way. Without action, the number of delistings may continue to outstrip the number of new listings, and the full potential of public equity markets in Ireland for supporting the funding and growth of Irish enterprises will not be realised.

## Areas for action

On the basis of the comprehensive stakeholder engagement across the ecosystem and with companies, desk research, and findings from international comparators, the following three key recommendations are proposed. The recommendations seek to make public equity markets in Ireland more accessible and attractive to Irish companies, and to better support their growth and contribution to the Irish economy. The three recommendations below are considered by Grant Thornton to represent the best balance of impact and deliverability. Other recommendations that are worth carefully considering are detailed as well.

## Key Recommendations

<p>#1 Cornerstone Investor</p>	<p>Establish a bespoke cornerstone investor/fund to support IPOs, with a specific emphasis on projects of strategic national importance – for instance, investments aligned to the Government’s Climate Action Plan, and specifically capital-intensive industries which have the potential to generate long term commercial returns.</p>	<p>Why? The lack of a sizeable domestic investor pool weakens Ireland’s appeal. A Cornerstone investor addresses a current lack of domestic institutional capital.</p>
<p>#2 Stocks and Shares ISA and VCTs</p>	<p>Introduce both a stocks and shares tax free savings scheme like the UK ISA scheme and Venture Capital Trust regime to increase retail investment (see appendix for an overview of ISAs and VCTs).</p>	<p>Why? Stimulates retail investment and contributes to creating a more vibrant retail equity culture in Ireland.</p>
<p>#3 Incentives to support enterprises to IPO</p>	<p>Implement targeted Capital Gains Tax for founders/owners to increase the attractiveness of fundraising via public markets to support their growth.</p>	<p>Why? Incentivises entrepreneurs and founders to access public markets.</p>

## Other Recommendations:

- The abolition of Stamp Duty on Euronext Dublin equities in order to reduce transactional costs relative to other locations, thus boosting competitiveness. Stamp duty is a transactional cost that impacts on Ireland’s ability to attract investors relative to other markets.
- Tax credits for issuers’ expenses incurred by companies as part of the listing process.
- Initiate a campaign, led by Enterprise Ireland and Euronext, building on IPOready and including further strategic supports to companies seeking IPO.

## Next Steps

*With the concerted efforts of all stakeholders, Ireland’s equity capital markets can return to a more vibrant state. For each recommendation, a working group of key stakeholders with an interest or influence over public listings should be formed without delay to develop the detail to support the implementation of these recommendations and any other relevant activities that will support an increased level of listing activity.*



# Appendix

# Appendix: Overview of ISA and VCT

## Overview of Stocks and Shares ISA

A stocks & shares ISA – also known as an investment ISA – is a tax-efficient investment account. In the UK it allows resident adults to invest up to £20,000 per annum in stocks and shares (either through picking their own or through investing in funds) and enjoy tax advantages. Keeping investments in a stocks and shares ISA means the account holder does not pay the following taxes:

- Dividend tax
- Capital gains tax
- Income tax

The value of stocks and shares ISAs in the UK, according to HM Revenue and Customs, was almost £400 billion in 2021.

## Overview of Venture Capital Trusts

Recognising that investing in small companies involves taking more risk than investing in larger listed companies, the UK government introduced Venture Capital Trusts (VCTs) in 1995 as a way of encouraging investment into Britain's entrepreneurial businesses.

As well as providing investors with an easy way to access these small, unlisted or AIM-listed companies, VCTs offer a number of tax reliefs. VCTs offer up to 30% upfront income tax relief, tax-free dividends and an exemption from capital gains tax on the shares should they rise in value.

Investing in new VCT shares entitles the investor to claim a number of tax incentives on investments up to £200,000 each year. These include:

- Income tax relief – You can claim up to 30% upfront income tax relief on the amount you invest, provided you keep your VCT shares for at least five years. So if you invest £10,000 in a VCT, £3,000 can be taken off your income tax bill, although the amount of income tax you claim cannot exceed the amount of income tax due.
- Tax-free capital gains – If you decide to sell your VCT shares and you make a profit, the proceeds won't be liable for capital gains tax.
- Tax-free dividends – If your VCT pays dividends, there is no tax to pay, and you won't need to declare them on your tax return.

VCTs issued shares to the value of £1,122 million in 2021 to 2022. In 2020 to 2021, VCT investors claimed income tax relief on £640 million of investments.

# Appendix: Euronext Dublin

## Listing Activity 2018-2023

### Profile of Euronext Dublin & Euronext Growth Dublin

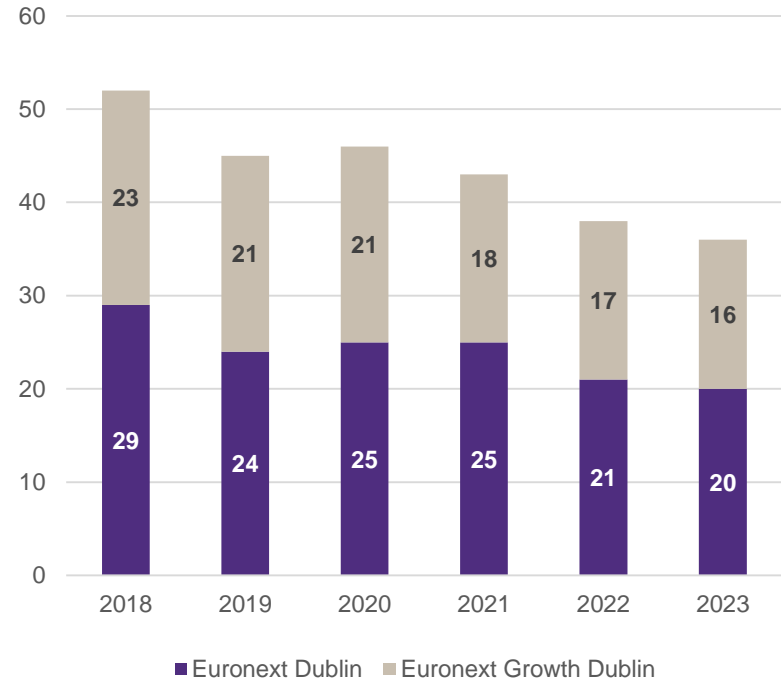
Euronext Dublin and Euronext Growth Dublin are the focal point of the Irish equity market, and currently comprise of a total of 36 listed companies:

- 20 on Euronext Dublin, valued at a combined market capitalisation of €115 billion.
- 16 on Euronext Growth Dublin, valued at a combined market capitalisation of €4 billion.

In recent years, the total number of listed companies on both markets has been subject to fluctuation. As depicted in Figure A1, the total number of listings on Euronext Dublin and Euronext Growth Dublin has declined as delistings have outstripped new listings. The total number of listed companies has hence fallen from 52 (29 on Euronext Dublin and 23 Euronext Growth Dublin) at the end of 2018, to the 36 today. This reduction in listed companies is a threat, especially for the Irish economy where equity markets can contribute significantly toward employment, economic growth and Government tax revenues.



**Figure A1: Publicly Listed Companies on Euronext Dublin and Euronext Growth Dublin, Year End 2018-April 2023**



Source: Euronext Dublin.

# Appendix: Euronext Dublin

## Initiatives since 2018

Since 2018, Euronext Dublin has strengthened its equity market offering via a range of market deliverables. These include the items outlined in the timeline below, along with:

- Enhancing the range of post-IPO corporate services supports for listed companies;
- Establishing Dublin as the centre of liquidity for Irish blue-chips;
- Refining IPOready to deliver the programme to growth companies on an annual basis; and
- Providing a range of Euronext Group initiatives to the Irish market:
  - ESG guidance and advisory.
  - Enhanced advocacy on EU securities law matters relevant to issuers and equity markets.

