

Section 110 Company

In recent years, Ireland has become a popular jurisdiction for locating special purpose vehicles (SPVs) and special purpose companies (SPCs) for securitisation and other structured finance transactions. Ireland's extensive double tax treaty network and onshore EU tax jurisdiction status make it a location of choice for SPVs and SPCs.

Irish tax legislation provides for specific tax treatment for qualifying SPVs. For example, under Section 110, the taxable profits of a "qualifying company" which is involved in the management of "qualifying assets" can be computed on the same basis as a trading company. There are certain criteria to be met to be deemed a qualifying company, as well as criteria to be met in respect of qualifying assets (please see below for further details). Where these criteria are met, the cost of funding and other related expenditure is tax deductible.

In conjunction with the qualifying criteria listed below, it is critical that the Irish company is managed and controlled in Ireland in order to obtain the Section 110 status. With careful structuring, therefore, most securitization and structured finance vehicles can qualify as Section 110 companies in such a way that the securitisation transaction will be tax neutral. As a result, Ireland is an ideal jurisdiction for locating an on-shore, EU/OECD issuer with no tax leakage.

Qualifying Section 110 Company

The following are the main criteria to be met by a qualifying company:

- The SPV company must be an Irish-resident company;
- The SPV company must acquire, hold or manage qualifying assets (see below) and must carry out a business of holding and/or managing these qualifying assets in the Irish state; and
- The market value of all qualifying assets held or managed must not be less than Euro 10,000,000.

Qualifying Financial Assets

Qualifying financial assets include the following:

- Shares, bonds and other securities;
- Futures, options, swaps, derivatives and similar instruments;
- Invoices and all type of receivables;
- Obligations evidencing debt, including loans and deposits;
- Leases and loan and lease portfolios; and
- Bills of exchange, commercial paper, promissory notes.

What IMC can Offer to SPVs/SPCs as a Corporate Service Provider

IMC can work with legal and tax advisors to assist in the corporate management of a range of financial structures, including Section 110 and securitisation. The corporate services provided by IMC to SPVs and SPCs wishing to establish themselves in Ireland include the provision of qualified directors to act on boards, as well as corporate management and administration services such as company secretarial services and ensuring compliance with Irish tax and company legislation.