BRANDT & RADEMACHER

THE GLOBAL ADVISOR

Irish Special Purpose Vehicle (SPV)

Ireland is quickly becoming one of the most favorable jurisdictions in Europe, if not the world, for SPV company registration. A simple definition of a **Special Purpose Vehicle (SPV)** is that it is a legal entity that is established to achieve short-term investment goals. International companies often need these temporary units for their various financing needs, such as debt repayment, risk mitigation, etc. However, the formation of Special Purpose Vehicles (SPV) is not particularly favored in many countries, and the countries that allow the formation of such companies often have strict terms and conditions.

Due to the diverse needs of entrepreneurs, Ireland has become a preferred location for company registration and SPV company formation. They can meet various requirements, including asset restructuring and securitization. Ireland's double taxation treaties and the special tax treatment of SPV companies make Ireland an excellent option. Investors also prefer Ireland for their SPV companies, as the country is a member of the European Union (EU) and the Organisation for Economic Co-operation and Development (OECD).

Ireland also offers standardised principles and a structural approach to SPV companies, in which the following factors are of central importance:

Section 110 Undertakings

Irish SPV companies must meet the legal definition of a qualified company. A qualified company, also known as a Section 110 company, should be resident in Ireland and should only acquire qualified assets, directly or indirectly.

Qualifying Assets for Irish SPVs

Qualified assets include a range of financial assets, commodities, plant and machinery.

Accounting treatment

Ireland's Generally Accepted Accounting Principles (GAAP) form the common standard for SPV companies. Although other accounting standards can be chosen, Irish GAAP is generally the better alternative to avoid future problems.

Market value requirement for the first transaction

Under current law, an Irish Special Purpose Vehicle (SPV) must maintain a minimum size in its first transaction. The initial acquisition of the qualifying assets of an Irish company should therefore correspond to a market value of €10 million. However, the minimum requirement only applies at the time of the first transaction of a special purpose vehicle in Ireland.

It applies to the following:

- Financial assets
- Swap Agreements
- Other financial arrangements

Financial arrangements

An Irish special purpose vehicle is entitled to enter into various legally enforceable financial arrangements. Some of them are listed below:

- Shares
- Bonds
- Change
- Receivables
- Leasing and loans
- Leasing portfolios
- Debentures
- Plant and machinery
- Insurance contracts
- Reinsurance contracts
- Transferable instruments
- Financial derivatives

Withholding tax

Irish SPVs enjoy various withholding tax exemptions. One of the most frequently used is the Quoted Eurobond Exemption. A quoted Eurobond is a listed security with interest entitlement. For Irish SPVs with a non-resident owner or investor, the Quoted Eurobond Exemption refers to the exemption from withholding tax on the interest paid on listed Eurobonds.

Other withholding tax exemptions include the exemption for qualified persons and the exemption for large debts.

In short, Ireland is a preferred location worldwide for setting up SPV companies. This is due to the country's attractive tax structure and legal system for international investors.

For more information on registering a Special Purpose Vehicle (SPV) company in Ireland or on how to set up an Irish company in general, please contact us