TAX OUTLOOK IN EUROPE
BUSINESS ANGELS PERSPECTIVE 2012
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Fiscal systems are complex matters that require detailed analysis. This study must be understood as a summary of the main fiscal policies and does not exclude the examination of specific legislation in each country.

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FOREWORD

EBAN is proud to present the new edition of its much anticipated annual mapping of fiscal incentives available to business angels in Europe in 2012. EBAN, the European Trade Association for Business Angels, Seed Funds, and other Early Stage Market Players and BDO, the 5th largest accountancy network in the world, joined efforts to develop this yearly publication.

Fiscal incentives have an important role to play in stimulating the activity of business angels - early stage equity investors in start-ups in a country by encouraging private investors to diversify their portfolio towards unquoted (primarily equity) investments in high growth innovative companies. This can significantly increase the pool of private individuals ready to make an equity investment in a start-up.

EBAN would like to thank Pedro Aleixo Dias and Cristina Dias, Senior Partner and Senior Manager at BDO in Lisbon, for their efforts in collecting and organizing all the information and to Silviya Mladenova, trainee at EBAN and student from Bocconi University who assisted EBAN in the compilation of data. We would also like to thank all EBAN members and other colleagues that have proactively contributed to the publication, sharing their valuable expertise and knowledge in this field.

Paulo Andrez
President – the European Trade Association for Business Angels, Seed Funds, and other Early Stage Market Players (EBAN)
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EXECUTIVE SUMMARY

➤ Goals and Contents

This compendium of the year 2012 is intended to assist business angels, entrepreneurs and other readers interested in early stage activities, by providing information on one of the most important incentives to stimulate business angel activity: fiscal incentives. Indeed, the latter can encourage high net worth individuals to diversify their portfolio of investments to consider investments in unquoted start-ups or early stage funds – and therefore increase the number of business angels active in Europe.

The compendium includes a summary of the main fiscal policies in 32 European countries (corporate and personal taxes on income, capital gains and dividends), as well as an explanation of the fiscal incentives generally applied or specifically available for business angels. It also integrates a brief analysis of the tax policy and fiscal incentives for business angels in the United States of America.

A complementary compendium regarding angel investment funds and co-investment funds – another important incentive to stimulate the activities of business angels and early stage investors in Europe – has been published as a separate document and is available on www.eban.org. Funds are a tool to professionalise business angel activity and can attract business angels to join networks and enable them to invest in companies at further stages and in different sectors than those in which they could operate individually.

➤ Methodology

This compendium is based on information provided by EBAN members that have shared their experience and knowledge from their respective countries. BDO collected and organised the information received and has also asked its fiscal experts to review the information collected.

Fiscal systems are complex matters that require detailed analysis. This study must be understood as a summary of the main fiscal policies, and does not exclude the examination of specific legislation in each country.

The publication first provides an overview of the tax conditions and benefits in each country for business angels, followed by a description of the tax profile per country, including information regarding the situation for angels investing across borders.
General Taxes Rates

Fiscal policies implicitly highlight the strategy of each country in giving support to investments. A large discrepancy between the tax rates applied can be observed across Europe, especially with regard to income and capital gains tax rates.

**Individual Tax Rate (maximum)**

Eastern European countries have the lowest rates in Europe, especially with regard to individual tax rates, indicating a strategy of economic development through a competitive tax policy seeking foreign investment in their countries.

The general corporate rate on income of the Western European countries ranges between 25% and 30%. Only six of the analysed countries have tax on income equal to or above 30%: Belgium, France, Germany, Luxembourg (depending on municipality tax rate), Italy (including the regional rate) and Spain.

Ireland stands out with a corporate tax on income of 12.5% for trading income, which is one of the lowest tax rates of the analysed countries.

Capital gains are normally incorporated in the global income, but in many countries, reductions and exemptions could be applied, namely at corporate level. Dividends received by residents from residents are exempt in most of the countries, under certain conditions (participation conditions, among others). Capital gains realised by, and dividends paid to, non-residents are normally exempt (totally or partially) under treaty or European Union parent-subsidiary directive.
Fiscal incentives specifically available for early stage investors

Fiscal incentives specifically available for venture capital, private equity and start-up angels can be found in eight countries: Belgium, France, Ireland, Italy, Germany, Luxemburg, Portugal and the United Kingdom, where this type of investment seems to receive more attention from the government. These incentives include government guarantees, reductions on tax rates or tax credits. Note that wherever there are tax incentives, there are also interesting volumes of business angel activity.

The map below is an illustration of those countries with an active policy in favour of angel investing, and when available information about deals done and amount invested through business angel networks, as provided by the national federation to EBAN.

Countries without fiscal incentives for venture capital, private equity and start-ups

Countries with fiscal incentives for venture capital, private equity and start-ups

Opportunities

It is commonly accepted that sustainable growth requires innovation. Business angels and other early stage investors support innovation by funding and mentoring young innovative companies in their risky stage. Fiscal incentives are being used as an attraction to investment, to help private investors to diversify their portfolio into early stage/business angel investing. Furthermore, governments and policy-makers are increasingly conscious of the importance of incentives to stimulate in turn the potential development of innovation. At the moment, we can find some of the most developed economies giving fiscal incentives specifically to business angel and venture capital.
TAX OVERVIEW AND THE SPECIAL CASE OF FISCAL INCENTIVES AVAILABLE TO BUSINESS ANGELS IN EUROPE

1. Summary of Fiscal Incentives available to Business Angels

There are still few countries providing special conditions for early stage investment as mentioned earlier in the document and, from these, only three present extensive schemes with fiscal incentives for business angels. A brief analysis of this situation allows us to draw a map of what type of incentives have already been implemented in these countries and what should the remaining countries inspire themselves from to create the basis of a favourable market for early stage investing.

For a detailed presentation, please proceed to the respective country profile in this section.

**France**

Business angels benefit from a tax reduction of 18% (in 2010 of 22%) of the amount invested with the limit of EUR 50,000 (EUR 100,000 if it is a couple). The investment must be held for at least 5 years and the company must be an SME.

In addition to this, individuals eligible to the wealth tax the individual can invest up to EUR 45,000 by reducing the wealth tax by 50%. This tax breaks also apply when investing in SMEs across the 27 EU Member States which is an exception.

**Italy**

Capital gains realised by business angels (resident and non-resident) not engaged in a business activity to which the participations are effectively connected, are tax-exempt if:

- a) the participations disposed have been owned during the three years preceding the disposal;
- b) the company which shares are disposed was established not prior to seven years preceding the disposal;
- c) capital gains are invested in the acquisition of shares of companies that have not been established for more than three years, and provided that they are engaged in the same business activity as that of the company whose shares were disposed.

**United Kingdom**

The U.K. benefits from two schemes:

Entrepreneurs’ Relief: Mainly focused on entrepreneurs, provides for the first GBP 10 million of lifetime gains on qualifying business assets a taxation at 10% rather than up to 28%.
Enterprise Investment Scheme (EIS):

- EIS income tax relief has now been raised to be in line with Venture Capital Trusts, with the amount of upfront income tax relief increasing from 20% to 30%. And the amount of investment that can attract upfront tax relief will double in April 2012 from £500,000 to £1 million, limited to income tax liability if less than this. Investment can also be carried back and set against the previous year’s income tax liability instead if desired.

- Capital Gains Tax (CGT) deferral relief: a capital gain from any asset can be deferred to the extent that the proceeds are invested in shares of a company that qualifies under EIS. The deferral lasts until the EIS shares are disposed of, or there is some other chargeable event.

- Any gain from the disposal of the shares in the EIS company is exempt from CGT after 3 years. Inheritance tax exemption after 2 years.

- EIS rules and benefits apply directly if the participation occurs in a syndicate or as part of an Angel Co-investment Fund. EIS applies only to business angels paying taxes in the U.K. and investee companies must have a permanent establishment in the U.K.
## 2. General overview of the tax regimes in different European countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Income Tax</th>
<th>Capital Gains</th>
<th>Dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Individual</td>
<td>Corporate</td>
<td>Individual</td>
</tr>
<tr>
<td>Andorra</td>
<td>No taxation</td>
<td>No taxation</td>
<td>No taxation</td>
</tr>
<tr>
<td>Austria</td>
<td>Up to 50%</td>
<td>25%</td>
<td>Up to 25%</td>
</tr>
<tr>
<td>Belgium</td>
<td>Up to 50%</td>
<td>33% plus surtax of 3%</td>
<td>Generally not taxed</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Croatia</td>
<td>Up to 40%</td>
<td>20%</td>
<td>4%</td>
</tr>
<tr>
<td>Cyprus</td>
<td>Up to 30%</td>
<td>10%</td>
<td>Generally not taxed</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>15%</td>
<td>19%</td>
<td>15%</td>
</tr>
<tr>
<td>Denmark</td>
<td>Up to 56.4%</td>
<td>25%</td>
<td>27% to 42%</td>
</tr>
<tr>
<td>Finland</td>
<td>Up to 30% + municipal 16.25% to 21% + surtax of up to 2%</td>
<td>24.5%</td>
<td>30%-32%</td>
</tr>
<tr>
<td>France</td>
<td>Up to 41%</td>
<td>34.43%-35%</td>
<td>19% for sales in long-term business assets</td>
</tr>
<tr>
<td>Germany</td>
<td>Up to 47.475%</td>
<td>25% to 33%</td>
<td>Taxed at individual tax rate (applied only to 50% or 60% of gains) or 26,375%</td>
</tr>
<tr>
<td>Greece</td>
<td>Up to 45%</td>
<td>20% or 25%</td>
<td>Up to 20%</td>
</tr>
<tr>
<td>Hungary</td>
<td>16%</td>
<td>Up to 19%</td>
<td>16%</td>
</tr>
<tr>
<td>Ireland</td>
<td>Up to 41%</td>
<td>12.5% (trading) or 25% (non-trading)</td>
<td>25%</td>
</tr>
</tbody>
</table>

Note: This table shows the general tax rate. Some exemptions or reductions could be applied as summarised in the profile of each county.

(1) Dividends received by residents from residents

*Under certain conditions

**As from 2011
<table>
<thead>
<tr>
<th>Country</th>
<th>Tax Rate Details</th>
<th>Taxed as</th>
<th>Exempt*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>Up to 43% + regional tax rate + up to 1.4% + municipal tax rate up to 0.8%</td>
<td>27.5% plus the regional tax (generally 3.9%)</td>
<td>95% exempt*</td>
</tr>
<tr>
<td>Latvia</td>
<td>Up to 23%</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>15%</td>
<td>Up to 15%</td>
<td>20%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Up to 41.34% + an additional &quot;crisis tax&quot; of 0.8% on income</td>
<td>20% + 5% + 6%-12% municipal tax</td>
<td>Up to 41.34%</td>
</tr>
<tr>
<td>Norway</td>
<td>28%* plus a marginal tax of up to 12%</td>
<td>28%</td>
<td>28% with exemptions*</td>
</tr>
<tr>
<td>Poland</td>
<td>Up to 32%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Portugal</td>
<td>Up to 46.5%</td>
<td>20%</td>
<td>21.5% or 50% dividend subject to individual tax*</td>
</tr>
<tr>
<td>Romania</td>
<td>16%</td>
<td>Up to 16%</td>
<td>Up to 16%</td>
</tr>
<tr>
<td>Russia</td>
<td>13% (residents) or 30% (non-residents)</td>
<td>13%</td>
<td>9% paid to residents and 15% to non-residents</td>
</tr>
<tr>
<td>Serbia</td>
<td>10%-15%</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Up to 41%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Spain</td>
<td>Up to 45%</td>
<td>Up to 30%</td>
<td>19% or 21%</td>
</tr>
<tr>
<td>Sweden</td>
<td>Up to 57%</td>
<td>30% (25% on unlisted shares)</td>
<td>30%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Up to 40%</td>
<td>From 12% to 25%</td>
<td>Exempt*</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>Up to 52%</td>
<td>25% or 1.2% of the fair market value</td>
<td>2.5% or 1.2% of the total net value</td>
</tr>
<tr>
<td>Turkey</td>
<td>Up to 35%</td>
<td>Up to 35%</td>
<td>Up to 35%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Up to 50%</td>
<td>28% Exemptions*</td>
<td>Exempt*</td>
</tr>
</tbody>
</table>

Note: This table shows the general tax rate. Some exemptions or reductions could be applied as summarised in the profile of each country.

(1) Dividends received by residents from residents

*Under certain conditions

**As from 2011
Country Profile

### Andorra

**Income tax rate**

- **Individual:** No taxation for Andorra citizens. 10% rate for non-resident income.
- **Corporate:** No taxation.

**Capital Gain tax rate**

- **Individual:** No taxation (except those related to real estate).
- **Corporate:** No taxation (except those related to real estate).

**Dividends tax rate**

- **Individual:** No taxation.
- **Corporate:** No taxation.

**Other tax incentives**

The Andorran tax system is based on indirect taxation. There is no direct taxation on company profits or on personal wealth or income except for the 10% rate for non-resident income.

**Situation for angels investing through a co-investment or angel fund**

N/A

**Opportunities/obstacles in the framework of a cross-border investment**

N/A

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

N/A

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**

N/A

**Are fiscal incentives available for investments outside the country? If so, where do they apply?**

N/A

**Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?**

N/A

**Sources of information**

Andorra tax code

Finance Department of the Government of Andorra

**Austria**

**Income tax rate**

**Individual:** Progressive rates up to 50% (for income exceeding EUR 60,000).

**Corporate:** 25%

**Capital Gain tax rate**

**Individual:** In general, under the current regime capital gains are not included in taxable income except capital gains realised in the course of a business, speculative gains and gains from the alienation of shares forming a substantial shareholding. Speculative gains are derived from the sale of real estate property within 10 years after acquisition, or the sale of other property, especially securities (with some exceptions), within 1 year after acquisition, and are subject to progressive rates of up to 50%. Gains arising from the disposal of shares in a company in which the shareholder owns, or owned at any time during the preceding 5 years, directly or indirectly, a substantial shareholding, consisting of at least 1% of the company’s share capital are subject to income tax at a rate of one half of the taxpayer’s average tax rate, up to a maximum of 25%.

According to a significant change in the Austrian income tax act, future capital gains from the sale of securities will be taxable for private investors irrespective of the holding period. The tax rate on such realised capital gains will be 25%. If the securities are held on a deposit at bank in Austria, the 25% tax will be withheld directly by the bank. In case the securities are held on a foreign deposit the realized capital gains have to be declared in the personal income tax return. Realised capital losses can only be asserted by a request of refund, expenses in connection with income from investments are not deductible.

**Corporate:** Capital gains are taxable as ordinary corporate income (25%). Exemption for the sale of a non-resident participation could be applied under certain conditions.

**Dividends tax rate**

**Individual:** The rate on dividend payments is 25%.

**Corporate:** Dividends received by residents from residents are tax free. Dividends received from non-residents are exempt in certain conditions. Dividends paid to non-residents are subject to 25% withholding tax unless a reduction is applied under tax treaty or an exemption under EC parent subsidiary directive.

**Other tax incentives**

N/A

**Situation for angels investing through a co-investment or angel fund**

N/A

**Opportunities/obstacles in the framework of a cross-border investment**

Non-resident corporations are taxed only on their income from Austrian sources.

The taxation on non-resident corporations may be reduced under a double taxation treaty between Austria and another state or country.

The following income is tax free under certain conditions:

- profit shares of any kind resulting from participations (shareholdings) in resident and non-resident corporations;
- capital gains resulting from the disposal of shares in non-resident corporations.

The distribution of profit shares is, in addition, exempt from withholding tax if the distributing company is located in another EU member country.

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

Austria offers foreign investors a broad spectrum of investment incentives, grants and subsidies; for example, to assist small and medium-sized enterprises, support research and development and the launching of company start-ups, as well as investment and technological promotion measures. The type of funding ranges from cash grants and interest subsidies to loan guarantees. This extraordinarily extensive portfolio of incentives enables companies to take advantage of incentive programmes tailored to their individual requirements. Furthermore, there are various tax incentives (e.g. R&D allowances and premium, education allowance and premium, tax allowance for invested earnings) granted to investors in Austria.
<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?</td>
<td>See above</td>
</tr>
<tr>
<td>Are fiscal incentives available for investments outside the country? If so, where do they apply?</td>
<td>See above</td>
</tr>
<tr>
<td>Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?</td>
<td>N/A</td>
</tr>
<tr>
<td>Sources of information</td>
<td>Austria tax code</td>
</tr>
</tbody>
</table>
**Belgium**

**Income tax rate**

**Individual:** Progressive rates up to 50%.

**Corporate:** General rate of 33% plus a surtax of 3% on income tax. Small and medium-sized companies with income of less than EUR 322,500 are subject to reduced rates under some conditions.

**Capital Gain tax rate**

**Individual:** Capital gains derived by individuals not engaged in business activities are generally not taxable; otherwise they are taxed at an income tax rate of 33%. Capital gains derived from shares are normally tax exempt. The capital gains on the sale of real estate acquired more than 5 years ago is also tax exempt.

**Corporate:** Taxed at the ordinary corporate tax rate. Capital gains on shares are tax exempt.

**Dividends tax rate**

**Individual:** Dividends received by a Belgian resident from a company are subject to a taxation of 25%. Under certain conditions, the tax rate amounts to 15%.

**Corporate:** 95% of dividends received by a Belgian company, from local or foreign companies, are exempt from tax under certain conditions (the most important being the participation of at least 10% or an investment of at least EUR 1.2 million and for at least 1 year). The remaining 5% is subject to tax at the normal rate. Dividends paid to non-residents are subject to a 25% withholding tax, but reductions can be applied under certain categories of shares, as well as exemptions under the EC parent-subsidiary or under tax treaty countries.

**Other tax incentives**

Mechanisms available in Flanders:
- For individuals investing in professional and selected VC funds, ARKIVs, through the ARKImedes mechanism, gives 90% government guarantee, 8.75% tax credit/year, maximum EUR 2,500/taxpayer;
- Winwin-loan: encourages the public to provide loans to friends starting a business: Tax credit of 2.5%/year, maximum EUR 1,250/taxpayer; unique tax credit 30%. Loan amount: maximum EUR 50,000/SME/taxpayer;
- Reduce tax discrimination between debt and equity financing;
- Lower the effective corporate tax for all companies;
- Yearly deduction from taxable income, equal to the amount of interest paid on the capital in case of long-term debt financing;

Indirect incentive for business angels who want to group in a fund: the PRICAF regime gives a tax transparency, which means that shareholders pay practically no tax on the capital gains made.

**Situations for angels investing through a co-investment or angel fund**

The ARK Angels Fund operated by BAN Vlaanderen and the AAAF are private PRICAF’s which also falls under the PRICAF regime.

**Opportunities/obstacles in the framework of a cross-border investment**

N/A

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

N/A

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**

For individuals, there is different treatment for Belgian residents and non-residents, concerning the taxation of dividends and interest income (see above).

**Are fiscal incentives available for investments outside the country? If so, where do they apply?**

N/A

**Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?**

N/A

**Sources of information**

www.minfin.fgov.be
**Bulgaria**

**Income tax rate**

- **Individual**: 10% (some deductions and allowances are available).
- **Corporate**: 10% (some reductions are available if the company carries out its manufacturing activities in municipalities with high unemployment). Agricultural producers are also entitled to a 60% corporate tax rebate for profits derived directly from the sale of raw agricultural products. The corporate income tax incentives are granted in two forms – a corporate income tax exemption and/or a tax reduction. As of 1 January 2010, a 100% Corporate Income Tax exemption, which applied to companies that had invested more than EUR 5 million annually to acquire new equipment, is no longer applicable.

**Capital Gain tax rate**

- **Individual**: Normally taxed at ordinary individual income tax rate.
- **Corporate**: Generally subject to corporate income tax, except in the following cases:
  - capital gains realised by non-resident taxpayers from the sale of real estate property situated in Bulgaria or from the sale of shares, securities and other long-term financial assets sourced in Bulgaria, that are in turn subject to 10% withholding tax;
  - liquidation proceeds attributable to non-resident taxpayers and local individuals exceeding the value of their initial investment, that are taxed at a rate of 0% for residents of EU member states under certain conditions or 5% for all other non-residents;
  - capital gains realised from the sale of shares in public companies traded on the Bulgarian stock exchange, which are not subject to taxation. Dividends and liquidation proceeds payable by residents to foreign legal entities, as well as to local non-merchant entities, are subject to a 5% final withholding tax.

**Dividends tax rate**

- **Individual**: 5%.
- **Corporate**: Dividends received by a Bulgarian company from another Bulgarian company are not subject to taxation. Dividends received from tax residents in the EU or the EEA are excluded from taxable income. Non-exempt dividends are taxed as part of overall taxable profits and are subject to a 5% withholding tax, unless a lower rate applies under a tax treaty. As per the parent-subsidiary directive, no withholding tax is due on dividends distributed to residents of an EU member state if certain conditions are met. The Bulgarian Corporate Income Tax Act does not require any special condition for no withholding tax to be due on dividends distributed by the respective Bulgarian subsidiary to its EU parent company.

Dividends distributed by local legal and unincorporated entities to local legal entities are tax-exempt except when they fall under the Law on Special Investment Purpose Entities.

In the case of dividends received as a result of a profit distribution made by such companies, for example a real estate investment trust, the dividend is taxed at the shareholder level in the same way as any other revenue received – at the corporate income tax rate of 10%.

**Other tax incentives**

**Large investments:**

The Law on Encouragement of Investment envisages different incentive measures and privileges for local and foreign investors that undertake significant investments in certain economic activities within the territory of Bulgaria. However, the aim of these measures is to promote large investments (certificates are issued for investments of over EUR 10 million for category A investments and over EUR 5 million for category B investments) and do not yet target the typical level of angel investments.

**Applicable for Angels:**

The only available mentioning of “angels” in the legal regulations in Bulgaria can be found in the SME ACT. An SME would be considered autonomous in cases where no other company owns more than 25% of its capital. The act acknowledges the existence of venture capital investments made by legal entities or individuals in non-listed companies and states that companies will be considered autonomous (non-affiliated) if such investments are within the limit of EUR 1,250,000 even when the share is over 25%. The status of an SME provides major benefits, especially in relation to state aid and access to government and international finance, including EU funds.
Situation for angels investing through a co-investment or angel fund

N/A

Opportunities/obstacles in the framework of a cross-border investment

Ownership: In Bulgaria, foreign citizens and foreign companies can directly acquire buildings, premises within a building and limited property rights (e.g., a construction right, right of use), but not land. Special rules are provided for the citizens and entities of the member states of the European Union and the European Economic Area. According to the Accession Act of Bulgaria to the EU, Bulgaria can keep the restrictions for acquisition of land by citizens and entities from the member states: (i) for five years starting from 1 January 2007 – for the land provided for second residence, and (ii) for seven years starting from 1 January 2007 – for agricultural land, forests and forest land. The restrictions on the acquisition of land by foreigners do not apply to Bulgarian legal entities involving foreign participation. Therefore, foreign legal entities and individuals can effectively acquire ownership rights over land through the acquisition of shares or an interest in existing Bulgarian companies, or through the establishment of such companies under Bulgarian law. It is possible for such a company to be 100% owned by a foreign investor.

Currency: The official currency in Bulgaria is the Bulgarian Lev (BGN). In July 1997, a currency board was introduced and the BGN was pegged to the DEM at a rate of BGN 1 to DEM 1. Presently, the BGN is pegged to the Euro at a fixed rate of BGN 1.95583 to EUR 1.

Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund

The Bulgarian Business Angels Network has conducted several meetings with local authorities and government officials to promote the concept and importance of BAs. There are two major issues where the focus of the Network will fall next:

• Capital gains from transactions with shares in public companies and traded rights in such shares realised on a regulated Bulgarian stock market are not subject to a withholding tax. The Bulgarian Business Angels Network is currently examining the prospects of increasing the scope of the regulation to include BA and VC investments in private entities and capital gains thereof.

• Need of clarification of the MIFID regulations as far as the local regulations and implementations are concerned.

Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?

N/A

Are fiscal incentives available for investments outside the country? If so, where do they apply?

It depends on the country as well as on the availability of DTTs.

Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?

N/A

Sources of information

Bulgarian Business Angels Network, www.bban.eu
Bulgarian Investment Agency, Laws
Croatia

**Income tax rate**

**Individual:** Progressive rates ranging of 12, 25 and 40%, with non-taxable portion of income of HRK 2,200.

**Corporate:** 20%

**Capital Gain tax rate**

**Individual:** 4%. If a property in private ownership gets sold within three years, capital gains tax is levied at 20%.

**Corporate:** Capital gain is treated as corporate income and is taxed at 20% rate. Reinvested profit is not taxed.

**Dividends tax rate**

**Individual:** Dividends exceeding HRK 12,000 are taxed at 12%.

**Corporate:** 12%.

**Other tax incentives**

The incentive measures regulated by the Investment Promotion Act apply to investment projects covering: the manufacturing sector activities; technology centres; strategic business support services.

The recipient of incentive measures must retain his eligibility status and maintain the investment and new employment linked to the investment during a minimum period of 5 years, which shall not be shorter than the period in which it makes use of the incentive measures.

<table>
<thead>
<tr>
<th>Investment (EUR million)</th>
<th>People employed</th>
<th>Period (years)</th>
<th>Corporate Income Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.3 – 1.5</td>
<td>10</td>
<td>Up to 10</td>
<td>10%</td>
</tr>
<tr>
<td>1.5 – 4</td>
<td>30</td>
<td>Up to 10</td>
<td>7%</td>
</tr>
<tr>
<td>4 – 8</td>
<td>50</td>
<td>Up to 10</td>
<td>3%</td>
</tr>
<tr>
<td>&gt; 8</td>
<td>75</td>
<td>Up to 10</td>
<td>0%</td>
</tr>
</tbody>
</table>

This law also offers custom incentives, incentives for creating new jobs or for education in relation with the investment etc. (Investment incentives calculator: http://www.apiu.hr/Home.aspx?PageID=150)

State grants for R&D projects: corporate income tax deduction up to 100%.

**Situation for angels investing through a co-investment or angel fund**

General rules apply, according to the type and structure of co-investment.

**Opportunities/obstacles in the framework of a cross-border investment**

N/A

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

See above: Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?

N/A

**Are fiscal incentives available for investments outside the country? If so, where do they apply?**

N/A

**Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?**

N/A

**Sources of information**

www.porezna-uprava.hr
www.hgk.hr

Cyprus
**Income tax rate**

**Individual:** The first EUR 19,500 is tax free with progressive tax rates imposed up to 30% on remaining amounts.

**Corporate:** 10%

**Capital Gain tax rate**

**Individual:** Capital gains realised on the sale of shares are exempt from taxation. Gains in respect of the sale of real estate property situated in Cyprus are subject to a 20% tax rate. Capital gains relating to foreign property are exempt from tax.

**Corporate:** Taxed as individual capital gains.

**Dividends tax rate**

**Individual:** 15% for dividends received by a Cyprus resident individual (Special Contribution for Defence – SDC) and 0% for dividend payments to non-Cyprus tax resident persons.

**Corporate:** The dividend tax rate applicable to non-exempt dividends is 15%. Dividends received by a Cyprus company from another Cyprus resident company are exempt from tax. Dividends received from a foreign company are exempt from taxation if the foreign company does not earn more than 50% of its income from investment activities or if its profits are taxed at an effective rate of tax exceeding 5%. Dividends paid to non-residents (companies or individuals) are not subject to withholding tax.

**Other tax incentives**

N/A

**Situation for angels investing through a co-investment or angel fund**

N/A

**Opportunities/obstacles in the framework of a cross-border investment**

There are no withholding taxes on dividend/interest payments outside Cyprus. See taxation of dividends and gains explained above.

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

N/A

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**

Only the dividends tax rate for individuals, which is determined by virtue of tax residency (see above). A person is considered to be a Cyprus tax resident in any given financial (calendar) year when he/she spends more than 183 days in Cyprus in that year.

**Are fiscal incentives available for investments outside the country? If so, where do they apply?**

N/A

**Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?**

N/A

**Sources of information**

Cyprus Tax Code
Czech Republic

**Income tax rate**

**Individual:** 15%. The profits of investment funds, mutual funds and pension funds are subject to a special rate of 5% (generally without EU based professional fund – please see below).

**Corporate:** 19%. The profits of investment funds, mutual funds and pension funds are subject to a special rate of 5% (generally without EU based professional fund – please see below).

**Capital Gain tax rate**

**Individual:** Generally taxed at 15% (exemptions in certain conditions).

**Corporate:** Capital gains are taxed as corporate income (19%). An exemption applies when the seller is an EU company that holds at least 10% interest in the sold company for an interrupted period of at least 12 months. Further, the participation exemption for capital gains is applicable under the same requirements as apply to the participation exemption for dividends.

**Dividends tax rate**

**Individual:** 15%. Dividends received from residents are taxed separately under a lump sum withholding system.

**Corporate:** 15%. Dividends received by residents from resident companies are exempt from tax if the parent company holds at least 10% of the distributing company for an uninterrupted period of at least 12 months. Dividends paid by a subsidiary in an EU member state when the parent holds at least 10% for an uninterrupted period of at least 12 months are also exempt from tax. Dividends paid by a subsidiary in non-EU countries with a tax treaty could be exempt under certain conditions. Dividends paid to non-residents are normally subject to a 15% withholding tax. Dividends paid to companies located in other EU member states are exempt if the parent company maintains a holding of at least 10% of the distributing company for an uninterrupted period of at least 12 months. As from 2009, the exemption also applies to dividends paid to parent companies in Norway, Iceland and Switzerland.

**Other tax incentives**

Income tax relief in case of promised investment incentive in the processing industry under the Investment Incentives Act:

- If a company is established as special-purpose vehicle for a specific investment project, the new company can obtain corporate tax relief for up to five years.
- If the investment is made as an expansion or modernisation project within an existing Czech company, the company may receive partial tax relief for up to five years.

Furthermore there is a possibility of income tax allowance (100 % of expenses) for research and development activities.

**Situation for angels investing through a co-investment or angel fund**

N/A.

**Opportunities/obstacles in the framework of a cross-border investment**

N/A

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

N/A

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**

In accordance with the amendment of Income Tax Act effective from 1 January 2011 the 19% tax rate shall apply to the foreign collective schemes, established in another Member State of the European Union, Norway or Iceland that does not publicly offer its shares or units, i.e. the fund does not collect finances from the public but form the professional investors. Nevertheless, due to the fact that in accordance with the Czech Act on Collective Investment the Czech Professional Investors’ funds do not collect finances from the public, but are still liable to the 5% corporate income tax rate, the non-discrimination clause of particular double tax treaty shall be applied.

**Are fiscal incentives available for investments outside the country? If so, where do they apply?**

N/A

**Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?**

N/A

**Sources of information**

Czech Republic tax code
## Denmark

### Income tax rate

**Individual**: Progressive rates up to 56.4% (including employee social security contribution). **Corporate**: 25%

### Capital Gain tax rate

**Individual**: Capital gains are taxed at progressive rates between 27% (for income up to DKK 48,300) and 42% on exceeding income (2012 figures. The threshold amount is double for spouses).

**Corporate**: Capital gains are normally included in corporate income tax and are subject to 25%. Gains or losses on certain shares (own shares, subsidiaries, associated entities) are exempt.

### Dividends tax rate

**Individual**: Dividends are taxed at progressive rates between 27% (for income up to DKK 48,300) and 42% on exceeding income. **Corporate**: 100% of the dividends must be included in taxable income and taxed at the normal corporate income tax rate (25%). Dividends received by a Danish company from a Danish or non-resident company are exempt if the parent company holds at least 10% of the share capital and the subsidiary is resident in Denmark, the EU/EEA or a country that has concluded a tax treaty with Denmark. If the Danish company controls the dividend paying company such dividend will also be tax exempt.

Dividends paid to non-residents are subject to 27% withholding tax, which can be reduced according to a tax treaty.

### Other tax incentives

N/A (special capital gains tax rules for investments in small startup companies will apply if and when approved by the EU)

### Situation for angels investing through a co-investment or angel fund

New rules for partners in funds (direct taxation): carried interest is taxed at 56.4% (individuals).

### Opportunities/obstacles in the framework of a cross-border investment

N/A

### Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund

N/A

### Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?

N/A

### Are fiscal incentives available for investments outside the country? If so, where do they apply?

N/A

### Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?

N/A

### Sources of information

www.taxindenmark.com
Finland

Income tax rate

*Individual:* Progressive rates up to 30%. Municipal rates range from 16.25% and 21% and potential church rate is 1% to 2%.

*Corporate:* 24.5%.

Capital Gain tax rate

*Individual:* 30%, if gains over 50,000 €, tax 32%. *Corporate:* Generally 26%; some gains are exempt under certain conditions. However, an exemption is granted for gains on the sale of shares in a resident company (other than a real estate company or venture capital company) and in a qualifying non-resident company if the shares formed part of the seller’s fixed assets and the seller owned at least 10% of the share capital in the company directly and continuously for at least 1 year.

Dividends tax rate

*Individual:* 70% of the amount of the dividends received from listed companies is taxed at the standard investment income rate of 28%, and the remaining 30% is tax exempt. Dividends received from a non-listed company: up to EUR 60,000 are exempt from tax; from this value they are taxed at the 70/30 per cent rule.

*Corporate:* Dividends traded between Finnish companies are generally exempt, as well as dividends received from abroad.

Other tax incentives

N/A

Situation for angels investing through a co-investment or angel fund

N/A

Opportunities/obstacles in the framework of a cross-border investment

N/A

Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund

N/A

Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?

N/A

Are fiscal incentives available for investments outside the country? If so, where do they apply?

N/A

Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?

N/A

Sources of information

www.worldwide-tax.com
Tax administration in Finland - www.vero.fi
France

Income tax rate

**Individual:** progressive rates up to 41%.

**Corporate:** 33.3% plus the surcharge tax rate applicable if the latter exceeds EUR 763,000, or EUR 250,000,000 resulting in an effective rate respectively of 34.43% and 35% (small or new businesses may benefit from lower rates).

Capital Gain tax rate

**Individual:** gains from the sale of long-term business assets (e.g. held for at least two years) are subject to a flat rate of tax of 19%. In case of sale of shares that are held by an SME’s director holding at least 10% of the voting shares or rights to profits of the company for more than 8 years, these are exempt eligible for a tax deferral regime on condition of proceeds reinvestment (but the social tax rate of 15.5% is immediately liable).

**Corporate:** 34.43% or 35% (including social surtax); the gain is 90% exempt if derived from the sales of shares that are viewed as all or part of a substantial investment, resulting in an effective rate of 3.43% or 3.5% (10% × 34.43% or 35%).

Dividends tax rate

**Individual:** taxed as general taxable income or, if option, 21% plus social security. Surcharges amount to about 15.5%.

**Corporate:** 34.43% unless the recipient owns at least 5% of the shares and has held the shares for at least 2 years; in this case, the dividends are 95% exempt, resulting in an effective rate of 1.66%.

Dividends paid to a non-resident are subject to 25% withholding tax, except for application of EU Directive or Tax treaties.

Other tax incentives

See table below

Situation for angels investing through a co-investment or angel fund

See table below

Opportunities/obstacles in the framework of a cross-border investment

See table below

Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund

See table below

Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?

All tax incentives concern French citizens.

Are fiscal incentives available for investments outside the country? If so, where do they apply?

Tax incentives concerning the “wealth tax” are available for investments in the EU.

Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?

N/A

Sources of information

www.franceangels.org

www.afic.fr
Interview with Guy Roulin, a French Tax Expert, specialised on angel investing and working with France Angels, French Federation of business angel networks

- **What is the rationale for maintaining the scheme?**
  
  In France the equity gap is very deep, business angels are the only ones who invest in seed capital and first development phases below EUR 1 million; so tax incentives are necessary.

- **Are you considering improvements/changes to the current scheme?**

  It is said that the Wealth Tax could be suppressed so another way must be found to finance equity for SMEs with the support of tax breaks

  i) The income tax incentives are to be increased in proportion with risks taken: we suggest a tax reduction of 41% (higher income tax rate) of the total amount invested within the limit of EUR 200,000 (private individual) or EUR 400,000 (couple) for investments in Small Operating Enterprises. This kind of incentive must be available also for investments through a holding company whatever its incorporation and the number of partners (presently limited at 50 partners). The capital gains generated by these investments must be free of taxes if they are re-invested in SMEs.

  ii) Investment by a tax payer in a Risk Capital Company (SCR) must be eligible to income tax incentives and this kind of company must be promoted.

- **How is the measurement of performance by the scheme done? Is there any information available to date?**

  Officially, about EUR 600,000 are invested in SMEs per year thanks to the Wealth Tax Reduction. No available figures for Income Tax Reduction exist to date.

- **Do you have any information concerning the impact of the scheme?**

  The scheme has been used more for tax incentives than for investing in operating SMEs, so this scheme was not very useful for seed companies and other truly risky SMEs
<table>
<thead>
<tr>
<th>Tax break/tax system</th>
<th>Main restrictions</th>
<th>Investment channel</th>
<th>Investment target</th>
<th>Rules concerning the amount granted</th>
<th>Duration of the investment</th>
</tr>
</thead>
</table>
| Direct investments by a private individual  | • Tax reduction: 18% of the total amount invested within the limit of EUR 50,000 (private individual) or EUR 100,000 (couple)  
• In case of disposal of shares with gain: 34.5% tax of income tax from the first euro earned  
• Tax on dividends: maximum effective tax 36.5%  
• Exit through buy-out from management: gain is assimilated to a dividend (36.5% maximum) and not a capital gain (31.5% tax)  
Keeping of shares for at least 5 years (in case of disposal of the equity investment before 5 years time: repayment of the tax deduction)  
A minimum of 50% must be held by physical persons  
Target must fit with the European definition of an SME and with the private-equity definition of company in seed, start-up or expansion phase. Staff: from 2 at 50. An annual turnover, or an annual balance not exceeding EUR 10 million. | • Business angels network  
• Professional or private network | Unquoted companies | For a married couple investing EUR 100,000 – deduction with a ceiling of EUR 18,000 – for a private individual, EUR 9,000 | No restrictions (except to benefit from the tax reduction) |
| Investment as an individual in an SME: Issues linked to the wealth tax | • Wealth Tax reduction: 50% of the total amount invested within the limit of EUR 45,000.  
Target must fit with the European definition of an SME. No more than EUR 2.5 million invested in each company per year and 50 partners | | Unquoted companies | | |
| Investments with equity-linked savings plans (Plan d’Epargne en Actions PEA) | No capital gain tax provided the gain is blocked in the PEA for a period of 5 years. If withdrawal within the 5 years, no income tax but payment of social tax if the funds are invested within 3 months in the capital of a transmitted company. However, social contributions must be paid  
• Deposit with a fixed ceiling  
• Not simultaneously with the tax reduction for DI  
• Shareholder must not hold more than 25% of the shares of the company | • Business angels network  
• Professional or private network  
• Stock exchange | Quoted and unquoted companies | Deposit with a fixed ceiling: the equity-limited saving plans has a limit of EUR 132,000 (private individual) or EUR 264,000 (couple)  
Capital gains exempt from taxes if remain in the equity-limited saving plan for 5 years | |
<table>
<thead>
<tr>
<th>Tax Break/Tax System</th>
<th>Main Restrictions</th>
<th>Investment Channel</th>
<th>Investment Target</th>
<th>Rules Concerning the Amount Granted</th>
<th>Duration of Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment through a Holding Company (SARL, SA and SAS)</strong></td>
<td>• Target must fit with the European definition of an SME. No more than EUR 2.5 million invested in each company per year and 50 partners • Investment in the holding and in the SME must appear within the same fiscal year</td>
<td>Business angels network • Professional or private network • Stock exchange</td>
<td>Unquoted companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Tax reduction: 18% of the total amount invested within the limit of EUR 50,000 (private individual) or EUR 100,000 (couple) • Wealth Tax reduction: 50% of the total amount invested within the limit of EUR 45,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Investment through Capital Risk Company (SCR)</strong></td>
<td>• Constitution of a limited company, joint-stock company or a non-trading company compulsory to benefit from the statutes • A family group cannot retain more than 30% of the rights to benefits • No commitments above 25% of the SCR net accounting result • The SCR has 2 years to reach 50% of unquoted shares (distinction about specific corporate purpose between a small SCR with under EUR 10 million in revenues, or a large SCR with over EUR 10 million in revenues).</td>
<td>Business angels network • Professional or private network • Stock exchange</td>
<td>Quoted and unquoted companies (securities of unquoted companies must represent at least 50% of the net assets of the risk capital company)</td>
<td>Minimum initial share capital EUR 37,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• For the company itself: no corporate income tax or portfolio capital gain from quoted or unquoted shares • For the members: no income tax on capital gain or on dividend distributed provided the revenues are injected immediately back into the SCR, provided that the shareholder keeps the shares for at least 5 years and that their families do not own more than 25% of the portfolio of the SCR. Social contributions always due if condition not met; income tax at progressive rate, or 19% plus 15.5%</td>
<td></td>
<td></td>
<td>Period of share holding: 5 years</td>
<td></td>
</tr>
<tr>
<td><strong>Investment Club</strong></td>
<td>• 2 legal options: partnership of joint ownership or civil society (with variable capital or not) • At least 5 members, max. 20 • Maximum duration of the club is 10 years • Limited annual contribution to under EUR 5,500 per member</td>
<td>Business angels network • Professional or private network • Stock exchange</td>
<td>Usually for investment in quoted companies but possible to invest in unquoted companies too</td>
<td>Maximum annual contribution limited to EUR 5,500 per member</td>
<td>Life of the club: 10 years maximum</td>
</tr>
<tr>
<td></td>
<td>If the club subscribes to the capital of an unquoted company, the members (i.e. individuals) have the right, in proportion to their participation to the club, to a tax reduction for a direct investment by a physical individual (see case above). Tax on net gains in case of withdrawal or dissolution of the company</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Additional Information:

<table>
<thead>
<tr>
<th>Tax break/tax system</th>
<th>Main restrictions</th>
<th>Investment channel</th>
<th>Investment target</th>
<th>Rules concerning the amount granted</th>
<th>Length of the investment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment in Venture Capital Mutual Funds</strong></td>
<td>For the subscriber, the revenues and the portfolio capital gain benefit from tax exemption</td>
<td>It is not an active investment: the investment choice is done by the fund’s portfolio managers</td>
<td>Organisation of collective investments in transferable values (banks, specific companies)</td>
<td>Investment in share of funds which have to invest 50% in unquoted companies</td>
<td>Minimum purchase of a share in a venture capital mutual fund (amount depending on each fund)</td>
</tr>
<tr>
<td><strong>Investment in Innovation Mutual Funds</strong></td>
<td>• Cash subscription of shares in the FCP1 give the right of a tax reduction: 18% of the amount invested in the limit of EUR 12,000 (individuals) or EUR 24,000 (couples) • For the subscriber, the revenues and the portfolio capital gain benefit from a tax exemption • Wealth Tax reduction: 50% of the total amount invested within the limit of EUR 18,000</td>
<td>It is not an active investment: the investment choice is done by the fund’s portfolio managers</td>
<td>Organisation of collective investments in transferable values (banks, specific companies)</td>
<td>Investment in shares part of funds which have to invest 60% in innovative companies (conditions of expenses in R&amp;D or Anvar Certification)</td>
<td>Minimum purchase of shares of the fund (amount depending on fund)</td>
</tr>
<tr>
<td><strong>Investment in Local Investment Funds</strong></td>
<td>• A cash subscription of shares in the FIP gives the right of a tax reduction: 25% of the amount invested in the limit of EUR 12,000 (individuals) or EUR 24,000 (couples) • For the subscriber, the revenues and the portfolio capital gain benefit from a tax exemption • Wealth Tax reduction: 50% of the total amount invested within the limit of EUR 18,000</td>
<td>It is not an active investment: the investment choice is done by the fund’s portfolio managers</td>
<td>Organisation of collective investments in transferable values (banks, specific companies)</td>
<td>Investment share of funds • a minimum of 10% of the funds invested in unquoted companies less than 5 years old • investments limited to specific geographical zones</td>
<td>Minimum purchase shares of the fund</td>
</tr>
</tbody>
</table>

### Situation for angels investing through a co-investment or angel fund

“Tax on wealth” incentive available if the investment is made through a holding

### Opportunities/obstacles in the framework of a cross-border investment

Fiscal incentives also apply in the case of an investment in a foreign-based company

### Sources of information on fiscal environment or efficiency of fiscal incentives for angels

[www.franceangels.org](http://www.franceangels.org)  
[www.afic.fr](http://www.afic.fr)
Germany

**Income tax rate**

*Individual*: Progressive rate up to 42% plus 5.5% solidarity. In fact of the Reichensteuer, put in place 2007, there is a top tax bracket for taxable income exceeding EUR 250,731 for individuals and EUR 501,462 for married couples at a rate increased by 3%. Consequently, the new maximum tax rate is 45% plus 5.5% solidarity surcharge, which is a total of 47.475%.

*Corporate*: Effective corporate rate (including the solidarity surcharge and municipal trade tax) ranges between 25% and 33%; the solidarity surcharge is 5.5%.

**Capital Gain tax rate**

*Individual*: Shares sold after 31 December 2008 but acquired before 1 January 2009:
- 60% of capital gains taxed at individual income tax rate if investor (i) held shares as business asset, or (ii) held 1% or more of the shares in the target company at any time during the five-year period preceding the sale.
- 50% of capital gains taxed at individual income tax rate if investor held shares as non-business (personal) asset and held shares for not more than one year.
- Tax-free if investor held shares as non-business (personal) asset and did not hold 1% or more of the shares in the target company at any time during the five-year period preceding the sale and held shares for more than one year.

Shares acquired and sold after 31 December 2008:
- 60% of capital gains taxed at individual income tax rate if investor (i) held shares as business asset, or (ii) held 1% or more of the shares in the target company at any time during the five-year period preceding the sale.
- Total capital gains taxed at a flat-rate withholding tax (Abgeltungssteuer) of 26.375% if investor held shares as non-business (personal) asset and did not hold 1% or more of the shares in the target company at any time during the five-year period preceding the sale.

*Corporate*: Gains derived from the sale of a domestic or foreign corporate subsidiary are 95% exempt.

**Dividends tax rate**

*Individual*: dividends are subject to flat-rate withholding tax (Abgeltungssteuer) of 26.375% unless the shares are held as business assets. If the shares are held as business assets, 60% of the dividend income will then be subject to tax at the individual income tax rate.

*Corporate*: dividends received by a German company (from resident or foreign companies) are 95% exempt. Dividends paid to non-residents are subject to a 26.375% withholding tax (40% refund can be applied) unless exempted.

**Other tax incentives**

In July 2008 a new law was enacted: The Venture Capital Act (Wagniskapitalbeteiligungsgesetz – "WKBG") recognises the activities of business angels as venture capital actors by providing increased capital gains exemption in certain cases:
- Special tax exemption for capital gains of up to the pro rata share of EUR 200,000 corresponding to the sold share in the target company. The exemption is reduced by any amount of capital gain which exceeds the pro rata share of EUR 800,000 (Abschmelzungsgrenze) corresponding to the sold share in the target company.
- Calculation of the tax exemption: as the investor is only allowed to hold up to 25% of the shares in the target company, the maximum tax exemption is EUR 50,000 (in the case that the total capital gain for all shares in the target company is between EUR 200,000 and EUR 800,000). The exemption is reduced to EUR 0 if the capital gain for all shares in the target company is EUR 1,000,000 or more.
- Requirements:
  - (i) Minimum share of 3% within the last five years, maximum share of 25%;
  - (ii) Maximum holding period of 10 years;
(iii) Target company has a registered office in the EU, equity capital up to EUR 20 million, is not older than 10 years, is not publicly owned (listed).

- Effective for all capital gains realised after 31 December 2007.

The law on the promotion of venture capital has not been approved by the EU Commission and has therefore not come into effect. The German government has declared its intention to improve the environment for business angels, but it is still not clear how this will happen.

**Situation for angels investing through a co-investment or angel fund**

The taxation of co-investments depends on the fund’s legal form.

- If the fund is a non-incorporated enterprise (GmbH & Co.KG), all statements regarding personal income tax apply.
- If the fund is a corporate entity (GmbH or AG), 95% of the capital gains are neither subject to corporate income tax (Körperschaftsteuer) nor trade tax (Gewerbesteuer). The remaining 5% are taxed at a rate of approximately 30% (the exact rate depends on the multiplier for the trade tax, which is fixed individually by each municipality).

**Opportunities/obstacles in the framework of a cross-border investment**

Due to double taxation agreements between Germany and other countries, the German tax for foreign investors may be reduced to 0%.

CFC rules (Hinzurechnungsbesteuerung) may apply in the case of outbound investments.

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

N/A

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**

German residents (individuals and corporations) are taxed on their worldwide income unless specific provisions of double tax treaties are applicable. Foreign tax may also be credited against German tax or deducted against taxable income to a certain extent. Non-German-resident taxpayers are taxed on their German source income unless specific provisions of double tax treaties are applicable.

**Are fiscal incentives available for investments outside the country? If so, where do they apply?**

N/A

**Impact of fiscal incentives for angels? Has the impact been measured? What are the main results?**

N/A

**Sources of information**

- German tax acts; www.bundesfinanzministerium.de
- Business Angels Netzwerk Deutschland e.V. (http://www.business-angels.de/)
**Income tax rate**

**Individual:** progressive rates up to 45% (45% when exceeding EUR 100,000).

**Corporate:** 20% for SA & LTD and 25% for general partnership (profits attributed to general partners that are individuals at 20%). However, if SA & LTDs proceed with dividend distribution, the corporate rate is set at 25 % for the distributed corporate profits.

**Capital Gain tax rate**

**Individual:** For shares that were acquired before 31 December 2010 the tax is 2% on the revenue from the sale. For shares acquired after 1 January 2011 the capital gain is taxed under the general provisions.

**Corporate:** For shares that were acquired before 31 December 2010 the tax is 2% on the revenue from the sale. No other tax applies if booked in a reserve. For shares acquired after 1 January 2011 the capital gain is taxed under the general provisions. Tax may be postponed if the gain is booked in a reserve account.

**Dividends tax rate**

**Individual:** A 25% withholding tax applies for dividends. No further tax is due. Tax may be avoided in case a Double Taxation Treaty is in place.

**Corporate:** A 25% withholding tax applies for dividends. No additional tax is due if dividend is further distributed. Tax may be avoided in case a Double Taxation Treaty is in place and also with the application of the EU Parent/Sub directive.

**Other tax incentives**

Law 3908/2011 was put in place as of February 2011. A number of incentives are in place such as subsidies and tax breaks.

**Situation for angels investing through a co-investment or angel fund**

Typically, there are tax incentives for private individuals or legal entities that invest through the special purpose government fund “AKES”. In practice, no individual is able to invest to this “fund of funds” that is targeting VC co-investments.

**Opportunities/obstacles in the framework of a cross-border investment**

The main obstacle is the limited interest from Greek angels to invest away from their residence. On the other hand, a series of cross-border EU-funded programmes will be implemented by 2013 with an objective of stimulating business relations with neighbouring countries (Bulgaria, Albania, Serbia etc.). There is no indication at the moment whether these programmes will encourage angel investments.

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

N/A

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**

N/A

**Are fiscal incentives available for investments outside the country? If so, where do they apply?**

N/A

**Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?**

N/A

**Sources of information**

National Statistical service of Greece at [www.statistics.gr](http://www.statistics.gr)
**Hungary**

**Income tax rate**

*Individual*: The progressive 17% and 32% rates have been replaced by a flat tax system with a rate of 16%, effective 1 January of 2011.

*Corporate*: 19%. Companies having income under HUF 500 million can be taxed at a rate of 10%.

**Capital Gain tax rate**

*Individual*: 16%

*Corporate*: 19% (10% under HUF 500 million). A shareholder resident in a non-treaty country is taxable at 19% for the capital gains realised on the sale of its shares in a Hungarian real estate company. Exemption for gains derived from the sale of an investment if the taxpayer holds at least 30% of a subsidiary for at least 1 year.

**Dividends tax rate**

*Individual*: 16%. Dividends paid to a non-resident individual may be subject to withholding tax at 16% (effective 1 January 2011) unless the rate is reduced by a relevant treaty.

*Corporate*: Dividends received by a Hungarian company are generally exempt from corporation tax.

**Other tax incentives**

A tax credit for certain investments. A max EUR 2 million tax deductible set aside for material investments may apply. Double deduction for qualifying R&D costs. Royalties received may be subject to a 50% deduction.

**Situation for angels investing through a co-investment or angel fund**

N/A

**Opportunities/obstacles in the framework of a cross-border investment**

N/A

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

Hungary Venture Capital Programme allows private investors (including business angels) to invest in VC funds that will be leveraged by public funds. The ratio of private–public money is 30:70. The public investor expects only a capped return equal to the EU reference rate and applies a 5% downside protection against losses. VC funds can invest only in Hungarian early stage companies.

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**

N/A

**Are fiscal incentives available for investments outside the country? If so, where do they apply?**

N/A

**Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?**

N/A

**Sources of information**

www.Adozona.hu
Ireland

**Income tax rate**

*Individual:* Up to 41%.

*Corporate:* 12.5% for trading income and 25% for non-trading income.

**Capital Gain tax rate**

*Individual:* 25%

*Corporate:* 25%. Gains on the sale of substantial shareholdings in companies resident in EU member states or a tax treaty country are exempt if certain conditions are satisfied.

**Dividends tax rate**

*Individual:* 20%

*Corporate:* Dividends received by an Irish company from an Irish company are exempt from taxes; dividends received from a foreign company are subject to corporation tax; certain dividends received from the EU are taxed at 12.5%; dividends paid to a non-resident are subject to a 20% tax (reduction under tax treats or exemption under EC parent-subsidiary directive are applicable).

**Other tax incentives**

There are tax incentives for private individuals who invest in private equity and venture capital funds through the Business Expansion Scheme (BES). It allows individual investors to obtain income tax relief on investments in each tax year. Companies can receive up to EUR 2 million of BES investment; however, no more than EUR 1.5 million can be raised in one year. A qualifying company is one which:

(i) is an unquoted company (except in the case of companies listed on the Developing Companies market); (ii) is engaged in a qualifying trade; (iii) has its issued share capital fully paid up; and (iv) is not intending to wind up within 3 years of receiving BES investment, unless it is for bona fide commercial reasons. Internationally traded services, manufacturing companies and companies carrying out research and development with a view to carrying out a qualifying trade are eligible to apply.

**Maximum Limits**

An individual may obtain tax relief on investments up to a maximum of EUR 150,000 per annum under BES. Where an investor cannot obtain relief on all of the investments in a year of assessment, the unrelieved amount can be carried forward to the following years, subject to the normal limits.

**Situation for angels investing through a co-investment or angel fund**

An investment undertaking (fund) is exempt from Irish tax and its non-Irish resident investors are also exempt from Irish income tax and capital gains tax on income/gains arising from the fund. A declaration needs to be completed.

**Opportunities/obstacles in the framework of a cross-border investment**

N/A

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

The IDA and Enterprise Ireland provide financial assistance through grants and aids. The grants and aids are given to start-up companies that meet certain criteria, including a minimum number of employees, level of development of knowledge or manufacturing, etc.

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**

There is no difference from the point of view of the recipient of the BA investment. The tax treatment of the angel does depend on the angel being Irish tax resident or non-Irish tax resident.

**Are fiscal incentives available for investments outside the country? If so, where do they apply?**

N/A

**Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?**

N/A

**Sources of information**

Irish tax law
### Italy

#### Income tax rate

**Individual:** Progressive rate up to 43%. Additionally, there is a regional tax which ranges from 0.9% to 1.4% and a municipal tax which ranges from 0% to 0.8%.

**Corporate:** 27.5% plus the regional tax on productive activities, which is generally levied at a 3.9% rate (regional authorities are empowered to increase or decrease the standard rate by up to 0.92%).

#### Capital Gain tax rate

See table below

#### Dividends tax rate

See table below

#### Other tax incentives

See table below

#### Situation for angels investing through a co-investment or angel fund

N/A

#### Opportunities/obstacles in the framework of a cross-border investment

N/A

#### Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund

See table below

### Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?

Determining whether or not it would be tax-efficient to invest directly or through another entity would depend on several elements; tax efficiency is obtained on a case by case basis. Having said that, please note that, in general, individuals and corporate entities (and sometimes, to a certain extent, certain types of funds) that are resident for tax purposes in a European Union jurisdiction included in the white list of States or territories allowing an adequate exchange of information with the Italian tax authorities, are subject to an equivalent (or more beneficial) tax regime than that which is applicable to the same category of Italian tax residents. Conversely, persons, entities and funds that are resident for tax purposes in a non-white-listed country may be subject to a higher Italian tax burden.

Starting from July 6th 2011, incomes deriving from EU harmonized investment funds (“FVC”) that invest at least 75% of the capital collected in financing non listed companies for their trial, start-up and expansion stage, are tax exempt.

The application of the new rule is subject to the following requirements with regard to the financed companies: i) must have legal seat in a EU or SSE Member State, provided an agreement for exchange of information is agreed with Italy for tax purposes, ii) must be owned, directly or indirectly, mainly by individuals, iii) must be subject to corporate income tax without any exemption, iv) must have started a business activity for no more than 36 months, v) must have total revenues (before the FVC investment) not higher than EUR 50 millions.

### Are fiscal incentives available for investments outside the country? If so, where do they apply?

N/A

### Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?

N/A

### Sources of information

Main Italian tax law provisions
TAX OUTLOOK IN EUROPE. BUSINESS ANGELS PERSPECTIVE

ITALY: Comparative table of investments methods proposed to Business Angels.
Information provided by IBAN with the support of [Gianni, Origoni Grippo & Partners]

<table>
<thead>
<tr>
<th>Tax break/tax system</th>
<th>Main restrictions</th>
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</thead>
<tbody>
<tr>
<td><strong>Direct investments by individuals resident for tax purposes in Italy who are not engaged in a business activity to which the participations are effectively connected</strong></td>
<td><strong>A participation is considered “qualified” when the same represents, in the aggregate: (i) a percentage of voting rights in the ordinary shareholders’ meeting higher than 2% for listed participations or 20% for unlisted participations; or (ii) a participation in the share capital higher than 5% for listed participations or 25% for unlisted participations. A participation is considered to be “non-qualified” when the same represents, in the aggregate, a percentage of the mentioned rights and participation which is lower than the above-mentioned thresholds for qualified participations. In order to determine whether the qualified threshold is exceeded or not, the participations and the rights or securities through which such participations may be acquired must be taken into account.</strong></td>
</tr>
<tr>
<td>Dividends&lt;br&gt;Dividends deriving from non-qualified participations (as defined in the right column) are subject to a final withholding tax levied at a rate of 12.5%. When the dividends are distributed by a foreign company, the withholding tax, if any, suffered in the source country (i.e. the country of fiscal residence of the foreign company) cannot be recovered in Italy.&lt;br&gt;Starting from 1 January 2009 (Ministerial Decree of 2 April 2008), dividends deriving from qualified participations (as defined in the right column) are tax-exempt for 50.28% of their amount. The remaining 49.72% is included in the taxable income of the individual shareholder and is subject to individual income tax (“IRPEF”), levied at progressive rates.</td>
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<tr>
<td>Capital Gains&lt;br&gt;Capital gains realised on the disposal of non-qualified participations are subject to a substitute tax levied at a rate of 12.5%.&lt;br&gt;Starting from 1 January 2009, capital gains realised on qualified participations are tax-exempt for 50.28% of their amount. The remaining 49.72% is included in the taxable income of the individual shareholder, subject to IRPEF levied at progressive rates. Generally speaking, it is possible to offset such gains with the losses realised on the disposal of participations of the same category.</td>
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<tr>
<td>Starting from July 2008 (Law Decree 112/2008), capital gains realised on both qualified and non-qualified participations by individual investors, not engaged in a business activity to which the participations are effectively connected, are tax-exempt if: • the participations disposed have been owned during the three years preceding the disposal; • the company whose shares are disposed was established not prior to seven years preceding the disposal; • the company whose shares have been disposed is engaged in a business activity. Capital gains must be invested, in the acquisition of shares of companies that have not been established for more than three years, and provided that they are engaged in the same business activity as that of the company whose shares were disposed. <strong>All requirements mentioned above must be met.</strong> The disposition is also extended to non-Italian individuals investing in Italy, under the same conditions as residents. Special provisions, provided for by the applicable double taxation treaty, if any, may apply.</td>
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</tbody>
</table>
### Tax break/tax system

<table>
<thead>
<tr>
<th>Investment through Public Limited Companies and Private Limited Companies resident for tax purposes in Italy</th>
<th>Main restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dividends</strong>&lt;br&gt;Dividends distributed to resident companies are exempt from any withholding tax, substitute tax or other deduction at source. Such dividends are included for 5% of their amount in the taxable income of the Italian resident companies receiving the dividend distribution and are subject to Italian Corporate Income Tax (&quot;IRES&quot;), generally applying at a 27.5% rate. Therefore, the effective tax burden is equal to 1.375% of the gross amount (5% \times 27.5%). No dividend tax credit is available in order to offset that tax.</td>
<td>To benefit from the “participation exemption” regime:&lt;br&gt;1. the participation must be owned, without interruption, from the first day of the twelfth month preceding the one in which the disposal takes place;&lt;br&gt;2. the participation must be accounted for by the holder as a financial asset in the first financial statement closed during the holding period;&lt;br&gt;3. the participation must refer to a company resident in a country other than that with a privileged tax regime (it can also refer to a company resident in a privileged tax country, but in this case the resident company must obtain a positive ruling from the Italian tax authorities); and&lt;br&gt;4. the company whose participation is disposed must carry out a business activity. The third and the fourth requirements must be fulfilled by the participated company at least from the third financial year preceding the one in which the disposal takes place.</td>
</tr>
<tr>
<td><strong>Capital Gains</strong>&lt;br&gt;Capital gains realised by Italian resident corporate entities upon disposal of domestic or foreign participations are, in principle, subject to corporate income taxes in the hands of the seller in the fiscal year in which the sale takes place. Capital gains realised may be exempt from IRES for 95% of the amount thereof according to the “participation exemption” regime. Such a regime is conditional upon the fulfilment of the specific requirements described in the right column. If the participation exemption regime does not apply, and the participation has been accounted for as a financial asset (immobilizzazioni finanziarie) in the three fiscal years prior to the disposal, the taxpayer may opt to spread the gain over a maximum of five yearly instalments.</td>
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<tr>
<th>Investments by individuals engaged in an business activity to which the participations are effectively connected, resident for tax purposes in Italy</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Dividends</strong>&lt;br&gt;Starting from 1 January 2009, dividends are tax-exempt for 50.28% of their amount. The remaining 49.72% is included, as business income, in the taxable income of the individual subject to IRPEF levied at progressive rates.</td>
<td></td>
</tr>
<tr>
<td><strong>Capital Gains</strong>&lt;br&gt;As a general rule, capital gains are included, as business income, in the taxable income of the individual subject to IRPEF levied at progressive rates. However, capital gains realised on the disposal of participations may benefit from the participation exemption regime if all the requirements described above are satisfied. In such a case, starting from 1 January 2009, the gains are tax-exempt for 50.28% of their amount. The remaining 49.72% is included, as business income, in the taxable income of the individual subject to IRPEF levied at progressive rates. If the participation exemption regime does not apply, and the participation has been accounted for as a financial asset (immobilizzazioni finanziarie) in the three fiscal years prior to the disposal, the taxpayer may opt to spread the gain over a maximum of five yearly instalments.</td>
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<tr>
<th>Partnerships resident for tax purposes in Italy</th>
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</thead>
<tbody>
<tr>
<td>Partnerships are not subject to corporate or individual income taxes. The partners in the partnership are taxed according to the applicable rules (i.e. to IRES or to IRPEF) on their share of the partnership’s profits.</td>
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</tr>
</tbody>
</table>
**Latvia**

**Income tax rate**
- **Individual**: 15% on business income and 23% on employment income.
- **Corporate**: 15%

**Capital Gain tax rate**
- **Individual**: 23% for gains derived from sale of real estate property (if not treated as “property used as a habitual residence for personal purposes”) and shares in a real estate property company; 15% for entrepreneurs (a 2% tax must be withheld by a Latvia legal entity from the sales price if the seller is a non-resident individual).
- **Corporate**: 15%

**Dividends tax rate**
- **Individual**: 10%.
- **Corporate**: Exempt from tax if received from domestic subsidiaries or EEA countries and from non-residents in third countries (if the Latvian recipients hold more than 25% of the capital and voting power of the payer and the payer is not located in a “black list” country). Other dividends are taxed at a 15% rate (with a credit for foreign tax withheld).

**Other tax incentives**
No special tax incentives.

**Situation for angels investing through a co-investment or angel fund**
N/A

**Opportunities/obstacles in the framework of a cross-border investment**
Latvia has four separate special economic zones (three ports and one inland). All the zones are well connected to transport and have a well developed infrastructure. The zones offer corporate tax rebates (up to 80%) as well as 0% rates for VAT, customs and excise duties to companies established there. Special government funding programmes are available to assist export-oriented business activities. From 1 January 2011 qualifying investments are eligible for a tax credit in the year an investment project is completed as follows:
- 25% of the initial total for investments of up to LVL 35 million (~EUR 50 million)
- 15% of the initial total for investments exceeding LVL 35 million

Unused credits can be carried forward 16 tax years. In July 2010, Latvia adopted new rules providing additional opportunities for foreign nationals to obtain a temporary residence permit for a 5-year period without the need to reside in Latvia for a specific period of time. According to the newly adopted rules, a foreign national may obtain a temporary residence permit if he or she:
- invests at least EUR 35,500 in a Latvian company;
- sits on the board of a Latvian company that has existed for at least one year by the time of applying for a permit;
- deposits at least EUR 284,600 into the subordinated capital of a Latvian credit institution (bank); or
- acquires real estate in Riga or one of the major cities of Latvia worth EUR 142,300 or real estate worth EUR 71,200 in other areas.

Any other general fiscal incentive which can also be applied for direct BA investment and BA investment through a fund
N/A

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**
N/A

**Are fiscal incentives available for investments outside the country? If so, where do they apply?**
N/A

**Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?**
N/A

**Sources of information**
Latvia Tax Code, BDO Guide “Doing business in Latvia”
Lithuania

**Income tax rate**

**Individual:** 15%

**Corporate:** 15%. Micro companies (up to 10 employees and income per year – up to LTL 500,000) under certain conditions may be entitled to a reduced rate of 5%.

**Capital Gain tax rate**

**Individual:** 15% (with some exemptions relating to the holding period of the shares).

**Corporate:** Taxed as general taxable income at 15%, with some exemptions.

**Dividends tax rate**

**Individual:** 20%

**Corporate:** 15%. Dividends are exempt if a parent company holds at least 10% of shares for at least 12 months. Dividends received from foreign entities that are registered in the states of EEA are exempt from tax. In cases where a Lithuanian entity distributes its profits to individual shareholders, and the profits (or part thereof) were exempted from corporate income tax due to the application of corporate income tax incentives, such distribution results in the taxation of the proportionate part of the distributed profits at a rate of 15%.

**Other tax incentives**

State provides profit tax reduction for R&D and investments into new technologies, tax relieves in Lithuania’s two Free Economic Zones, and property tax reliefs by local municipalities.

State support for businesses consists of support for R&D projects, profit tax reduction for R&D, and investments into new technologies, tax relieves in Lithuania’s two free economic zones (see Opportunities/obstacles in the framework of a cross-border investment), subsidies for employment projects, possible land and property tax reliefs by local municipalities, investment guarantees, as well as bank loan support.

**Corporate profit tax incentives for R&D:**

- Expenses incurred by companies carrying out R&D projects can be deducted from taxable income three times;
- Long-term assets used in the R&D activities can be depreciated within two years;
- Corporate profit tax incentives for investments into new technologies;
- Companies carrying out investments into new technologies can reduce their taxable profit by up to 50%. Investment expenses exceeding this sum can be postponed to later, consecutive tax periods (up to five years).

Investment guarantees and bank loan support are provided by INVEGA, a state-established company. Guarantees are provided on bank and credit union loans. The company also subsidises loan interest for small and medium-sized enterprises that need business financing. Visit www.invega.lt

EU Structural Funds are available in Lithuania for business development. Altogether, EUR 7.3 billion has been allocated to Lithuania for the period of 2007–2013. EUR 3.3 billion have been designated for The Operational Program for Economic Growth. Enterprises may apply for between EUR 43,000 and EUR 5.8 million in support.

**Situation for angels investing through a co-investment or angel fund**

Risk capital fund for investments into innovative and export-oriented companies in Lithuania. The Fund will invest only together and on an equal basis with the business angel.

European Investment Fund (www.eif.org) is the founder of the Fund. Establishment Agreement of the Fund is signed under the project “JEREMIE the controlling fund”. JEREMIE is financed from structural funds of the European Union and national funds according to the programme of economy growth activities for the years 2007–2013. More info about JEREMIE the controlling fund can be found in www.skatinimoplanas.lt and in the EBAN “Compendium of Co-investment for Business Angels and early-stage funds in Europe” (www.eban.org/publications).
Opportunities/obstacles in the framework of a cross-border investment

Lithuania welcomes foreign investors and businesses to take advantage of the special ready-for-business locations:

- 2 free economic zones (FEZ): no corporate tax during the first 6 years and only 50% of corporate tax over the next 10 years; no tax on dividends for foreign investors; and no real estate tax
- 4 industrial parks (IP)
- 5 integrated science, studies and business centres (valleys).

Traditional industries are targeted by the two free economic zones and four industrial parks, and the five valleys are targeted for high-tech companies.

Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund

N/A

Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?

N/A

Are fiscal incentives available for investments outside the country? If so, where do they apply?

N/A

Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?

N/A

Sources of information

Invest Lithuania www.investlithuania.com
Luxembourg

Income tax rate

**Individual**: Progressive rate of up to 39%. A 4% to 6% contribution to the unemployment fund applies so that the marginal tax rate amounts between 40.56% to 41.34%. An additional crisis contribution of 0.8% on the taxable income is applicable for 2011 (likely to be abolished for 2012).

**Corporate**: For income lower than EUR 15,000 the tax rate is 20%; income beyond EUR 15,000 is taxed at 21%, plus 5% on the corporate income tax amount for the unemployment fund, and it is levied as municipal business tax which ranges from 6% to 12%, according to the place in which the undertaking is located (i.e. 6.75% for the city of Luxembourg in 2011, which results in an aggregate tax rate of 28.8%. Tax resident companies whose activities do not require a business license or the approval of a supervisory activity should be liable to a minimum amount of EUR 1,575 (i.e. EUR 1,500 plus the 5% for the unemployment fund) if the sum of their financial assets, transferable securities and cash exceeds 90% of their total balance sheet.

Luxembourg companies paying director fees have to file a tax return and pay the withholding tax (i.e. 20%) applicable to director fees payments.

Capital Gain tax rate

**Individual**: Tax-free allowance of up to EUR 50,000 (doubled for married taxpayers and civil partners taxed jointly) on cumulative capital gains realised over a 10-year period. If the individual has held less than 10% of share capital for more than 6 months, the capital gain is tax free; if more than 10% is held for more than 6 months, capital gain is taxable at max. 20.28% to 20.67% (i.e. half of the marginal rates) and if shares are held for less than 6 months, max. 40.56% to 41.34%.

**Corporate**: Subject to tax on income. Exemptions for participations representing (i) an acquisition price of EUR 6 million or at least 10% (ii) in the share capital of a qualifying EU or non-resident taxable subsidiary and (iii) held for an interrupted period of at least 12 months.

Dividends tax rate

**Individual**: Dividend payments from a Luxembourg company to an individual are subject to a 15% withholding tax (withholding tax is creditable in the hands of a Luxembourg individual). Tax-free allowance of EUR 1,500 (doubled for married taxpayers and civil partners taxed jointly), and dividends received from a European Union or a taxable Treaty Country company are 50% tax free. The taxable 50% is taxed at marginal tax up to a maximum of 40.56% to 41.34% with a tax credit for any withholding tax suffered. Dividends from non-EU or non-Treaty country companies suffers full marginal rate up to 40.56% to 41.34% with a tax credit for any withholding tax suffered.

**Corporate**: Subject to tax on income. Exemptions for participations (i) representing an acquisition price of EUR 1.2 million or at least 10% in the share capital of (ii) a qualifying EU or non-resident taxable subsidiary and held for an interrupted period of at least 12 months.

Dividend payments from Luxembourg companies are subject to a 15% withholding tax. Exemptions are available according to Luxembourg internal law under particular conditions.

Other tax incentives

(i) Intellectual property tax regime: Large scope of eligible IP (software copyrights, patents, trademarks, designs or models, domain names). 80% exemption on net IP income and net IP capital gain. 80% notional deduction on own patent. 100% net wealth tax exemption under certain conditions.

(ii) The most commonly used incentives are the investment tax credits. Luxembourg tax law provides for two types of investment tax credits: (i) a tax credit of 13% on the increase in investment in tangible depreciable assets made during the year concerned, and (ii) in addition, the company may benefit from a 7% tax credit on the first EUR 150,000 of qualifying new investments, and a 3% tax credit on the amount of new investments exceeding EUR 150,000 in tangible depreciable assets as well as other investments.
**Situation for angels investing through a co-investment or angel fund**

Angels may invest collectively through various vehicles. A SOPARFI (Société de Participation Financière), a non-regulated and fully taxable company, is the most common vehicle. The SOPARFI benefits from the participation exemption regime and double tax treaties. Luxembourg has also introduced legislation designed to meet the needs of the venture capital and private equity community; a SICAR (Société d’Investissement en Capital-Risque), an investment company in risk capital which benefits from a tax exemption on income and capital gains deriving from investments in securities. Alternatively, a securitisation company, a company which carries out securitisation activities or which participates in securitisation transactions, could be used as an alternative investment vehicle. It is fully subject to tax, but the commitment to remunerate the security holders (both capital and debt) issued by the securitisation company qualifies as interest on debt even if paid as return on equity. Securitisation companies are not subject to net wealth tax in Luxembourg.

In addition, as a major fund centre, Luxembourg has created legislation allowing the offering of regulated fund products to all types of investors. Investment funds resident in Luxembourg are generally exempt from corporate income tax, municipal business tax and withholding tax on dividends. These investment funds are subject to a subscription tax of max. 0.05% of their NAV.

**Opportunities/obstacles in the framework of a cross-border investment**

There are no obstacles to cross-border investments. Potentials withholding tax on dividend payments may be mitigated through alternative investment structures or investment vehicles.

Reduced withholding tax rate, tax exemption or tax credit are also available in application of double tax treaties concluded by Luxembourg.

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

Luxembourg provides for a wide range of investment vehicles and a favourable tax regime for individual and corporate investors. Solutions have been tried and tested.

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**

Luxembourg residents (individuals and corporations) are taxed on their worldwide income unless specific provisions of double tax treaties are applicable. Foreign tax may also be credited against Luxembourg tax or deducted against taxable income to a certain extent. Non-Luxembourg-resident taxpayers are taxed on their Luxembourg source income unless specific provisions of double tax treaties are applicable.

**Are fiscal incentives available for investments outside the country? If so, where do they apply?**

SOPARFI benefits from a large network of double tax treaties and from all the EU directives.

**Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?**

Luxembourg provides for a wide range of investment vehicles and a favourable tax regime for individual and corporate investors. Solutions have been tried and tested.

**Sources of information**

Luxembourg Tax Code
Norway

**Income tax rate**

*Individual:* 28% (combined municipal and national rate) plus a marginal tax of up to 12%. If income can be classified as earned income (benefit related to work or personal income), the top tax (marginal tax) of up to 12% will apply, plus a marginal tax of up to 12%. This last income situation is also subject to social security. 7.8% for earned income, 14.1% for employer’s contribution. Only income from personal services is subject to marginal tax, social security or employer’s contribution.

*Corporate:* 28%

**Capital Gain tax rate**

*Individual:* 28%

*Corporate:* 28%; exemption for capital gains on the disposal of shares (identical to the exemption applicable to dividends).

**Dividends tax rate**

*Individual:* 28%

*Corporate:* Dividends received from companies resident in Norway or in EEA are 97% exempt from tax (remaining 3% is taxed at 28%). Dividends received from a low-tax jurisdiction within the EEA, the 97% exemption applies only if the real business activities are conducted in that jurisdiction. Dividends received from companies in non-EEA countries are 97% exempt if the Norwegian company has held at least 10% of the shares for at least 2 years and the foreign country is not a low-tax jurisdiction.

**Other tax incentives**

N/A

**Situation for angels investing through a co-investment or angel fund**

N/A

**Opportunities/obstacles in the framework of a cross-border investment**

N/A

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

N/A

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**

N/A

**Are fiscal incentives available for investments outside the country? If so, where do they apply?**

N/A

**Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?**

N/A

**Sources of information**

Norway Tax Code
### Poland

<table>
<thead>
<tr>
<th><strong>Income tax rate</strong></th>
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<tbody>
<tr>
<td><strong>Individual:</strong> Progressive rates (18% to 32%), although individuals carrying out economic activities may opt for special rules under which a 19% tax rate generally applies without any allowances.</td>
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<tr>
<td><strong>Corporate:</strong> 19%</td>
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<thead>
<tr>
<th><strong>Capital Gain tax rate</strong></th>
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<tbody>
<tr>
<td><strong>Individual:</strong> A 19% rate applies to capital gains from sale of shares and to capital gains from sales of real estate (within 5 years from the end of the year of its purchase), with some exemptions available.</td>
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<td><strong>Corporate:</strong> 19%</td>
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<tr>
<td><strong>Individual:</strong> 19%</td>
<td></td>
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<tr>
<td><strong>Corporate:</strong> In cases where the dividend is received from another resident company or an EU/EEA company, there is no taxation if certain holding and participation requirements are met (the company has held at least 10% of the shares of the distributing company for an uninterrupted period of at least 2 years). If the exemption doesn’t apply, dividends received are subject to taxation (19% rate), but any foreign withholding tax is creditable against Polish tax on the same profits, but the credit is limited to the amount of Polish tax payable on the foreign income.</td>
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</table>

<table>
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<tr>
<th><strong>Other tax incentives</strong></th>
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<tbody>
<tr>
<td>Technological knowledge acquisition expenses may reduce the taxable base.</td>
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<tr>
<td>It can be available a depreciation write-off for start-up and small taxpayers up to EUR 50,000 (in some cases up to EUR 100,000).</td>
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<tr>
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<tr>
<td>Polish Information and Foreign Investment Agency</td>
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</table>
**Portugal**

**Income tax rate**

*Individual*: Up to 46.5%.

*Corporate*: 25% or 12.5% for profit up to EUR 12,500, plus up to 1.5% municipal surtax and a state surtax of up to 2.5% (only applicable for amounts greater than EUR 2,000,000). Entities without head office, effective management or permanent establishment (non-resident) in Portugal are taxed at a 25% rate, whereas entities with head office, effective management or permanent establishment (resident) in Portugal and not engaged in commercial, industrial or agricultural activities pay a 20% tax rate.

**Capital Gain tax rate**

*Individual – resident*: 21.5% on the capital gains, unless companies are not listed and are considered a Micro, Small and Medium Enterprise (PME), in which case the tax rate decreases by 50%.

*Individual – non-resident*: 25% – income not attributable to permanent establishment.

*Corporate – Portuguese company*: Subject to above-mentioned corporate income tax. If the proceeds of the sales are reinvested in other fixed assets (in the preceding year, in the year of sale and in the two subsequent years), 50% of the gain obtained (net of the related losses) will be excluded from taxation. Exemption (0%) is subject to conditions for Portuguese pure holding companies under the legal status of a Sociedade Gestora de Participações Sociais (most important condition – SGPS must hold the participation for an uninterrupted period of at least one year).

*Corporate – non-Portuguese company*: 25% – non-residents without permanent establishment on Portuguese territory and income from the alienation of shares in the capital of entities residing in Portugal.

**Dividends tax rate**

*Individual – resident (more than 183 days)*: 21.5%, or from 11.88% to 46.5% over 50% of the amount if chosen to be taxed on worldwide income.

*Individual – non-resident (less than 183 days)*: 21.5%

*Corporate – Portuguese company*: 21.5%. Exemption (0%) for dividends received from a resident company by another resident company, which has held directly at least 10% of the payer company (or the acquisition value of the share participation is higher than EUR 20 million) for 1 year before the payment (similar conditions for subsidiaries resident in EU countries, African countries with Portuguese as the official language and Timor). Exemption (0%) is subject to conditions for Portuguese pure holding companies under the legal status of a Sociedade Gestora de Participações Sociais (most important condition – SGPS must hold the participation for an uninterrupted period of at least one year).

*Corporate – non Portuguese Company*: 20% (can be avoided or reduced under EC parent-subsidiary directive or through Double Taxation Agreements)

*Corporate – non Portuguese Company*: 20% (can be avoided or reduced under EC parent-subsidiary directive or through Double Taxation Agreements)

**Other tax incentives**

Portugal has a special tax regime for venture capital investors, risk capital companies and risk capital funds. However, to benefit from this regime, these entities have to be registered in the Portuguese Securities Market Commission (CMVM). This regime establishes an exemption (0%) for dividends and for sale of share participations owned for over a year. It also establishes a deduction on taxation in the amount of net profits (after tax) of the last 5 years if the profits were invested in growing business.

In 2010, a special tax incentive for business angels was introduced, based on the Enterprise Investment Scheme (UK) model. Any Business Angel, who is certified by IAPMEI (Governmental Small and Medium Enterprise Agency) and makes a certified investment in an SME (start up) less than 3 years old, can claim a deduction on the individual income tax of 20% of the investment made in the “start up”. The 20% deduction must not exceed 15% of the income tax.

Business Angels who want to claim this business angel incentive must contact IAPMEI to apply for it, or contact www.fnaba.org to obtain any specific information.
Situation for angels investing through a co-investment or angel fund

COMPETE BUSINESS ANGELS CO-INVESTMENT FUND

In the end of 2010, 54 new investment vehicles for business angels were created, with a total investment capacity of EUR 42 million to invest in “start ups”. Each investment vehicle will invest at least EUR 770,000

FINICIA – Micro Venture Capital Fund (EUR 100,000–EUR 250,000)

Business angels, in partnership with the entrepreneur, can invest a minimum of 20% with the remaining being supported by the public venture capital fund. (Limit of public capital: EUR 100,000.)

FINICIA – Venture Capital Fund (EUR 250,000–EUR 2,500,000)

Business angels, in partnership with the entrepreneur, can invest 15%, with the remaining 85% being supported by the public VC.
Opportunities/obstacles in the framework of a cross-border investment

N/A

Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund

With the National Budget for 2010, business angels are permitted to deduct 20% of the invested value in new projects, up to the limit of 15% of each business angel’s individual income tax.

Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?

N/A

Are fiscal incentives available for investments outside the country? If so, where do they apply?

N/A

Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?

N/A

Sources of information

• The Portuguese legal framework for venture capital and business angels was updated by the Law Decreto-Lei nº 375/2007 of 8th November.
• Information about FINICIA co-investment fund can be accessed through the Public Development Agency IAPMEI - www.iapmei.pt and www.inovcapital.pt
• www.min-financas.pt
• Information about the fiscal incentives can be obtained at www-min-financas.pt and www.iapmei.pt
• Information about the fiscal incentives and the business angels co-investment funds in Portugal, can also be obtained at www.fnaba.org
Romania

**Income tax rate**

- **Individuals:** 16%
- **Corporate:** 16%

**Capital Gain tax rate**

- **Individuals:** Generally 16%. Income from sale of real property is taxed at a rate between 1% and 3%.
- **Corporate:** 16%, unless the applicable double tax treaty provides for more favourable rates.

**Dividends tax rate**

- **Individuals:** 16%, unless the applicable double tax treaty provides for more favourable rates.
- **Corporate:** 16%, unless the applicable double tax treaty provides for more favourable rates. An exemption is applicable for dividends received under conditions set by parent-subsidiary directive for EU or EFTA countries (similar provisions are applicable for Romanian companies holding more than 10% of the share capital).

**Other tax incentives**

General tax facilities include accelerated depreciation and dividend tax exemption for new employment as well as some state aid schemes for small and medium size enterprises (see below).

Specialist advice should be sought before any decision is made.

**Situation for angels investing through a co-investment or angel fund**

The general tax regime shall apply for angel investments.

**Opportunities/obstacles in the framework of a cross-border investment**

Since 1998, Romanian law has the same treatment for direct investment for both Romanian and foreign investors. Therefore, there is no limitation regarding non-resident participation in Romanian companies (a non-resident may establish a wholly-owned company in Romania on the same conditions as a Romanian resident).

Outside investment can be made in different forms, including cash contributions, contributions in kind of goods (means of transportation, spare parts) or services (industrial property rights, know-how and management expertise), to the extent permitted by company law, as well as loans financed from profits or capital of other business in Romania or abroad. Thin capitalisation rules postpone the deductibility of interest until debt equity ratio falls below 3:1 (interest deductibility cap is 6% since 2010).

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

There are certain state aid schemes applicable in cases of small and medium enterprises, which may be used to reduce the level of investment.

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**

N/A

**Are fiscal incentives available for investments outside the country? If so, where do they apply?**

N/A

**Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?**

N/A

**Sources of information**

Romanian Tax Code (Law n° 571/2003) and Methodological Norms for the application of the Romanian Tax Code (Government Decision n° 44/2004).
Russia

**Income tax rate**

**Individuals – residents:** 13% excluding the following cases:

- The tax rate is fixed at 35% on income derived from:
  - Value of any winnings and prizes received in competitions, games and other activities in order to advertise goods, works and services if the value is more than RUB 4,000;
  - Extra interest income on bank deposits;
  - Economies of low loan interest rate.
- The tax rate is fixed at 9% on income derived from:
  - Yield of mortgage bonds issued before 1 January 2007;
  - Yield of mortgage participation certificates received by mortgage trustors. The certificates must have been issued by a manager of a mortgage pool before 1 January 2007.

**Individuals – non-residents:** 30% (excluding dividends paid by Russian companies).

**Corporate:** 20%

**Capital Gain tax rate**

**Individuals:** 13%.

**Corporate:** Taxed as ordinary income at the normal corporate rate.

**Dividends tax rate**

**Individuals:** 9% paid to residents and 15% to non-residents.

**Corporate:** 9% paid to Russian legal entities and 15% to foreign companies. Exemption (0%) for dividends received by a resident company that holds a participation of at least 50% for at least 1 year before the payment.

**Other tax incentives**

N/A

**Situation for angels investing through a co-investment or angel fund**

N/A

**Opportunities/obstacles in the framework of a cross-border investment**

N/A

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

There are some general fiscal incentives that can be applied for BA investment:

1) investment tax credit is provided;
2) operations of direct investment are exempted from VAT;
3) the following types of income are excluded from a taxable company’s income which is liable to profit tax:
   a) proceeds received by a company in the form of contributions to charter capital;
   b) target financing; in particular, foreign capital investments received by a company for production use, if the company uses them during the year after they are received.

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**

Concerning BA investment, there are no differences between nationals and foreigners in terms of fiscal treatment. There are some differences in general fiscal treatment for nationals and foreigners (see the information about income tax rate and dividend tax rate).

**Are fiscal incentives available for investments outside the country? If so, where do they apply?**

N/A

**Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?**

N/A

**Sources of information**
Russian Tax Code
Serbia

**Income tax rate**
- **Individual**: 10%/15%
- **Corporate**: 10%

**Capital Gain tax rate**
- **Individual**: 10%
- **Corporate**: 20%

**Dividends tax rate**
- **Individual**: 10%
- **Corporate**: 20%

**Other tax incentives**
- Value Added Tax
  - General: 18%
  - Special: 8%

**Situation for angels investing through a co-investment or angel fund**
Serbian Business Angels Network (SBAN) is the first and only organization that addresses the topic of early stage equity financing in Serbia, founded in 2010 as a nonprofit making association. Main goal is to connect business angels and entrepreneurs with a developed business plan and a strong management team capable to implement the idea and to commercialize the business. Also, SBAN allows investors to invest together. For now, in Serbia there is no such fund as angel fund, but we are planning to create it at the end of this year.

**Opportunities/obstacles in the framework of a cross-border investment**
The supply of risk capital in the earlier stages of development of enterprises is either completely absent or at an embryonic stage. Overall, there is a marked absence of seed, early stage, late-stage venture and expansion capital in Serbia as well as within the most of WB countries justifying the support for projects targeting promotion and development of such instruments. Non-existence of venture capital financing in Serbia creates the financing market gap that is estimated to be in the range of EUR 40-50 million for the period 2012-2016 (EUR 10-13 million per year). Also, Serbia has very low R&D GDP ratio of 0.35%. Lack of capital for companies in early stages of development, and non-existence of equity capital market in the country is one of main reasons for low rate of SME sector development as well as the often too low competitiveness of existing SMEs. In contrast the SME sector is a major pillar of the EU economy.

As opportunities we can emphasize the lowest income tax rate in Europe of 10%, and an educated and skilled labor force available at competitive costs, Serbia offers financial support to investors.

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**
Companies are exempt from Corporate Income Tax for a period of 10 years starting from the first year in which they report taxable profit if they invest in fixed assets an amount exceeding approximately 8€ million, and throughout the investment period they employ at least 100 additional employees.
- 5 years tax exemption for concession related investments.
- The tax loss stated in the tax return can be carried forward and offset against future profits over a period up to 5 years.
- The employer who hires certain categories of workers on a permanent basis is exempt from paying Salary Tax over the periods of 3 or 2 years. Incentives for creating new jobs in Serbia.
- Accelerated depreciation of up to 25% above the normal rates, for certain fixed assets, e.g. science and research, computers, saving energy assets.
- Tax credit of up to 80% of investments in fixed assets in certain industries, subject to terms.
- The tax loss stated in the tax return can be carried forward and offset against future profits over a period up to 5 years.
- If a taxpayer already paid tax on the profit generated abroad, he is entitled to a Corporate Income Tax credit in Serbia to the already paid amount. The same right is enjoyed by a taxpayer who earns revenue and pays Personal Income Tax in another country, provided there is a Double Taxation Treaty with that country.
- Income generated through commercial activities in the Free Zones in Serbia is exempted from Value Added Tax. There are six Free Zones, currently operating in the country: Subotica, Novi Sad, ...
Zrenjanin, Sabac, Kragujevac, and Pirot. Three more zones are being prepared in Nis, Smederevo and Uzice. Foreign companies can establish a privately-owned Free Zone based on the project approved by the government.

Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund

For non-Serbian citizens, the annual income is taxed if exceeding the amount of threefold the average annual salary in Serbia. The tax rate is 10% for the annual income below the amount of 6 times average annual salary in Serbia, and 15% for the annual income above the amount of 6 times average annual salary in Serbia. The taxable income is further reduced by 40% of an average annual salary for the taxpayer and by 15% of an average annual salary for each dependent member of the family. The total amount of deductions cannot exceed 50% of the taxable income.

Foreign investors in Serbia can enjoy the benefit of customs free import of raw material and semi finished goods for export oriented production. This benefit can either be achieved by operating in one of the free zones in Serbia or by a permit from custom office for outward processing production. In both cases finished products must be 100% designated for export.

Foreign investors are exempt from paying customs duty on imported equipment and machinery which represents the share of a foreign investor in a capital of a company in Serbia.

Are fiscal incentives available for investments outside the country? If so, where do they apply?

Yes, they are. You can find it on www.siepa.gov.rs

Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?

So far we have no project realized by business angels investment. Currently, there are three projects in negotiation of which is one in the last stage. So we can’t talk about results and measurement yet.

Sources of information

http://www.mfin.gov.rs
http://www.siepa.gov.rs
Slovak Republic

**Income tax rate**
A flat tax rate of 19% applies for corporate and personal income tax.

**Capital Gain tax rate**
Equivalent to an income tax rate of 19%.

**Dividends tax rate**
Generally not subject to taxation.

**Other tax incentives**
N/A

**Situation for angels investing through a co-investment or angel fund**
N/A

**Opportunities/obstacles in the framework of a cross-border investment**
N/A

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**
N/A

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**
N/A

**Are fiscal incentives available for investments outside the country? If so, where do they apply?**
N/A

**Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?**
N/A

**Sources of information**
www.finance.gov.sk
Slovenia

**Income tax rate**

*Individual*: Progressives rates from 16% to 41%

*Corporate*: 20%

**Capital Gain tax rate**

*Individual*: 20% (reduction of 5% for every 5 years the capital is held; if the capital is held for more than 20 years, the gains become exempt). Income from derivatives is subject to a 40% tax rate if disposed of during the first year of ownership.

*Corporate*: Subject to corporate income tax. Exemption of 50% of gains derived from sales of shares under certain conditions (the most important: participation of at least 8% and held for more than 6 months).

**Dividends tax rate**

*Individuals*: 20%

*Corporate*: Fully exempt when received (not applicable to dividends received from off-shore companies), 15% withholding tax when paid. The rate can be reduced under an applicable tax treaty, and the dividends can be exempt if it is applicable the EC parent-subsidiary directive.

**Other tax incentives**

N/A

**Situation for angels investing through a co-investment or angel fund**

Up to 20%. Investments in high-risk companies, established under special law, are tax exempt.

**Opportunities/obstacles in the framework of a cross-border investment**

N/A

Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund

N/A

Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?

N/A

Are fiscal incentives available for investments outside the country? If so, where do they apply?

N/A

Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?

N/A

**Sources of information**

Slovenian Tax Code
Spain

**Income tax rate**

**Individual:** Up to 45%

**Individual, incentive for Catalan Business Angels:** According to Law 7/2011, of 27 July, the investor business angel can apply for a deduction in terms of income tax (IRPF) for stock acquisitions or investments in start-ups or companies recently created. The taxpayer, in the income tax part corresponding to Catalonia Region, and with effect since 1 January of 2010, will have a deduction of 30% of the quantities invested in start-ups during the previous exercise with a maximum deduction of EUR 6,000. The stockholding acquired cannot exceed the 35% of the Social Capital of the start-up*.

**Individual, incentive for Business Angels from Madrid:** In the Madrid Region, Law 10/2009, of 23 December, establishes a similar measure in the income tax for Madrid Business angels. In this case, the deduction will be the 20% of the investment in start-ups with maximum quantity of EUR 4,000. The stockholding acquired can’t exceed the 40% of the Social Capital of the start-up *.

*Both fiscal measures were promoted by Fundación ESBAN and BANC.

**Corporate:** 30% in general terms (a reduced rate applies to small and medium-sized enterprises).

**Capital Gain tax rate**

**Individual:** 19% in the first EUR 6,000 and 21% on income exceeding this amount.

**Corporate:** Subject to corporate income tax. Exemption, subject to conditions, for capital gains derived from a holding in a non-resident company, except tax havens (most important condition is that the Spanish company must hold a participation of at least 5% for at least 1 year).

According to Law 8/2011, of 1 July, capital gains derived from the transfer of stock options or shares in start-ups and companies recently created will be exempt. To apply this exemption, the total acquisition value cannot exceed, for all entities, EUR 25,000 annual, nor EUR 75,000 per entity during the period of three years.

**Dividends tax rate**

**Individual:** 19% (exception for the first EUR 1,500)

**Corporate:** Subject to corporate income tax (available double tax relief)

**Other tax incentives**

Law 4/2008, of 23 December, took off the Wealth Tax and introduced some amendments in tax regulations. The third additional provision of the aforementioned Law named 'Analysis of new figures to promote the creation of small and medium companies' foresees that the Spanish Government will examine the existing systems in the comparative Law to encourage the creation of small and medium companies and support entrepreneurs responding to the name of 'business angels' analysing its feasibility in Spain and the legal and tax regime that would be applicable.

In this regard, on 22 April 2009, the Commission on Science and Innovation of the Spanish Congress approved a non-legislative motion (number 161/000858) regarding the regulation of business angels as an instrument of enhancing innovation, which (in connection with the referred third additional provision of Law 4/2008) proposes to (i) create a regulation that recognises the figure of the business angels, giving the Spanish Government a six-month period to submit a study relating to comparative Law systems, in order to be able to establish a new legal and tax regime for business angels that should be in force by 1 January 2010; (ii) initiate processes of collaboration between the administration and the business angels networks in order to define the future legal and tax regime for business angels, and to establish further mechanisms of information, promotion, monitoring and validation of projects, allowing the evaluation of its impact on the economy; and (iii) articulate the relevant financial and fiscal incentives for financing through the figure of business angels and applicable to individuals as well as to corporations.

**Situation for angels investing through a co-investment or angel fund**

Empresa Nacional de Innovación, S.A. (ENISA), public body devoted to invest in creating and developing small and medium companies, is jointly investing with Spanish major business angels’ networks on a stable basis. On 2010, ENISA and AEBAN signed a co-operation agreement in order to finance small and medium-size enterprises. ENISA will finance these companies through participating loans.

Institut Català de Finances (ICF), public financing body of the Catalan Government, in 2012 has set up IFEM, a new co-investment line for catalan start-ups. ICF will provide participating loans to those start-
ups that have already been invested by some of the local business angel networks. BANC and ICF have signed an agreement of co-investment.

**Opportunities/obstacles in the framework of a cross-border investment**

<table>
<thead>
<tr>
<th>N/A</th>
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<tbody>
<tr>
<td>Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund</td>
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<tr>
<td>N/A</td>
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<tr>
<td>N/A</td>
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<tr>
<td>Are fiscal incentives available for investments outside the country? If so, where do they apply?</td>
</tr>
<tr>
<td>N/A</td>
</tr>
<tr>
<td>Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?</td>
</tr>
<tr>
<td>N/A</td>
</tr>
</tbody>
</table>

**Sources of information**

- Red Española de Business Angels (ESBAN), [www.esban.com](http://www.esban.com)
- [www.ipyme.org/IPYME/es-ES/Publicaciones](http://www.ipyme.org/IPYME/es-ES/Publicaciones)
- [www.businessangel.es](http://www.businessangel.es)
- Asociación Española de Business Angels Networks (AEBAN), [www.aeban.es](http://www.aeban.es)
- Business Angels Network de Catalunya (BANC), [www.bancat.com](http://www.bancat.com)
Sweden

Income tax rate

*Individual:* Up to 57%.
*Corporate:* 26.3%

Capital Gain tax rate

*Individual:* The tax rate is 30%. On unlisted shares, the rate is 25%. Special provision applies with respect to close companies.
*Corporate:* Capital gains are subject to ordinary income tax. The corporate income tax rate is 26.3%. Participation exemption (tax exemption) applies with respect to capital gains on unlisted shares in a Swedish limited company and on shares in a similar foreign company. Furthermore, the same applies with respect to shares in a listed company, provided the shares represent 10% or more of the voting capital and have been held for at least 1 year.

Dividends tax rate

*Individual:* 30% (can be lower in certain situations).
*Corporate:* Subject to corporate income tax. A 30% withholding tax applies to dividends paid by a Swedish company to a foreign company. A rate reduction or an exemption may be the case under a tax treaty, the participation exemption or the EC parent-subsidiary directive.

Other tax incentives

N/A

Situation for angels investing through a co-investment or angel fund

There is a special tax treatment in Sweden in respect of investment funds.

Opportunities/obstacles in the framework of a cross-border investment

Foreign investors might be subject to withholding tax on dividend payments from a Swedish company or investment fund. Royalty payments from Sweden can also be taxed in Sweden. Otherwise, foreign investors are normally not liable to pay tax in Sweden if there is no investment in real estate or a permanent establishment in Sweden.

Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund

N/A

Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?

N/A

Are fiscal incentives available for investments outside the country? If so, where do they apply?

N/A

Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?

N/A

Sources of information

Swedish Law, the Swedish Government’s home page and Swedish Tax Agency (Skatteverket)

www.svca.se; www.skatteverket.se; www.regeringen.se
**Switzerland**

**Income tax rate**
- **Individual**: Up to approximately 40% (federal + cantonal/communal income taxes).
- **Corporate**: From 12% to 25%.

**Capital Gain tax rate**
- **Individual**: Tax free unless gain is regarded as business income.
- **Corporate**: Taxed at the ordinary corporate tax rate. Relief for capital gains derived from the sale of participation of at least 10% held for more than 1 year.

**Dividends tax rate**
- **Individual**: Taxed at the ordinary individual tax rate, but reduced tax rates for shareholdings > 10% available.
- **Corporate**: Taxed at the ordinary corporate tax rate. Relief for dividends received from a participation of at least 10% or the value of the participation is at least CHF 1 million. Dividends are subject to 35% withholding, but can be reduced up to 0% under the Swiss–EU Savings Agreement.

**Other tax incentives**
- Tax holidays and special tax regimes available if certain criteria are met.

**Situation for angels investing through a co-investment or angel fund**

N/A

**Opportunities/obstacles in the framework of a cross-border investment**

N/A

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

N/A

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**

N/A

**Are fiscal incentives available for investments outside the country? If so, where do they apply?**

N/A

**Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?**

N/A

**Sources of information**

Switzerland Tax Code
**Income tax rate**

**Individual:** Progressive tax rates up to 52%.

**Corporate:** The Netherlands has progressive tax rates: EUR 0 to EUR 200,000: 20%; income exceeding EUR 200,000: 25% (likely to be further reduced to 24% in 2012).

**Capital Gain tax rate**

**Individual:**
If the taxpayer holds at least 5% of a company’s shares, capital gains are taxed at a 25% flat rate.

If the resident taxpayer holds less than 5% of a company’s shares, the portfolio shares are deemed to provide an annual 4% return per year, which is taxed at a rate of 30%. The 4% annual return covers capital gains as well as the dividends. The effective tax is \((4\% \times 30\%) = 1.2\%\) of the value of the shares per January 1.

Non-resident taxpayers are normally not taxed for capital gains on portfolio shares.

**Corporate:** Capital gains are taxed at the normal tax rates. Capital gains derived from the sale of a participation of 5% or more are exempt (participation exemption). Capital gains arising on a merger may be exempt if certain requirements are met. A fiscal unity is possible as from a participation of 95%.

**Dividends tax rate**

**Individual:**
If a resident taxpayer holds 5% or more of a Dutch company’s shares, dividends are taxed at a 25% flat rate. Non-residents with an interest of 5% or more in a Dutch company are normally also subject to 25% income tax. The income tax on dividends can be lower if a tax treaty applies. Often the income tax is reduced to 15%.

If a resident taxpayer holds less than 5% of a company’s shares, the shares are deemed to provide an annual 4% return per year (dividend and capital gains), which is taxed at a rate of 30%. The effective tax is \((4\% \times 30\%) = 1.2\%\) of the value of the shares per January 1. Non residents are not subject to income tax for the portfolio shares.

Dividend is subject to a 15% withholding tax. Residents can reclaim the withholding tax. Non-residents can be entitled to a lower withholding tax rate of refund, if a tax treaty applies.

**Corporate:** Dividends received by a Dutch resident company are exempt unless the subsidiary qualifies as a low-taxed company. Dividends paid from a Dutch company to non-residents are subject to 15% withholding tax, but non-residents may be exempt from Dutch dividend tax or be entitled to a tax refund, depending on whether there is a tax treaty.

**Other tax incentives**

- Profits derived by corporate taxpayers from innovations are taxed at an effective tax rate of 5%. The innovation must be self-developed and only profits attributable to the innovation are taxed at the 5% rate. Individuals can claim a reduction of the tax base for the purpose of determining the tax liability up to an amount of EUR 55,476 (amount 2011) for investment in certain designed venture capital funds and start-up companies.
- Up to 50% reduction in Wage Tax and National Insurance Contributions for the first 220,000 EUR of aforementioned Wage Tax and National Insurance Contributions, 18% reduction for said costs exceeding EUR 220,000, for employees working in R&D of innovative companies. For 2012 reduction rates will be 45% and 18% for costs exceeding EUR 150,000.

**Situation for angels investing through a co-investment or angel fund**

The TechnoPartner Seed Facility stimulates and mobilises the Dutch early stage risk capital market by co-funding venture capital funds. These private funds finance high-tech start-up and small companies. Private parties, like business angels, can establish a venture fund and get their capital matched by government loans. The fund takes the investment decision (not the government/Ministry of Economic Affairs).

**Opportunities/obstacles in the framework of a cross-border investment**

Extensive network of tax treaties. Almost 90 international treaties in effect.
Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund

N/A

Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?

N/A

Are fiscal incentives available for investments outside the country? If so, where do they apply?

N/A

Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?

N/A

Sources of information

www.belastingdienst.nl/english
Turkey

**Income tax rate**

*Individual*: Progressive rate between 15% and 35%.

*Corporate*: 20%

**Capital Gain tax rate**

*Individual*: 15% up to 35% on a progressive basis, with some exemptions related to the holding period of the asset.

*Corporate*: Subject to corporate income tax, but 75% of capital gains derived from the sale of domestic participations are exempt from corporation tax if some conditions are satisfied.

**Dividends tax rate**

*Individual*: 15% up to 35% on a progressive basis.

*Corporate*: Dividends received by resident companies from other Turkish companies are exempt. Dividends received from non-resident companies are exempt under certain conditions (most important for participations of at least 10% for at least 1 year and subject to a foreign income tax of at least 15% or 20%). Dividends payment to a non-resident company are subject to a 15% withholding tax which can be reduced under a tax treaty.

**Other tax incentives**

Incentives for designated Technology Development Zones:

Any company that qualifies to operate within the government-designated "Technology Development Zones" holds the following exemptions until 31 December 2013.

- The R&D Personnel who work within the zone are exempt from personal income tax;
- The company is exempt from corporate tax that applies to the R&D income relating to the R&D activities within the zone;
- The company is exempt from applying Value Added Tax to the software products that are developed within the zone.

Several other incentive mechanisms also exist for the companies of the zone that co-operate with the University Academicians (e.g.: sinking fund exemptions).

Incentives for encouragement of private R&D activities: Corporations that employ over 50 full-time R&D personnel can apply to become a “Research and Development Center”, which allows them the following exemptions:

- Deductions for R&D-related expenditure off the Taxable Income;
- Income tax exemptions for R&D personnel (90% for PhDs, 80% for MSc);
- Social Security subsidies for R&D Personnel (50% of employer’s cost is subsidised by the Ministry of Finance for up to 5 years).

(Detailed info can be found at www.invest.gov.tr)

**Situation for angels investing through a co-investment or angel fund**

N/A

**Opportunities/obstacles in the framework of a cross-border investment**

Very open-minded attitude towards foreign direct investment.

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

Several regulations are being drafted at the moment regarding investment portfolio companies and their administration. Many venture capital companies are already emerging, especially in the greater Istanbul area.
Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?

N/A

Are fiscal incentives available for investments outside the country? If so, where do they apply?

Several incentive programmes exist. Incentives vary in size, duration and type depending on the sector (construction, IT and marketing have custom-made incentive programmes offered by different Government organisations).

Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?

N/A

Sources of information

KOSGEB (Government SME support agency):
www.imes.kosgeb.gov.tr/images/Turkey/taxsysteminTURKEY.pdf
TAX OUTLOOK IN EUROPE. BUSINESS ANGELS PERSPECTIVE

United Kingdom

Income tax rate

**Individual**: Up to 50%.

**Corporate**: Main rate of corporate income tax until 31 March 2011 was 28%. From 1 April 2011 this has reduced to 26% and from 1 April 2012 to 25%. It has been announced but not enacted that it will continue reducing by 1% per annum until it reaches 23% by 1 April 2014. There is a reduced rate for small companies (taxable profits less than GBP 300,000) of 21%, reducing to 20% from 1 April 2011.

**Limited Liability Partnerships (LLP)**: Apart from some circumstances in which they are treated as companies, the members of the LLP are treated as earning the income personally, and are taxed on their share according to whether they are an individual or a company.

Capital Gain tax rate

**Individual**: Capital gains tax is payable at a rate of 18% for basic rate taxpayers (total taxable income and gains of GBP 43.875 or less – depending on availability of UK personal allowance) and 28% for higher-rate taxpayers on all disposals after 23 June 2010, with a special rate of 10% on the first GBP 10 million of capital gains on business assets where certain conditions are met. Individuals who are non-UK resident and non-UK ordinarily resident are not chargeable to UK capital gains tax, subject to anti-avoidance provisions. Details in table below.

**Corporate**: UK-resident companies are subject to Corporation Tax at applicable rate on Capital Gains. Non-resident companies are not subject to UK capital gains (subject to anti-avoidance provisions). Exemptions are available where conditions are met for companies (i) selling shareholding in a company in which it owns 10% or more; (ii) for inter-group sales within a Capital Gains Group; and (iii) share-for-share transactions (among others).

**Limited Liability Partnerships (LLP)**: Apart from some circumstances in which they are treated as companies, the members of the LLP are treated as earning the income personally, and are taxed on their share according to whether they are an individual or a company.

Dividends tax rate

**Individual**: Up to 42.5%. Dividends from UK companies have a 10% tax credit, resulting in a maximum effective tax rate of 36.1%. Foreign dividends receive the tax credit and are taxed in the same way in most circumstances.

**Corporate**: Dividends received by a UK resident company from another UK company, not within a group for Corporation Tax purposes, are exempt from corporation tax, though are taken into consideration in calculating of the appropriate tax rate where the company’s profits are between the basic rate profits and higher rate profit levels. Dividends received from a non-resident company generally follow the same rules and are exempt from UK tax, subject to a number of conditions. Dividends received from a group company are exempt from tax, subject to anti-avoidance, and are not considered when calculating the appropriate tax rate.

**Limited Liability Partnerships (LLP)**: Apart from some circumstances in which they are treated as companies, the members of the LLP are treated as earning the income personally, and are taxed on their share according to whether they are an individual or a company.

Other tax incentives

See table below

**Situation for angels investing through a co-investment or angel fund**

See table below

**Opportunities/obstacles in the framework of a cross-border investment**

See table below

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**

The only specifically-designed fiscal incentives for BA are the Enterprise Investment Scheme (EIS) and, for investments through a fund, Venture Capitalist Trusts (VCT).

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**

N/A
Are fiscal incentives available for investments outside the country? If so, where do they apply?
The EIS is only available on shares subscribed for cash in companies with a UK-permanent establishment, and can only benefit individuals with UK taxable income or capital gains.

Impact of fiscal incentives for angels. Has the impact been measured? What are the main results?
N/A

Sources of information
www.hmrc.gov.uk/eis
<table>
<thead>
<tr>
<th>Tax break/tax system</th>
<th>Main restrictions</th>
<th>Investment channel</th>
<th>Investment target</th>
<th>Rules concerning the amount granted</th>
<th>Length of the investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct investments by a private individual</td>
<td>Entrepreneurs’ Relief provides for the first GBP 10m of lifetime gains on qualifying business assets to be taxed at 10% rather than up to 28%. Investors must hold at least 5% of the shares and voting rights of a trading company (or parent of trading group), and must be employees or officers of the company (or a company in the group); or must be a member of the qualifying partnership for 12 months prior to disposal.</td>
<td>Entrepreneurs’ Relief</td>
<td>The company must be a trading company, or a member of a trading group</td>
<td>No limit on sum invested, but only the first GBP 10m in lifetime gains can be taxed at reduced 10% rate</td>
<td>Minimum length of holding of investment is 12 months.</td>
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<tr>
<td></td>
<td>Income Tax reduction of 20% on amount invested in qualifying investments up to GBP 500,000 (limited to income tax liability if less than this). Investment can also be carried back and set against the previous year’s income tax liability instead if desired. Income Tax reduction to be increased to 30% from 6 April 2011, subject to EU State Aid approval. Capital Gains Tax (CGT) deferral relief: a capital gain from any asset can be deferred to the extent that the proceeds are invested in shares of a company that qualifies under EIS. The deferral lasts until the EIS shares are disposed of or there is some other chargeable event. Any gain from the disposal of the shares in the EIS company is exempt from CGT after 3 years. Inheritance tax exemption after 2 years.</td>
<td>Capital Gains Tax</td>
<td>Gross assets of the company cannot exceed GBP 7m before any share issue and GBP 8m after that issue. Qualifying trades: a specific list of non-qualifying trades has been drawn to ensure that the scheme targets companies likely to face a barrier to finance and meets State Aid rules. Must be an unquoted company when shares are issued (i.e. not listed on the London Stock exchange or a foreign stock exchange; however, this does not include AIM or PLUS Quoted markets). The company must have fewer than 50 employees. Must not be controlled by another company. The money raised can be used for a qualifying purpose within 2 years. The company must have a permanent establishment in the UK. Significant relaxations to these rules are expected to come into effect from 6 April 2012, subject to EU State Aid approval.</td>
<td>Minimum investment of GBP 500 per company per tax year. There is an annual investment limit of GBP 2m applicable to the investee company.</td>
<td>All investments must remain in the company for a minimum period of 3 years.</td>
</tr>
<tr>
<td></td>
<td>Capital losses can be offset against UK income instead of UK gains if desired. Tax relief equal to up to 50% of loss. Can also be carried back to previous year and set against income. Shares must be subscribed (i.e. new shares) in a qualifying trading company (e.g. a EIS company – but not restricted to just EIS companies)</td>
<td>Enterprise Investment Scheme</td>
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### Tax Outlook in Europe: Business Angels Perspective

<table>
<thead>
<tr>
<th>Tax Break/tax system</th>
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<th>Rules concerning the amount granted</th>
<th>Length of the investment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment through Public Limited Company</strong></td>
<td>Depending on the approach used, the setting up costs: between GBP 20–80 (for direct filings) or GBP 500–550 (if an incorporate agent is used)</td>
<td></td>
<td>Minimum capital required: GBP 50,000, paid up to at least quarter of the nominal value plus any premiums</td>
<td>No particular restrictions</td>
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<td>Can be incorporated on a “same day” basis (less expensive in a standard incorporation system = 5–7 days)</td>
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<tr>
<td><strong>Investment through Private Limited Company</strong></td>
<td>Setting up costs: between GBP 20–80 (for direct filings) or GBP 150–300 (if an incorporate agent is used)</td>
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<td>No legal minimum capital (but at least 1 share of GBP 1)</td>
<td>No particular restrictions</td>
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<td></td>
<td>From 5 to 7 business days to be incorporated (if an incorporated agent is used it may take 1 or 2 days)</td>
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<tr>
<td>Situation for angels investing through a co-investment or angel fund</td>
<td>Opportunities/obstacles in the framework of a cross-border investment</td>
<td>Sources of information on fiscal environment or efficiency of fiscal incentives for angels</td>
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<tr>
<td>EIS rules and benefits apply directly if the participation occurs in a syndicate as part of an Angel Co-investment Fund</td>
<td>EIS benefits will apply to investments made in any company with a permanent establishment in the UK</td>
<td><a href="http://www.hmrc.gov.uk/eis">www.hmrc.gov.uk/eis</a></td>
<td></td>
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<tr>
<td>EIS-Approved Funds: Angels can participate in an approved EIS fund, which makes the investment on their behalf All EIS shares acquired through the fund are treated as though they had been issued on the date when the fund closed NB 90% of the fund must be invested within 12 months in order for the individual angel investor to qualify for EIS relief. The fund must also invest in at least four companies. The shares must be held in the qualifying companies for at least 3 years For unapproved EIS funds: Minimum of investment per company of GBP 500 in each EIS-qualifying company, and the same 3-year shareholding</td>
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<tr>
<td>Venture Capital Trusts Venture Capital Trusts provide 30% income tax relief on investments of up to GBP 200k per year, exemption from tax on dividends and exemption from Capital Gains Tax Investments are managed by a Fund Manager – there is minimal involvement on the part of the investor</td>
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</table>
3. Brief overview of American state tax policy

Taxation in the United States is a complex system that may involve payment to at least four different levels of government and many methods of taxation. United States taxation includes local government, possibly including one or more of municipal, township, district and county governments. It also includes regional entities, such as schools and utilities, and transit districts, as well as state and federal government.

The federal corporate income rate varies between 15% and 35%, depending on taxable income, and applies to the worldwide income of U.S. corporations, and to such income of foreign corporations as is effectively connected with a U.S. trade or business. The U.S. individual income tax is rated progressively between 15% and 35%.

Gains derived by companies on assets held for investment are taxed at the same capital gains rates (currently 15%, but subject to legislation currently in Congress). Gains from the sale of depreciable property used in business are treated as ordinary income, to the extent that they result in the recovery of past depreciation.

Fiscal Incentives for business angels in the United States of America

Accordingly to a study from the NGA Center for Best Practices (“State Strategies to Promote Angel Investment for Economic Growth” – February, 2008), published by the Angel Capital Association, angel investors typically have investment portfolios in excess of USD 250,000 in multiple companies. The local businesses in which they invest create high-skill, high-wage jobs and make important contributions to states and their communities.

Some states have created state-wide networks to support the formation of business angel groups, and are currently adopting policies to promote them by helping groups invest together in companies that require larger amounts of funding. Several options can be taken to promote early-stage investment by business angels: (i) expand investor education through seminars for accredited investors; (ii) invest in resources for entrepreneurs and ensure that angel investors are included in an overall portfolio of services to support entrepreneurship; (iii) help establish and support state-wide angel networks; (iv) ensure that angel investors are represented on state economic development advisory boards; (v) provide financial incentives to encourage angel investment; and (vi) identify and collect metrics to monitor the impact on policies to encourage angel investment.

In the context of financial incentives, governors can determine promising practices to mobilise local investment such as tax credits, conditional loans or matching grants for angel investment.
The most common incentive, and the most controversial, is the personal tax credit. More than eighteen states have early-stage investment tax credits with rates of 10% to 100%, several of which have been enacted recently. Those programmes are very different by state, with a wide variety of details involved. Kentucky is trying a different model with the Kentucky Investment Fund Act, where professionals who managed funds with more than USD 500,000 invested in qualified companies are offered a 40% personal or corporate tax credit. Michigan has implemented the Angel Investor Incentive, a personal income tax deduction on reinvestment in qualified companies.

There are many different opinions amongst angels, policymakers and the public about the impact of tax credits on angel investment and sustainable entrepreneurial start-ups. Many angel investors are enthusiastic about tax credits because credits increase angels’ return on investment. However, the economic benefits of the investment tax credit to states are unknown because of the lack of data and the difficulty of measuring economic impacts. Some believe that credits will be likely to increase the size of completed deals, but that they will be unlikely to increase the number of ventures funded because they do not improve deal quality. Recent studies have also shown that the benefits of investor tax credits also depend on a number of factors, such as whether the credit is temporary or permanent.

New investment tax credits reward not only new angels but also those who are already actively investing, lowering the benefit–cost ratio of tax credits. At the same time, tax credits can establish a political platform to spark interest in early-stage investment, create a mechanism by which to measure state angel investment, and attract new investors through marketing by attorneys and accountants.

The most important aspect of a tax credit is its credit rate. States with tax credit rates of 10% did not appear to experience significant increases in investment: Vermont’s 10% investment credit was enacted in 2004 and no credits were claimed. In Hawaii, only USD 162,000 was claimed by 23 taxpayers in its credit’s first year. In 2002, over USD 26 million was claimed in Hawaii after the state increased the rate from 10% to 100%. Programmes can also be designed to allocate the following year’s credits if current credits are exhausted, as in Wisconsin, where credits are capped at USD 3 million per year.