TAX OUTLOOK IN EUROPE
BUSINESS ANGELS PERSPECTIVE 2014

EBAN BDO
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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 2014. 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, and to Medina Braha, Research Analyst at EBAN and Teaching Assistant from University of Prishtina, for their efforts in compiling the data as well as collecting and organizing all the information. 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.

Candace Johnson

President – the European Trade Association for Business Angels, Seed Funds, and other Early Stage Market Players (EBAN)
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United Kingdom

3. Brief overview of American state tax policy
EXECUTIVE SUMMARY

➢ Goals and Contents

This compendium of the year 2014 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 34 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 and other sources of information that have shared their experience and knowledge from their respective countries. Then, together with BDO, the information received was collected and organised. In addition, BDO 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 is equal to or above 30%. Only three of the analysed countries have tax on income between 25% and 30%: Austria, The Netherlands and Norway.

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, Luxembourg, 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.

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% 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.

France has had a tradition for public intervention at the capital markets using various instruments such as loan guarantees and tax reliefs to the smallest firms. However, the situation changed recently due to significant budget cuts.

**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 for 50.28% of their amount. The remaining 49.72% is included in the taxable income of the individual shareholder, subject to individual income tax 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.
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 doubled 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>Austria</td>
<td>Up to 50%</td>
<td>25%</td>
<td>Up to 25%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></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></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></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 35% plus a surtax up to 3.5%</td>
<td>12.5%</td>
<td>Generally not taxed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Czech Republic</td>
<td>15%</td>
<td>19%</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>Up to 55.56%</td>
<td>24.5% in 2014, 23.5% in 2015 and 22% in 2016 and onwards</td>
<td>27% to 42%</td>
</tr>
<tr>
<td>Estonia</td>
<td>21%</td>
<td>0% until dividends distributed</td>
<td>21%</td>
</tr>
<tr>
<td>Finland</td>
<td>Up to 31.75% + municipal 16.5% to 22.5% + surtax of up to 2.25%</td>
<td>20%</td>
<td>30%-32%</td>
</tr>
<tr>
<td>France</td>
<td>Up to 45% plus a surtax up to 4%</td>
<td>34.43%-38.1%</td>
<td>16% for sales in long-term business assets</td>
</tr>
<tr>
<td>Germany</td>
<td>Up to 47.5%</td>
<td>25% to 33%</td>
<td>Taxed at individual tax rate (applied only to 60% of gains) or 26.375%</td>
</tr>
<tr>
<td>Greece</td>
<td>Up to 42%</td>
<td>Up to 33%</td>
<td>15%</td>
</tr>
<tr>
<td>Hungary</td>
<td>16%</td>
<td>19% (10% under HUF 500 million)</td>
<td>16%</td>
</tr>
<tr>
<td>Ireland</td>
<td>Up to 52%</td>
<td>12.5% (trading) or 25% (non-trading)</td>
<td>33%</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
<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>Italy</td>
<td>Up to 43% + regional tax rate up to 2.63% + municipal tax rates up to 0.9%</td>
<td>27.5% plus the regional tax (generally 3.9%)</td>
<td>Taxed at individual tax rate. Exemptions*</td>
</tr>
<tr>
<td>Kosovo</td>
<td>Up to 10%</td>
<td>10%</td>
<td>10% on a net basis</td>
</tr>
<tr>
<td>Latvia</td>
<td>24%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Up to 40%</td>
<td>21% + 7% + 6% to 12% municipaliti y</td>
<td>Up to 43.6%</td>
</tr>
<tr>
<td>Macedonia</td>
<td>10%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Norway</td>
<td>28%* plus a marginal tax of up to 12%</td>
<td>28%</td>
<td>28%</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 48%</td>
<td>23% plus municipal tax (generally 1.5%)</td>
<td>28%</td>
</tr>
<tr>
<td>Romania</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Russia</td>
<td>13% (residents) or 30% (non-residents)*</td>
<td>20%</td>
<td>13%</td>
</tr>
<tr>
<td>Serbia</td>
<td>10%/15%/20%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>Up to 25%</td>
<td>22%</td>
<td>Up to 25%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Up to 50%</td>
<td>17%</td>
<td>20% to 5% depending on holding period</td>
</tr>
<tr>
<td>Spain</td>
<td>Up to 56%</td>
<td>30%</td>
<td>21% to 27%</td>
</tr>
<tr>
<td>Sweden</td>
<td>Up to 57%</td>
<td>22%</td>
<td>30% (25% on unlisted shares)</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Up to 44%</td>
<td>From 12% to 30%</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
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<tbody>
<tr>
<td></td>
<td>Individual</td>
<td>Corporate</td>
<td>Individual</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>Up to 52%</td>
<td>Up to 25%</td>
<td>25% or 1.2% of the fair market value</td>
</tr>
<tr>
<td>Turkey</td>
<td>Up to 35%</td>
<td>20%</td>
<td>Up to 35%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Up to 45%</td>
<td>(reducing to 20% from 1 April 2015)</td>
<td>18% or 28%<em>. Exemptions</em></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
2) Under certain conditions
3) **As from 2011

<table>
<thead>
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<td>Austria</td>
<td>Up to 50%</td>
<td>25%</td>
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<td>33% plus surtax of 3%</td>
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<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>Estonia</td>
<td>21%</td>
<td>0% until dividend distributed</td>
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</tr>
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<td>Up to 30% + municipal 16.25% to 21% + surtax of up to 2%</td>
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<td>30%-32%</td>
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<td>30%-32%</td>
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<tr>
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<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>
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<tr>
<td>Greece</td>
<td>Up to 45%</td>
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<tr>
<td>Hungary</td>
<td>16%</td>
<td>Up to 19%</td>
<td>16%</td>
</tr>
</tbody>
</table>
Country Profile

Austria

**Income tax rate**
- **Individual:** Progressive rates up to 50% (for income exceeding EUR 60,000).
- **Corporate:** 25%.

**Capital Gain tax rate**
- **Individual:** Capital gains relating to investments and real estate are subject to a 25% capital gains tax. The alienation of participations of less than 1% in a corporation or participations in an investment fund acquired before 1 January 2011, bonds or derivations acquired before 1 April 2012 and real estate acquired before 1 April 2012 usually is subject to more favourable grandfathering rules.
- **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 EU 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 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.

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

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

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

**Sources of information**
- Austria tax code
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. Subject to conditions and in case the below rates do not apply. Capital gains on shares are taxable at 25% in case the participation is not maintained for at least one year. It would be possible to utilize deferred tax assets against said taxable basis. In case the company does not qualify as a small company (article 15 Belgian company code), and the 1 year holding period is maintained a special corporate income tax rate of 0.412% will be applicable against which no deferred tax assets can be offset.

**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 .2.5 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. As from tax assessment year 2014, the "fairness" tax was introduced in Belgian tax law. The tax amounts to 5.15% of a specific and complex taxable basis which takes into account the amounts of dividends distributed and the amount of deferred tax assets applied for a given year.

**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 200,000/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.
- National interest deduction, a mechanism available not only for Flanders but for the whole of Belgium.
- 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.

**Situation 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/ in the framework of a cross-border investment**

The moderate corporate income tax rate in combination with different types of tax deductions such as the notional interest deduction, the patent income deduction, the interest deduction for the acquisition of participations and also taking into account the favourable capital gain regime on shares provide Belgian companies with a competitive effective tax rate.

**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% tax rate for corporate income tax

- 100 per cent reduction of corporate tax is available if the company carries out its manufacturing activities in municipalities with high unemployment if some conditions are simultaneously fulfilled;
- Agricultural producers are also entitled to a 60% corporate tax rebate for profits derived directly from the sale of raw agricultural products. The tax rebate for agricultural producers for 2014 shall be applied only after the European Commission on compatibility with the State aids rules adopts a positive decision by March 31, 2015;
- Accelerated tax depreciation (100% per annum) for assets formed as a result of research and development activities;
- The corporate income tax incentives are granted in two forms – a corporate income tax exemption and/or a tax reduction.

**Capital Gain tax rate**

*Individual*: Normally taxed at ordinary individual income tax rate (but certain exemptions may apply).

*Corporate*: Generally subject to corporate income tax, except in the following cases:
- gains on the disposal of shares listed on the Bulgarian and EU official stock exchanges are exempt;
- profit from the transactions set out above is exempt from tax at source.

**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 when distributed to residents of an EU member state.
- Dividends and liquidation proceeds attributable to non-resident taxpayers and local individuals exceeding the value of their initial investment, that are not taxable for residents of EU member states under certain conditions or 5% for all other non-residents.
- 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**

There are domestic tax incentives for investments and the creation of new jobs in depressed regions, as well as EU grants.

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).
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.

From 01 January, 2014 right of usufruct in agricultural land or other limited real rights in land. The restrictions on the acquisition on agricultural land are: (1) commercial companies which partners and shareholders directly or indirectly are companies, registered in jurisdictions with preferential tax regimes; (2) commercial companies where partners and shareholders are other than citizens or entities of the member states of the European Union and the European Economic Area; (3) joint-stock companies that have emitted bearer shares.

Foreign citizens and foreign companies have the right of acquisition on agricultural land if they have been resident or established in the Republic of Bulgaria for more than 5 years. Companies with registration under Bulgarian law less than 5 years may acquire right on agricultural land if the partners, the members of the association or the founders of the joint-stock company meet the requirements under first paragraph. Declaration for origin of the funds is needed before the deal for acquisition of land.

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. Recently the BGN is pegged to the Euro at the 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

- Accelerated tax depreciation of machinery, production equipment and apparatuses which are part of the initial investment or have been acquired in connection with an investment made to increase energy efficiency. The annual tax depreciation rate is up to 50% (in the general case the annual tax depreciation rate for these assets is 30%)
- Collective investment schemes, which are admitted for public offering in Republic of Bulgaria and any national investment funds /from 2014/ under the Collective Investment Schemes and other Undertakings for Collective Investments Act are exempt from the levy of corporation tax.
- Any special purpose investment company under the Special Purpose Investment Companies Act is exempt from the levy of corporation tax. Companies with a special investments purpose are shareholding companies which invest money in real estates or accounts receivable.

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
Agricultural Land Ownership and Use Act
Corporate Income tax Act
**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?**

No.

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

No.

**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 35% on remaining amounts. In addition, a “special contribution” has been levied from 2013 for incomes above EUR 1,500 per month starting from 2.5% of monthly incomes up to EUR 2,500, 3.0% of monthly income up to EUR 3,500 and 3.5% for remaining amounts.

**Corporate:** 12.5%

### 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:** 17% 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 17%. 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 6.25%. 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% (with a 7% increase in the rate for income from employment and entrepreneurship exceeding 48 times the average salary within the calendar year).

*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). It is proposed that as of 1 January 2015, only certain investment funds (e.g. open-ended mutual funds, funds investing into specific securities, etc.) will be subject to the 5% rate. Other funds will be subject to the ordinary corporate income tax rate of 19%.

**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 uninterrupted 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%.

*Corporate*: 15%. Dividends received by residents from residents 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 to non-residents are normally subject to a 15% withholding tax. The standard rate is 15%, with the 35% rate levied on income paid to a tax haven. Dividends paid to companies located in other EU member state 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**

Investment incentives are available for introduction or expansion of the production in the manufacturing industry, for technological centres and strategic service centres. Available investment incentives include 10 year corporate income tax relief (full or partial), job creation grants, grants for retraining employees, property related incentives, tangible and intangible assets incentives.

The following changes are, among others, proposed as of 1 January 2015:

- New types of incentives (e.g. real estate tax relief in preferential industry areas),
- Incentives for technological centres and strategic service centres should be expanded to cover data centres and customer service centres.

Furthermore, companies can claim corporate income tax allowance for research and development activities (100 - 110% of eligible R&D expenses).

**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 55.56% (including employee social security contribution).

**Corporate:** 24.5% in 2014, 23.5% in 2015 and 22% in 2016 and onwards.

**Capital Gain tax rate**

**Individual:** Capital gains are taxed at progressive rates between 27% (for income up to DKK 49,200) and 42% on exceeding income (2014 figures. The threshold amount is double for spouses).

**Corporate:** Capital gains are normally included in corporate income tax and are subject to 24.5%. Gains or losses on shares are exempt (unless it is trade shares (in Danish: "næringsaktier").

**Dividends tax rate**

**Individual:** Dividends are taxed at progressive rates between 27% (for income up to DKK 49,200) 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 (24.5%). However, dividends received by a Danish company from a Danish or non-resident company are exempt if the parent company (1) holds at least 10% of the share capital and (2) the subsidiary is resident in Denmark, the EU/EEA or a country that has concluded a tax treaty with Denmark and the foreign country has to reduce or abandon its withholding taxation according to the Parent-Subsidiary Directive or the relevant tax treaty, and (3) the parent company is the beneficial owner of the dividend (i.e. is not a conduit company). If the Danish company controls the dividend paying company such dividend can also be tax exempt. Denmark has enacted certain anti-abuse regulations to avoid steps taken with the aim to “transfer” dividend amounts into capital gain on shares.

Dividends paid to non-residents are subject to 27% withholding tax, which can be reduced according to a tax treaty. However, dividends paid to foreign parent companies can be exempt in similar circumstances as mentioned above.

**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 55.56% (individuals).

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

N/A (new case law has established a PE of foreign investor’s investment in Danish shares through a Danish tax transparent limited partnership (in Danish: “kommanditselskab” eller “partnerselskab”)

**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
Estonia

**Income tax rate**

*Individual:* 21% (to be lowered to 20%)

*Corporate:* 0% until dividends distributed

**Capital Gain tax rate**

*Individual:* gains are taken into account as an income and taxed at regular 21%

*Corporate:* no capital gain tax, taxed on a regular basis, if dividends distributed

**Dividends tax rate**

*Individual:* 21/79 of net dividends (21% of gross disbursement) (The taxable income of a natural person does not include dividends or other profit distributions subject to taxation at the level of a company.)

*Corporate:* 21/79 of net dividends (21% of gross disbursement)

**Other tax incentives**

No tax incentives

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

No tax incentives

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

Usually through an Estonian legal entity as corporate income is tax-exempt, until the dividends distributed.

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

No incentives.

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

No.

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

No.

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

No incentives.

**Sources of information**

Estonian Tax legislation (mainly Income Tax Act)
Finland

**Income tax rate**

**Individual:** Progressive rates up to 31.75%. Municipal rates range from 16.5% and 22.5% (average 19.74%) and potential church rate is 1% to 2.25%.

**Corporate:** 20%.

**Capital Gain tax rate**

**Individual:** 30%, if gains over 40,000 €, tax 32%.

**Corporate:** same as for individuals 30% (32%); 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:** 85% of the amount of the dividends received from listed companies is taxed at the standard investment income rate of 30% (or 32%) and the remaining 15% is tax exempt. Dividends received from a non-listed company: 25% tax up to EUR 150,000; from this value they are taxed at the 85/15 per cent rule.

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

**Other tax incentives**

An extra tax exempt of R&D operations and an increased write-off for production investments (these are valid 2013 and 2014).

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

No special angel funds yet, some ordinary private investment funds that invests in startups are active. Co-investments are usually made through ordinary limited partnership companies without special tax benefits.

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

One beneficial step is that the Business Income Tax Act (BITA) should be amended in Finland so that a tax-neutral exchange of shares can be done to countries which with Finland has a tax treaty.

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

A BA(1) that invests in the equity of a startup as an individual can get a deduction of 50% from his/her capital gain income in the range of 5,000 – 150,000 € (means the investments should be in the range 10,000 – 300,000 €). The tax is not avoided, only deferred. A certain amount of criteria need to be met in the investment object, for example it cannot be more than 6 years old.

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

Not really.

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

No.

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

Not yet, since our tax incentive for BA came into force 15th of May last year. We however expect that the results so far are very marginal, but there is a positive psychological effect that the government approved the model.

**Sources of information**

- [www.worldwide-tax.com](http://www.worldwide-tax.com)
- Tax administration in Finland - [www.vero.fi](http://www.vero.fi)

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(1) The so called BA tax incentive as described above came into force 15th of May 2013 and is valid until 31st of December 2015 unless prolonged. The idea is to push forward taxes is the money earned as capital gain is employed in a high-growth startup in the meantime. There are however quite many rules and regulations upon which companies are accepted.
France

**Income tax rate**

*Individual*: progressive rates up to 45% (plus surtax on high income of 3% or 4%).

*Corporate*: 33.1/3% plus the surcharges tax rate applicable if the CIT exceeds EUR 763,000 amounting to 3.3%, and amounting to 10.7% if the turnover of the company exceeds EUR 250,000,000 resulting in an effective rate respectively of 34.43% and 38.1% (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 16%. In case of sale of shares that are held by an SME’s retiring director holding at least 25% of the voting shares or rights to profits of the company held for at least 5 years, a fixed allowance of EUR 500,000 and of a progressive allowance up to 85% on the remaining amount for share holding for at least 8 years apply (the social tax rate of 15.5% apply on the capital gain computed before allowances). Tax deferral regime applies for contribution of shares to a company subject to CIT.

*Corporate*: 34.43% or 38.1% (including social surtax); the gain is exempt except a 12% assessed on the gross amount of the gain if derived from the sales of shares that are viewed as participating shares (shares involving the control or a significant impact in the management of the issuing company, with an ownership at least of 10% of the "participating securities" for a 2 years period), resulting in an effective rate of 4.13% or 4.57% (12% × 34.43% or 38.1%).

**Dividends tax rate**

*Individual*: taxed as general taxable income plus social contributions (after an allowance of 40%). 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 1.72%. Dividends paid to a non-resident are subject to 30% 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 residents.

**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
## Tax Outlook in Europe. Business Angels Perspective

### FRANCE: Comparative table of investment methods proposed to Business Angels

Source: France-Angels – www.franceangels.org

<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: taxed as general income on income tax at progressive rate after deduction of allowance up to 65% if shares are held for at least 8 years or up to 85% provided certain conditions are met.  
  • Tax on dividends: taxed as general income on income tax at progressive rates plus social contributions. | 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 need, 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 and must be in EU.  
  The company must not have a financial activity | Unquoted companies | | |
| **Investments with equity-linked savings plans (Plan d’Epargne en Actions PEA)** | No capital gain tax provided gains and income are 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 150,000 (private individual) or EUR 300,000 (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 the investment</th>
</tr>
</thead>
</table>
| **Investment through a holding company (SARL, SA and SAS)** | • 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 | • 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 | • Business angels network  
• Professional or private network  
• Stock exchange | Unquoted companies | |
| **Investment through Capital Risk Company (SCR)** | • 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 are always due. If condition is not met; income tax at progressive rates.  
• Constitution of a limited company, joint-stock company or a non-trading company compulsory to benefit from the statutes  
• A family group cannot detain 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). | | • Business angels network  
• Professional or private network  
• Stock exchange | Quoted and unquoted companies (securities of unquoted companies must represent at least 50% of the net assets of the risk capital company) | Period of share holding: 5 years |
| **Investment club** | If the club subscribes to the capital of an unquoted company, the members (i.e. individuals) are taxed, in proportion to their participation to the club, in the same rules as a direct investment by a physical individual.  
Tax on net gains in case of withdrawal or dissolution of the company  
• 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 | | • Business angels network  
• Professional or private network  
• Stock exchange | Usually for investment in quoted companies but possible to invest in unquoted companies too | Maximum annual contribution limited to EUR 5,500 per member | Life of the club: 10 years maximum |
### Additional Information:

<table>
<thead>
<tr>
<th>Tax break/tax system</th>
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<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>MIFs and the Local Investment Funds offers the same tax incentives as in the case of direct investments.</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>
<td>Savings frozen for a minimum of 5 years in order to benefit from the fiscal advantages</td>
</tr>
<tr>
<td><strong>Investment in Innovation Mutual Funds</strong></td>
<td>• Cash subscription of shares in the FCPI give the right of a tax reduction: 18% of the amount invested in the limit of EUR 12,000 (individuals) or EUR 24,000 (families)</td>
<td>Organisation of collective investments in transferable values (banks, specific companies)</td>
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<td>Minimum purchase of shares of the fund (amount depending on fund)</td>
<td>Savings frozen for a minimum of 5 years in order to benefit from the fiscal advantages</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: 18% of the amount invested in the limit of EUR 12,000 (individuals) or EUR 24,000 (families)</td>
<td>Organisation of collective investments in transferable values (banks, specific companies)</td>
<td>Investment share of funds • a minimum of 60% (70% for funds incorporated after 1st January 2014)of the funds invested in securities, shares or current account advance which at least 20% in entities incorporated since less than 8 years (or which at least 10% in unquoted companies less than 5 years old if FIP is incorporated before 1st January 2011) • investments limited to specific geographical zones</td>
<td>Minimum purchase shares of the fund</td>
<td>Savings frozen for 5 years from minimum in order to benefit from the fiscal advantages</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Situation for angels investing through a co-investment or angel fund</strong></th>
<th><strong>Opportunities/obstacles in the framework of a cross-border investment</strong></th>
<th><strong>Sources of information on fiscal environment or efficiency of fiscal incentives for angels</strong></th>
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</thead>
<tbody>
<tr>
<td>“Tax on wealth” incentive available if the investment is made through a holding</td>
<td>Fiscal incentives also apply in the case of an investment in a foreign-based company</td>
<td><a href="http://www.franceangels.org">www.franceangels.org</a> <a href="http://www.afic.fr">www.afic.fr</a></td>
</tr>
</tbody>
</table>
**Germany**

**Income tax rate**

**Individual:** Progressive rate up to 45% plus 5.5% solidarity surcharge, which is a total of 47.5%. A church tax of 9% (8% in Bavaria and Baden-Württemberg) are levied on the income tax.

**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:**
- 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 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**

The Venture Capital Act (Wagniskapitalbeteiligungs gesetz – “WKBG”) from 2008 has not been approved by the EU Commission and has therefore been abolished. The German government has declared its intention to improve the environment for business angels, but it is still not clear how this will happen. At least in the course of the future tax treatment of capital gains from free float will be searched in the field of Business Angels and Startups for solutions to particular strain effects in case the investor breaks its commitment.

**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).

**Investment Grant for Business Angels**

In May 2013 the so called “Investment Grant for Business Angels” was launched by the Federal Ministry of Economy. Angel investors investing in SME’s (in quantitative terms: businesses with an annual turnover less than 50 million Euros and with fewer than 500 employees are classified as SMEs) receive from the federal government a grant of 20% of their total investment amount (up to € 250,000 € p.a. investment).

To receive this grant investors an investing companies have to fulfill certain conditions.

The investments must be at least €10,000 – the maximum amount is €250,000 per year.

In this regard, the Federal Ministry of Economy aims to provide €150m in federal funds for business angels for the period 2013-2016 as a boost for the startup industry.

**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)
TAX OUTLOOK IN EUROPE. BUSINESS ANGELS PERSPECTIVE

Greece

**Income tax rate**

*Individual*: progressive rates up to 42% (42% when exceeding EUR 42,000).

*Corporate*: 26%; for partnerships keeping simplified accounting books, progressive rates apply (26% for income up to EUR 50,000 and 33% on the excess).

**Capital Gain tax rate**

*Individual*: 15% applies to gains arising from the sale of real estate, securities and derivatives.

*Corporate*: 26% (applies only if P&L positive).

**Dividends tax rate**

*Individual*: 10% withholding tax.

*Corporate*: A 10% for distributions after 1 January 2014 (dividend distributions approved in 2013 are subject to 25% withholding tax). No withholding tax applies if the conditions of the EU parent/subsidiary directive are met. Dividends received from (foreign and domestic (pending approval from relevant Authority)) subsidiaries qualifying for the participation exemption are exempt from corporate tax.

**Other tax incentives**

Law 3908/2011 was put in place as of February 2011. A number of incentives are in place such as state grants and tax reliefs. New legislation on tax investments and incentives is expected during 2014.

**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
**Hungary**

**Income tax rate**

*Individual:* A flat rate of 16% is applicable on all types of income.

*Corporate:* The rate of corporate income tax is 10% up to the first HUF 500 million (EUR 1 666 667) of taxable income and 19% on amounts over HUF 500 million.

**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 52% (including Universal Social Charge and Social Insurance).
- **Corporate:** 12.5% for trading income and 25% for non-trading income.

**Capital Gain tax rate**

- **Individual:** 33%
- **Corporate:** 33%. 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:** Up to 52%
- **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/elimination under tax treaties or exemption under EC parent-subsidiary directive are applicable).

**Other tax incentives**

There are tax incentives for private individuals investing, specifically the EIIS scheme outlined hereunder. It allows individual investors to obtain income tax relief on investments in each tax 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 investment via this scheme, unless it is for bona fide commercial reasons.

**EIIS (Employment & Investment Incentive Scheme)**

The EIIS (Employment & Investment Incentive Scheme) replaced the previous BES (Business Expansion scheme) since November 2011. This scheme is open to a much wider range of companies than applied to the previous BES scheme. The scheme is targeted at start-up and growth companies seeking to raise finance.

The main conditions of the EIIS are as follows:

- There is the potential for individuals to claim tax relief of 41%.
- There is an initial tax relief of 30%, with a further 11% possible after a 3 year period.
- The conditions for the 11% relate to an increase in employee numbers and that average salaries are not reduced or that there is an increase in Research & Development expenditure.
- The maximum individual investment is EUR 150,000 per annum.
- The limit, which can be raised over the lifetime of a company, is EUR 10m with a limit in any one year of EUR 2.5m.
- The company must be resident in the State.

The investment is for a 3 year period, rather than BES which was for 5 years.

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

No business angel co-investment funds are currently in place in Ireland.

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

The business angel landscape on the Island of Ireland had matured significantly over the last number of years. Ireland would be well placed to support business angel co-investment funds via the business angel syndicates established under HBAN (Halo Business Angel Network) the EBAN federation member for Ireland and also via the Irish BICS business angel networks.

**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.
<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are fiscal incentives available for investments outside the country? If so, where do they apply?</td>
<td>N/A</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>
</tbody>
</table>

**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 1.2% to 2.63% and a municipal tax which ranges from 0% to 0.9%.

*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 1%).

**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.

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 this 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
### 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>
</tr>
</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>A participation is considered &quot;qualified&quot; 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 &quot;non-qualified&quot; 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.</td>
</tr>
</tbody>
</table>

**Dividends**

Dividends deriving from non-qualified participations (as defined in the right column) are subject to a final withholding tax levied at a rate of 26%. 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.

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.

**Capital Gains**

Capital gains realised on the disposal of non-qualified participations are subject to a substitute tax levied at a rate of 26%.

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.
### 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></td>
<td>To benefit from the “participation exemption” regime:</td>
</tr>
<tr>
<td>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 (“IRES”), generally applying at a 27.5% rate. Therefore, the effective tax burden is equal to 1.375% of the gross amount (5% × 27.5%). No dividend tax credit is available in order to offset that tax.</td>
<td>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;</td>
</tr>
<tr>
<td><strong>Capital Gains</strong></td>
<td>2. the participation must be accounted for by the holder as a financial asset in the first financial statement closed during the holding period;</td>
</tr>
<tr>
<td>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.</td>
<td>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</td>
</tr>
<tr>
<td>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.</td>
<td>4. the company whose participation is disposed must carry out a business activity.</td>
</tr>
<tr>
<td>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>
<td>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>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investments by individuals engaged in an business activity to which the participations are effectively connected, resident for tax purposes in Italy</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dividends</strong></td>
<td></td>
</tr>
<tr>
<td>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></td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>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, 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.</td>
<td></td>
</tr>
<tr>
<td>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>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Partnerships resident for tax purposes in Italy</th>
<th></th>
</tr>
</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>
<td></td>
</tr>
</tbody>
</table>
Kosovo

**Income tax rate**

<table>
<thead>
<tr>
<th>Individual</th>
<th>Up to 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Capital Gain tax rate**

<table>
<thead>
<tr>
<th>Individual</th>
<th>10% on a net basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate</td>
<td>10% on a net basis</td>
</tr>
</tbody>
</table>

**Dividends tax rate**

<table>
<thead>
<tr>
<th>Individual and Corporate</th>
<th>0%</th>
</tr>
</thead>
</table>

**Other tax incentives**

- Carrying forward of losses: Tax and capital losses can be carried forward for up to seven successive tax periods and shall be available as a deduction against any income in those years.
- Avoiding Double Taxation: Article 86 of law no. 03/L-222 on Tax Administration and Procedures provides relief from double taxation in the absence of a signed treaty. A resident taxpayer who receives income from business activities outside of Kosovo through a permanent establishment outside of Kosovo, and who pays tax on that income to any state, shall be allowed a tax credit under this law in an amount equal to the amount of tax paid to such state. Any tax credit under the present section is limited to the amount of tax that would be paid under this law on the income made in such state. Any applicable bilateral agreement on the avoidance of double taxation shall supersede the provisions above.
- Customs: In order to promote local production, the new Kosovo customs and excise Code applies a reduced rate of zero percent customs duty on certain capital goods, raw materials and agricultural production inputs.
- Ability to defer payment of VAT on imports of selected plant and machinery for up to 6 months (to allow plant and machinery to be put into operation before VAT on its cost has to be paid).
- Kosovo’s government has approved a new tax package for new businesses, which is expected to open even more jobs. Any business that invests from EUR 2 to 10 million in Kosovo, will be relieved from abovementioned taxes for 3 to 7 years as per agreement with the government.
- The Government of the Republic of Kosovo has also approved the issuance of an Administrative Instruction for removal of customs duties on raw materials and equipment’s, upon this issue it has been established a group which will deal with the list of these raw materials to be relieved from customs duty, however this incentives are still not accessible as the Ministry of Finance is in process of discussing it with relevant institutions and the new government to be formed.

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

N/A

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

- Customs-free access to the EU market based on the EU Autonomous Trade Preference (ATP) Regime, Central European Free Trade Agreement – CEFTA and preferential treatment of exported goods in the US market.
- Stabilisation and Association Agreement with EU expected to enter into force in 2016. Similarly, the Free Trade Agreement negotiated with Turkey and expected to be approved and entering into force in 2016. In both cases, some key products/sectors will be protected for a limited period of time.
- Trade connections with Japan and Norway, quantitative and qualitative restrictions remain in force only for a very limited number of goods.
- 10% customs duties on imports, no duties on capital and intermediary goods, and selected raw materials; Excise tax on fuel, tobacco alcohol and luxury goods. No duties and taxes on exports.
- The Customs Code is based on the EU custom code and is fully compliant with WCO agreed rules on customs procedures and the Harmonized Commodity Description and Coding System. It additionally allows the use of a number of business friendly trade-facilitating instruments.
- While other countries in the region have to undergo the difficult and complicated procedure of making laws compatible with European Union regulations, Kosovo’s legislation is already EU-compatible.
- Multi-lingual environment – laws, regulations etc. typically in English as well as local languages
- Legal database available at: http://gzk.rks-gov.net/

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

Investment guarantees
1. The Multilateral Investment Guarantee Agency MIGA (a member of the World Bank Group) guarantees investments in Kosovo up to the value of 20 million Euro.
2. The US Overseas Private Investment Corporation (OPIC) also provides political risk insurance for foreign investors in Kosovo.
3. For investment and credit guarantees from Austria the Austrian Kontrollbank (OeKB) should be contacted and for Germany the Euler Hermes Kreditversicherung.

Registering a business in Kosovo is both simple and inexpensive. There is no cost associated with registering any type of business.

The Law on Public-Private-Partnerships and Concessions provides the legal framework for granting public-private partnerships and concessions. The law governs the rights to utilize and/or exploit publicly owned infrastructure and/or provide public services in all economic and social sectors including: energy, health, education, transportation, waste, production activities etc. The duration of a public-private-partnership is determined by the contracting authority, reflecting the life-cycle of the project; rate of return and value for-money of the project.

Industrial Parks - physical infrastructure (water, electricity, sewage system) which is estimated to reduce the upfront costs for businesses up to 30%. In addition, rent is offered under the market price.

Free Economic Zones – In 2 main municipalities.

Various grants and subsidies in agriculture.

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

The fundamental rights of foreign investors are enshrined in Chapter 2 of the Law 02/L-33 on Foreign Investment

A foreign investor, defined as a physical person who is not a habitual resident of Kosovo or a business or other organization entity or association established under a jurisdiction other than Kosovo, is to be governed by the principle of national treatment, meaning that foreign enterprises will be treated no less favourably than similar domestic enterprises. In particular the right vested to a foreign investor are:

- Non-discriminatory treatment
- Constant protection and security
- Compensation in case of nationalization expropriation, including payment of interest;
- Compensation in case of violation of applicable law and international law attributable to Kosovo
- Freely transferable and otherwise in an unrestricted manner used income
- Protection against retroactive application of laws

The Government of Kosovo has signed ten bilateral Agreements regarding investment promotion and protection with: USA (OPIC), Austria, Turkey, Albania, Belgium and Luxembourg, Macedonia, Croatia, Montenegro, Kuwait, Qatar.

According to the Law on Local Self Government (No. 03/L-040), the municipalities in Kosovo have the right to lease movable and immovable property to foreign investors. The lease can be granted for a term of ten years with an extension opportunity of up to 99 years.

The Law on Business Organizations No.02/L-123 allows foreign companies to register as 100% owner within the territory of Kosovo, although there is no minimum capital required to register the company.

**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**

Kosovo Tax Administration (www.atk-ks.org)
Office of Prime Minister (www.kryeministri-ks.net)
Ministry of Finance (http://mf.rks-gov.net/)
Ministry of Economic Development (http://mzhe.rks-gov.net/)
Ministry of Trade and Industry (www.mti-ks.org)
Investment Promotion Agency of Kosovo (www.invest-ks.org)
### Latvia

**Income tax rate**

**Individual**: 24% on business and employment income.

**Corporate**: 15%, with a 9% rate on annual turnover of microenterprises.

**Capital Gain tax rate**

**Individual**: 15% 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 (a 2% tax must be withheld by a Latvian legal entity from the sales price if the seller is a non-resident individual). Gains on the sale of a private residence may be exempt.

**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. The exemption does not apply to dividends received from companies located in a “black list” country, which are subject to a 15% withholding tax.

**Other tax incentives**

Tax credits are granted for long-term investments above EUR 10 million in state supported industries. The acquisition or manufacturing cost of new production equipment may be multiplied by 1.5 for tax depreciation purposes. This rule applies to fixed assets acquired between 2009 and 2020.

As of 1 July 2014 CIT relief for research and development will allow to reduce the taxable income by the amount of expenses incurred multiplied by a coefficient 3, but only if directly relevant to: labor costs, research services and the acquisition of specialized scientific institutions and the development of economic activities.

Concessions, patents, licenses and trademarks are amortised for tax purposes using the straight-line method. Concessions are amortised over 10 years, while patents, licenses, and trademarks are amortised over five years.

A rebate of tax up to 80% is available for licensed entities located in special economic zones and free ports.

**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.

**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 1,000,000) and agricultural companies (including cooperatives) 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:** 15%. Micro companies (up to 10 employees and income per year up to LTL 1,000,000) under certain conditions may be entitled to a reduced rate of 5%.

**Dividends tax rate**

**Individual:** 15%

**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**

According to an incentive for investment programs, a company may reduce its taxable profits by 50% for expenses incurred between 2009 and 2018.

Incentives also are provided for micro companies and companies in seven free economic zones.

Expenses incurred by companies carrying out R&D projects can be deducted from taxable income three times.

**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:

- 7 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
- 5 industrial parks (IP)
- 5 integrated science, studies and business centres (valleys).

Traditional industries are targeted by the seven free economic zones and five 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 40%. A 7% to 9% contribution to the unemployment fund applies as well as a 1.4% solidarity surcharge so that the marginal tax rate amounts between 44.2% and 45%.

**Corporate**: For income lower than EUR 15,000 the tax rate is 20%; once the income exceeds EUR 15,000, the totality of the income is taxed at 21%, plus a 7% contribution to the unemployment fund. A municipal business tax which ranges from 6% to 12% is also levied, according to the place in which the undertaking is located (i.e. 6.75% for the city of Luxembourg in 2014, which results in an aggregate tax rate of 29.22%. Tax resident companies should be liable to a minimum corporate income tax amounting to EUR 3,210 (i.e. EUR 3,000 plus the 7% for the unemployment fund) if the sum of their financial assets, transferable securities and cash exceeds 90% of their total balance sheet. If the 90% threshold is not met, the company will be subject to a minimum corporate income tax ranging between EUR 535 and EUR 21,400 depending on the balance sheet size.

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 10% or less of the 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. 21.4% to 21.8% (i.e. half of the marginal rates) and if shares are held for less than 6 months, max. 42.8% to 43.6%.

**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 subject to a corporate income tax similar to the Luxembourg corporate income tax 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 42.8% to 43.6% with a tax credit for any withholding tax suffered. Dividends from non-EU or non-Treaty country companies suffers full marginal rate up to 42.8% to 43.6% with a tax credit for any withholding tax suffered.

**Corporate**: Subject to tax on income. Exemptions for participations representing (i) an acquisition price of EUR 1.2 million or (ii) at least 10% in the share capital of a qualifying EU or non-resident taxable subsidiary subject to a corporate income tax similar to the Luxembourg corporate income tax 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 and under certain double tax treaties entered into by Luxembourg.

**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 12% 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 2% 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 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. On the other hand, there is an intense lobbying going on from LBAN to further develop fiscal advantages for BAs.

**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
Macedonia

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

**Capital Gain tax rate**
- **Individual:** 0%
- **Corporate:** No separate capital gains tax on asset or share sales for corporate taxpayers

**Dividends tax rate**
- **Individual:** 10%
- **Corporate:** 0%

**Other tax incentives**
- Companies operating in a Technological and Industrial Development Zone (TIDZ) are exempt from corporate income tax and personal income tax for employees for a period of up to 10 years from the date the company starts operating in the TIDZ.
- Tax incentives on salary, and income tax for the first three years for entrepreneurs and students who are registering company for the first time in their life.
- And tax incentives for companies first year of employment not paying salary tax, social tax and health insurance if they are employing people younger than 29 years.

**Situation for angels investing through a co-investment or angel fund**
In the last two years the situation for business angel’s investments or co-investment funds are improved. There were several laws updated in line with the EU Law legislative in this field as the country is.

**Opportunities/obstacles in the framework of a cross-border investment**
Macedonia is a signatory of three multilateral Free Trade Agreements:
- SAA (Stabilization and Association Agreement) with the EU member states;
- EFTA (Switzerland, Norway, Iceland and Liechtenstein);
- CEFTA (Macedonia, Albania, Moldova, Serbia, Montenegro, Bosnia and Herzegovina and Kosovo).

In addition to the multilateral, Macedonia has also signed two bilateral Free Trade Agreements with the following countries:
- Bilateral Free Trade Agreement with Turkey;
- Bilateral Free Trade Agreement with Ukraine.

These agreements give Macedonia duty free access to more than 650 million consumers.

Macedonia has also been a member of the World Trade Organization (WTO) since 2003.
As a result of a growing interest in Macedonia’s investment potential, a number of international companies have started operations in the country, both as green-field projects and through different types of asset acquisition and privatization. Some of the significant foreign investors include Johnson Matthey (UK), Mobilkom Austria (Austria), EVN (Austria), Deutsche Telecom (Germany), Kromberg & Schubert (Germany), Dräxlmaier Group (Germany), Van Hool (Belgium), Societe Generale (France), Johnson Controls (USA), KEMET Corporation (USA), the National Bank of Greece (Greece), Hellenic Bottling Company S.A. (Greece), OBE Insurance Group Limited (United Kingdom), Mittal Steel (Netherlands), Dufércio (Switzerland), and Titan Group (Greece).

**Any other general fiscal incentive that can also be applied for direct BA investment and BA investment through a fund**
There is new Innovation fund with budget of 24 Mill euros named for support of entrepreneurs, innovators, start up’s, accelerators, incubators and mature companies. Therefore in preparation is the update for the supporting legal structure, here including the business angels and BA funds.

**Are there any differences in terms of fiscal treatment between nationals and foreigners: direct BA investment and BA investment through a fund?**
No, the same rules for any economic active legal or private person, foreign or domestic. In fact the foreigners have little better start position when they invest for the first time in the country.

**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?**
As we are starting the BA community, there are no past statistical data of the impacts results from BA activities.
Sources of information

www.investinmacedonia.com, Agency for Foreign investments and Export promotion of Republic of Macedonia
www.crm.com.mk – Central Register of Republic of Macedonia
www.economy.gov.mk – Ministry of Economy of Republic of Macedonia
www.vlada.mk – Government of Republic of Macedonia
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**

None, except for shipping and oil industries.

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

NorBAN has suggested governmental support for co-investment schemes, not yet implemented.

**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**

NorBAN has suggested governmental support for co-investment schemes, not yet implemented.

In Norway the state owned agency Innovation Norway gives a helping hand to some startups, and even lends money to some early phase companies – the process is unfortunately rather long and chance plays a major role.

NorBAN has helped fund a site dedicated to guide entrepreneurs about where to find help.

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

Norwegian Angels currently has a high income tax (Formueskatt) that effectively favours foreigners investing in Norwegian companies.

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

Not yet, but NorBAN is currently in talks with the government to make this happen.

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

N/A

**Sources of information**

Norway Tax Code & NorBAN
Poland

**Income tax rate**

*Individual*: 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.

*Corporate*: 19%

**Capital Gain tax rate**

*Individual*: 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.

*Corporate*: 19%

**Dividends tax rate**

*Individual*: 19%

*Corporate*: 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.

**Other tax incentives**

Technological knowledge acquisition expenses may reduce the taxable base.

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).

**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

**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**

Polish Information and Foreign Investment Agency
Portugal

**Income tax rate**

- **Individual**: Up to 48%.
- **Corporate**: 23% or 17% for profit up to EUR 15,000, plus up to 1.5% municipal surtax and a state surtax of up to 7% (only applicable for amounts greater than EUR 35,000,000). Entities without head office, effective management or permanent establishment (non-resident) in Portugal are taxed at a 23% 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 21.5% tax rate.

**Capital Gain tax rate**

- **Individual – resident**: 28% 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**: 28% – income not attributable to permanent establishment.
- **Corporate – Portuguese company**: Subject to above-mentioned corporate income tax. If the proceeds of the sales of fixed assets held for at least one year 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 Participation Exemption Regime.
- **Corporate – non-Portuguese company**: Exemption (0%) – 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**: 28%, or from 14.5% to 48% over 50% of the amount if chosen to be taxed on worldwide income.
- **Individual – non-resident**: 28%
- **Corporate – Portuguese company**: 23%. Exemption (0%) for dividends received from a resident company by another resident or foreign company, which has held directly at least 5% of the payer company for two years 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 Participation Exemption Regime.
- **Corporate – non Portuguese Company**: 25% (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 a tax deduction of 50% for dividends and for sale of share participations owned for over two years. It also establishes a deduction on taxation in the amount of the corporate income tax of the last 5 years if the profits were invested in growing business.

Another tax incentive for business angels is in place which is 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**

The COMPETE incentive was now extended to a new programme for investment operations to be accomplished until 30 September 2015, the New Platform of Financing Business Angels which totals EUR 15 million. The amount of funding available to the investment vehicle is EUR 1 million, allowing a maximum annual investment of EUR 1.5 million per recipient.

**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 20%, with the remaining 80% 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 2014, 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%. A 3% tax may be levied on the income of micro-companies.

**Capital Gain tax rate**
- **Individuals**: 16%. Income from sale of real property is taxed at a rate between 1% and 3%.
- **Corporate**: 16%. As from January, 2014 dividends earned by a resident company in EU state or a non-EU state with a tax treaty with Romania may be exempt from tax if the Romanian recipient company holds at least 10% of the distributing company’s shares for an uninterrupted period of one year.

**Dividends tax rate**
- **Individuals**: 16%
- **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 for a period of at least 1 year).

**Other tax incentives**
General tax incentives include accelerated depreciation and additional 50% deduction for R&D activities, income tax exemption for IT employees granted under certain conditions, 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%/20%
- **Corporate**: 15%

**Capital Gain tax rate**

- **Individual**: 15%
- **Corporate**: 15%

**Dividends tax rate**

- **Individual**: 15%
- **Corporate**: 0% for domestic companies as well as for transfer of dividend from a branch to the foreign entity. 20% - general withholding tax rate from transfer of dividend from a Serbian subsidiary to the foreign parent company. Reduced rate could be applied if there is Double Taxation Treaty (DTT) upon the parent company provide resident certificate issued by competitive authorities.

**Other tax incentives**

N/A

**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 non-profit 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 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 low income tax rate in Europe of 15%, and an educated and skilled labour 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 RSD 1 billion (approximately EUR 8.4 million), and throughout the investment period they employ at least 100 additional employees.

The tax loss stated in the tax return can be carried forward and offset against future profits over a period up to 5 years.

There are incentives for creating new jobs in Serbia. The employer who hires certain categories of workers on a permanent basis is entitled to refund of a certain percentage (65% to 75%) of paid Salary Tax over the periods of 2 or 3 years. If a taxpayer already paid tax on the profit generated abroad (through subsidiaries), 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 thirteen Free Zones, currently operating in the country: Subotica, Novi Sad, Zrenjanin, Sabac, Kragujevac, Pirot, Nis, Smederevo, Uzice, Svilajnac, Krusevac, Apatin and Vranje. Foreign companies can establish a privately-owned Free Zone based on the project approved by the government. Starting from 2013, several tax incentives referring to tax credit for investment in fixed assets, which were prescribed by the Corporate Income Tax Law, have been abolished. Taxpayers who have started to use the tax credit before year 2013 will have the right to use this incentive (to carry forward over a period of 10 years) in accordance with provisions of Corporate Income Tax Law which was in force before the amendments.

If the amount of the input tax is higher than the tax liability, the VAT taxpayer shall have the right to a refund of the difference.
The refund of VAT is paid within 45 days upon the expiration of the term for filing the tax return. This deadline is 15 days, in the case of taxpayers who sell goods mainly abroad (predominant exporter). Predominant exporters are taxpayers which realize export of goods higher than 50% relative to the total supply of goods and services, i.e. at least EUR 10,000,000.

VAT shall not be paid on the import of goods:
- which are imported on the ground of a donation contract and/or as humanitarian assistance;
- which are exported, and are returned to the Republic as unsold or as not complying with the obligations stipulated in the contract and/or business relationship on the ground of which they were exported;
- which are carried into duty-free shops under the customs procedure;
- on the basis of replacement in the warranty period;
- which are temporarily imported and exported again, within the framework of customs procedure, as well as placed in the customs procedure of active refining, coupled with the postponement system;
- which are temporarily exported and imported again in an unchanged condition, under the customs procedure;
- for which the procedure is permitted of their remodeling under customs control;
- under the customs procedure, relating to the transit of goods;
- for which the procedure is permitted, under the customs procedure, of the customs storage, etc..

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

For both Serbian and 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. If the goods are imported for the purpose of its use in the production process and subsequent re-export, the goods are placed under procedure of active refining using the postponement system, i.e. it is exempt from import duties under certain conditions.

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. If the equipment and machinery which represents the share of a foreign investor are disposed of, given to another person for usage or used for other purposes before the expiry of the three years’ period, import duties shall be paid on that equipment. However VAT on import is to be paid.

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**
- **Individual**: 19% up to a tax base of EUR 35,022.31 and 25% on the excess.
- **Corporate**: 22% flat rate

**Capital Gain tax rate**
- **Individual**: Equivalent to an income tax rate.
- **Corporate**: Equivalent to an income tax rate. In some cases, capital losses are non-deductible.

**Dividends tax rate**
Generally not subject to taxation. Selected dividend distributions made to a Slovak individual shareholder are subject to Slovak health insurance contributions at the rate of 10% (2011 and 2012 profits) or 14% (2013 profits onwards). The maximum annual calculation base is capped (e.g. EUR 48,300 for 2014).

**Other tax incentives**
Investment incentives may be available to start new production or the provision of services.

**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 50%
- **Corporate**: 17%

**Capital Gain tax rate**
- **Individual**: 25% (reduction to 15% if capital is held more than 5 years; reduction to 10% if capital is held more than 10 years and reduction to 5% if capital is held more than 15 years).
- **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**: Fully exempt when received, 25% withholding tax when paid.
- **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**
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 56%

**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. However, the rates temporarily have been increased to 21% in the first EUR 6,000; 25% between EUR 6,000 and EUR 24,000; and 27% on income exceeding that amount for year 2014.

**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**: The withholding tax rate on dividends paid to non-residents is 19% (however, the rate temporarily has been increased to 21% for 2014).

**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

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### 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**: 22%

**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 22%. 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**

N/A

**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**

Since 1st of December 2013, there is a scheme aimed for business angels investing as private person (not applicable for the more common investment through privately held companies). The business angel can deduct up to 650,000 SEK from a maximal investment amount of 1.3 MSEK and gain a tax incentive of 30% on the deduction, i.e. net gain 15% of total investment. Certain rules apply to use the scheme.

In addition, there is an ongoing discussion on other tax incentives to business angels. One potential outcome would be an extended tax deduction to apply also for privately held (BA) investment 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**

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:* Progressive tax rates up to approximately 44% (federal + cantonal/communal income taxes). Maximal tax rate in the canton/commune with the lowest tax rate is approximately 18%.

*Corporate:* From 12% to 30%, depending on canton and commune.

**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:* Generally taxed at the ordinary individual tax rate, however, taxed at a privilege rate for dividends received from a participation of at least 10%. On cantonal/communal level privilege dividend tax rules can vary. On federal level only 60% of the dividend is actually taxed.

*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
The Netherlands

**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%. A fiscal unity between two separate entities is possible as from a participation of 95%.

**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 actual rate of return of the investment is irrelevant for the taxation. In this case 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% x 30%) = 1.2% of the value of the shares per January 1 of a given year.

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.

**Dividends tax rate**

The general rate of dividend tax is 15%.

**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 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, dividends 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% x 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.

To clarify who holds shares in a company and combat fraud, the government intends to introduce a central shareholder register on 1 January 2015.

**Other tax incentives**

- Small scale Investment – Small asset investments from €2,301 to €306,931 may become tax deductible up to 28%.
- Energy investment – 41.5% tax deduction for more than €2,500 investment in energy. The maximum investment amount is €118,000,000.
- Environment investment – up to 36% tax deduction.
- R&D investment – up to 60% tax deduction

A combination of small scale investment and energy investment tax deductions, R&D investment deductions and small scale investment deductions is possible as well as small scale investment and environment tax deduction. Though, the combination of tax deduction for both the energy and environment investment and R&D investments is not possible.

- 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.
- Up to 50% reduction in Wage Tax and National Insurance Contributions for the first 250,000 EUR of aforementioned Wage Tax and National Insurance Contributions, 14% reduction for said costs exceeding EUR 250,000, for employees working in R&D of innovative companies. For 2015 reduction rates will be the same as in 2014.

**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**

Starting from June 2014, a new ruling for foreign investors has come in place.
Foreigners of outside EU who invest a minimum amount of €1,250,000 in the Netherlands receive a permanent resident permit.

Until 1 June 2014, the ruling served only for foreigners investing directly into a Dutch company. Now, it is also possible that foreign investors invest indirectly through a participation fund, a seed fund or a group of investors in the Netherlands. A direct investment in a Dutch company is therefore no longer necessary. The condition that the investment must have an innovative character and / or employment should increase in the Netherlands remains intact.

The foreign investor, and any family members, are free in the labor market and can therefore work without a work permit.

A foreign investor retains his main residence in the Netherlands in case he/she is not more than eight months a year residing outside the Netherlands (this was six months before June 2014). The condition is that the investor will remain enrolled in the Basic Registration Authority.

**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

http://www.government.nl/
**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, real properties 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:

- 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 30 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**

In order to benefit from tax incentives, the capital to be invested into each individual qualifying private venture company cannot be less than TL 20,000 and more than TL 1,000,000 annually. In case of investments in different venture capital companies, the maximum total investment amount of TL 1,000,000 can exceed. However, when we consider co-investments, the capital to be invested in each venture capital company can be maximum TL 2,000,000. Licensed angel investors can deduct 75% of the capital they invest in certain SMEs from their annual tax base. This deduction ratio will be applied as 100% for those angel investors investing in the SMEs whose projects are supported by Ministry of Science, Industry and Technology, The Scientific and Technological Research Council of Turkey and Small and Medium Enterprises Development Organization in the last 5 years.

**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

In order to benefit from government support regarding tax incentives, business angels should make their application through an Accredited Business Angels Network. Accredited Business Angels Networks are aiming to bring investors together with entrepreneurs and they are licensed and regulated by the Treasury.

Under the terms of Turkish Legislation, certain number of tax incentives provided for angel investors. In that respect, the total amount of 75% of the shares invested into qualified Turkish resident joint stock companies can be deducted from the angel investor’s annual income tax base in the calendar year such investment is made. In order to do so, the shares should be held for at least two years. If the angel investor participates in private venture companies whose projects are related to research, development and innovations programs that are supported for
five years before the investment by Scientific and Technological Research Council of Turkey, Small and Medium Enterprises Development Organization and the Ministry of Science, Industry and Technology, then the applicable incentive rate will increase to 100%. However, the annual deduction from income tax cannot be higher than TL 1,000,000.

**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
United Kingdom

**Income tax rate**

*Individual*: Up to 45%

*Corporate*: 21% (reducing to 20% from 1 April 2015). There is a reduced rate for small companies (taxable profits less than GBP 300,000) of 20%.

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 42,365 or less – depending on availability of UK personal allowance) and 28% for higher rate taxpayers, 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 intra-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 37.5%. Dividends from UK companies have a 10% tax credit, resulting in a maximum effective tax rate of 30.55%. 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, but 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), the Seed Enterprise Investment Scheme (SEIS) 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

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<th>Direct investments by a private individual</th>
<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>
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</thead>
<tbody>
<tr>
<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%.</td>
<td>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>
<td></td>
</tr>
<tr>
<td>Income Tax reduction of 30% on amount invested in qualifying investments up to GBP 1m (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.</td>
<td>Investors must be UK taxpayers to benefit from this. There is a 3-year qualifying period: shares must be held for at least 3 years to avoid Income Tax claw back. Dividends may be received as long as they are at the normal commercial rate and not deemed excessive. These are taxed in the normal way. For the income tax relief to apply, the investor cannot be connected to the company, cannot be a partner, director or employee of the qualifying company, and must not have a financial interest, holding more than 30% of the share capital, nor be an associate of the investor. This restriction does not apply to the CGT deferral relief, but does to the CGT exemption. However, it is acceptable if the investor is a business angel and acquired the shares before becoming a paid director. Your spouse may be able to get EIS income tax relief and capital gains tax exemption, but only if your combined stake in the company is less than 30% and the spouse has sufficient income. Schemes that involve guarantees or exit arrangements will not attract tax relief.</td>
<td>Enterprise Investment Scheme</td>
<td>Gross assets of the company cannot exceed GBP 15m before any share issue and GBP 16m 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 ISDX Growth Market). The company must have fewer than 250 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.</td>
<td>There is an annual investment limit of GBP 5m applicable to the investee company, less other State aid risk capital</td>
<td>All investments must remain in the company for a minimum period of 3 years.</td>
<td></td>
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<tr>
<td>Income Tax reduction of 50% on amount invested in qualifying investments up to GBP 100,000 (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.</td>
<td>As for EIS, except that Directors can qualify for relief</td>
<td>Seed Enterprise Investment Scheme</td>
<td>The same conditions apply as for the EIS, except that: -Gross Assets of the company cannot exceed GBP200,000 before any share issue. -The company must have fewer than 25 employees at the time the shares are issued.</td>
<td>Maximum investment GBP 150,000 per company including other de minimis State aid.</td>
<td>Three year qualifying period as for EIS.</td>
<td></td>
</tr>
</tbody>
</table>
### Tax Break/Tax System

<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>Capital Gains Tax</td>
<td>Capital Gains Tax exemption on 50% of any gain reinvested in an SEIS company</td>
<td>Shares must be subscribed</td>
<td>Must be a qualifying trading company</td>
<td>No limit on relief of loss so long as sufficient tax liability to absorb it</td>
<td>No particular restrictions</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 45% of loss. Can also be carried back to previous year and set against income</td>
<td>Share loss relief against general income</td>
<td></td>
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<tr>
<td>Investment Through</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>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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</tr>
<tr>
<td>Public Limited</td>
<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>Company</td>
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</tr>
<tr>
<td>Investment Through</td>
<td>Setting up costs: between GBP 20–80 (for direct filings) or GBP 150–300 (if an incorporate agent is used)</td>
<td>No legal minimum capital (but at least 1 share of GBP 1)</td>
<td>No particular restrictions</td>
<td></td>
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</tr>
<tr>
<td>Private Limited</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>Company</td>
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</tbody>
</table>
### Situation for angels investing through a co-investment or angel fund

EIS and SEIS rules and benefits apply directly if the participation occurs in a syndicate as part of an Angel Co-investment Fund

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

EIS and SEIS benefits will apply to investments made in any company with a permanent establishment in the UK

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

www.hmrc.gov.uk/eis

### 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

### 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
Comparison of EIS, SEIS and VCT

This note summarises the main requirements to qualify for the Enterprise Investment Scheme (“EIS” relief), the Seed Enterprise Investment Scheme (“SEIS” relief) and Venture Capital Trusts (“VCT” relief) and the tax benefits for the individual investor.

The intention of the note is to compare and summarise the three reliefs. The conditions for each relief are not detailed and further advice should be sought before implementation.

Background

The EIS, SEIS and VCT reliefs were introduced to provide incentives to investors to invest in small unquoted companies, which are generally perceived to be higher-risk investments.

The reliefs

In order to compare the reliefs the table below analyses the following:

- Income tax relief on the amount invested and when it may be withdrawn;
- The capital gains tax exemption and/or utilisation of capital losses on the disposal of the shares;
- Deferral relief, provided the relevant conditions (explained below) are met; and
- Business property relief from inheritance tax (IHT), where certain conditions are met.
### Comparison of EIS, SEIS and VCT

<table>
<thead>
<tr>
<th></th>
<th>EIS Relief</th>
<th>SEIS Relief</th>
<th>VCT Relief</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income tax</strong></td>
<td>Income tax relief at 30% of the amount invested in subscribing for new shares (maximum annual investment of £1 million). By election, where an EIS investment is made in one year it can be treated as though it was an investment made in the immediately preceding tax year, subject to the overall limit for that year. Dividends paid on EIS shares are taxable.</td>
<td>Income tax relief is available at 50% of the cost of the shares subscribed for (maximum annual investment is £100,000). By election, where an investment is made under SEIS in one year, it can be treated as though it was an investment made in the immediately preceding tax year, subject to the overall limit for that year. Dividends paid on SEIS shares are taxable.</td>
<td>Income tax relief at 30% of the amount invested in subscribing for new shares (maximum investment of £200,000). There is no carry back of a VCT subscription to the previous tax year. Dividends are exempt from income tax provided that in the year of acquisition the market value of the qualifying shares did not exceed £200,000 or, where the limit is exceeded, the dividends in respect of the first shares acquired up to the limit are exempt.</td>
</tr>
<tr>
<td><strong>Income tax reducer withdrawn</strong></td>
<td>Where the EIS shares are sold within 3 years, the EIS investor receives value or an option is placed over the shares, then the EIS tax reducer is clawed back. The clawback is the lower of: • Original income tax reducer; and • 30% x sale proceeds received (only applicable if sold for a loss). There can also be a claw-back if the company loses its EIS status within 3 years.</td>
<td>Where the SEIS shares are sold within 3 years, the SEIS investor receives value or an option is placed over the shares, then the SEIS tax reducer is clawed back. The clawback is the lower of: • Original income tax reducer; and • 50% x sale proceeds received (only applicable if sold for a loss). There can also be a claw-back if the company loses its SEIS status within 3 years.</td>
<td>Where the VCT shares are sold within 5 years, the VCT tax reducer is clawed back. The clawback is the lower of: • Original income tax reducer; and • 30% x sale proceeds received (only applicable if sold for a loss) There is also a clawback if the VCT loses its approved status within 5 years.</td>
</tr>
<tr>
<td><strong>Capital gains tax (CGT) relief</strong></td>
<td>An EIS investor is entitled to exemption from CGT on a disposal of those shares, provided he has held them for three years. Therefore, any growth in value is effectively tax free.</td>
<td>A SEIS investor is entitled to exemption from CGT on a disposal of shares, provided he claimed income tax relief on the shares and has held them for three years. Therefore, any growth in value is effectively tax free.</td>
<td>A VCT investor is exempt from CGT on the disposal of ordinary shares acquired within the permitted maximum of £200,000 in any one tax year.</td>
</tr>
<tr>
<td>Relief for Capital losses on disposals</td>
<td>Relief is given for allowable losses arising on the disposal of the shares against either income of the tax year of disposal (or of the previous tax year) or chargeable gains, provided all the relevant conditions referred to below are met. The capital loss is reduced by any income tax relief obtained under EIS and not withdrawn.</td>
<td>Relief is given for allowable losses arising on the disposal of the shares against either income of the tax year of disposal (or of the previous tax year) or chargeable gains, provided all the relevant conditions referred to below are met. The capital loss is reduced by any income tax relief obtained under SEIS and not withdrawn.</td>
<td>No relief is available.</td>
</tr>
<tr>
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</tr>
<tr>
<td>Deferral Relief</td>
<td>The tax due on a gain on any asset can be deferred by subscribing for shares in EIS qualifying companies, in a period beginning one year before and three years after the disposal of the original asset.</td>
<td>Capital Gains Tax relief is available on up to half of any chargeable gain reinvested in SEIS qualifying shares. The £100,000 investment limit which applies for income tax relief also applies for re-investment relief. The asset does not have to be disposed of first; the investment in SEIS shares can take place before disposal of the asset, providing that both disposal and investment take place in the tax year.</td>
<td>VCT deferral relief is not available for investments in shares issued after 5 April 2004.</td>
</tr>
<tr>
<td>Business Property Relief</td>
<td>Shares in EIS companies held for at least two years will normally qualify for 100% business property relief for IHT purposes.</td>
<td>Shares in SEIS companies held for at least two years will normally qualify for 100% business property relief for IHT purposes.</td>
<td>No relief available.</td>
</tr>
</tbody>
</table>
Key points

- An individual can invest annually up to £1 million in an EIS company, up to £100,000 in an SEIS company and a maximum of £200,000 in a VCT.
- For EIS it is possible to invest up to £1 million in 2014/15 and carry back £1 million to 2013/14 provided certain conditions are met.
- For SEIS it is possible to invest up to £100,000 in 2014/15 and carry back £100,000 to 2013/14.
- Certain types of trade do not qualify for EIS, SEIS or VCT relief. These include certain financial activities, property development, hotels and providing legal or accountancy services.
- A disqualifying arrangements’ test has been introduced to exclude VCTs, EIS or SEIS that are set up solely for the purpose of giving investors tax relief.

Conditions to be met

EIS

For EIS purposes, the company invested in and the investor need to meet certain conditions:

Conditions to be met by the company:

- The company’s gross assets must not exceed £15 million immediately before the shares are issued and £16 million immediately afterwards.
- The investee company must be unquoted when the shares are issued and there must, broadly, be no arrangements for it to become quoted. A company admitted to AIM will not be regarded as quoted for these purposes.
- The company must exist to carry on a qualifying trade (i.e. conducted on a commercial basis with a view to making profits; and the trade does not include, to a substantial extent (20% or more), excluded activities such as property development, leasing, dealing in land, shares and/or commodities etc).
- The company must not be a 51% subsidiary of another company.
- The company must not have any subsidiaries that are not 51% subsidiaries.

Comparison of EIS, SEIS and VCT

- The issuing company must either be a UK resident company carrying on a trade in the UK or be an overseas company with a UK permanent establishment carrying on a trade.
- The company must not be in financial difficulty.
- The investee company must have fewer than 250 full-time employees.
- The investee company cannot raise more than £5 million in total over a 12 month period under the EIS and the VCT scheme.
Conditions to be met by the investor:

The key conditions are as follows:

- The subscription must be in newly issued, ordinary shares and paid for in cash, as well as being for genuine commercial reasons and not for tax avoidance purposes.
- To retain the income tax relief and to be exempt from capital gains tax, the shares must be held for at least three years.
- The investor must not be connected for EIS purposes with the company. Investors who are connected with the company cannot claim income tax relief but may still qualify for capital gains tax deferral relief.
- An investor will be connected with the company if he, either on his own or with associates, possesses or is entitled to acquire more than 30% of the issued share capital, voting power or assets of the company or any subsidiary on a winding up.
- An investor will also be connected if he or she is an employee of the company or its group. They can be directors provided they meet certain conditions.

An investor must not receive any amount of remuneration as a director that is excessive in comparison to the services performed.

Relief will be withdrawn if the investee company, or a person connected with the company makes a payment to the investor (which is not “insignificant”) up to one year before, and three years after, the share issue.

SEIS

For SEIS purposes, the company invested in and the investor need to meet certain conditions.

Conditions to be met by the company:

- The company must have no more than £200,000 in gross assets before the share issue.
- The company must be unquoted and must not be controlled by another company.
- The company must exist to carry on a qualifying trade.
- The issuing company must either be a UK resident company carrying on a trade in the UK or be an overseas company with a UK permanent establishment carrying on a trade.
- The company must not be in financial difficulty.
- The investee company must have fewer than 25 full-time employees.
- The company must not have any subsidiaries that are not 51% subsidiaries.
- The company cannot raise more than £150,000 in SEIS in a three year period.
- No EIS or VCT investments can previously have been made into the company.
Conditions to be met by the investor:

- The investor cannot be an employee of the company or any qualifying subsidiary during the period of three years commencing with the date the shares are issued. The investor can, however, be a director of the company.
- The investor must not have a substantial interest in the company. Investors who have a substantial interest cannot claim income tax relief but may still qualify for capital gains tax deferral relief.
- An investor must not receive any amount of remuneration as a director that is excessive in comparison to the services performed.
- The investor must be investing in the shares for genuine commercial reasons, and not as part of an arrangement where the main purpose, or one of the main purposes, is the avoidance of tax.

VCT

For VCT purposes, the following conditions must be met:

- The VCT’s ordinary shares must be listed in the Official List of the London Stock Exchange or on any other EU Regulated Market. A listing on AIM will not satisfy this requirement.
- The VCT must not be a close company (i.e. UK resident and controlled by 5 or fewer shareholders or any number of directors).
- The VCT’s income must be derived wholly or mainly from shares or securities.
- The VCT distributes by way of dividend at least 85% of its income from shares.
- No more than 15% by value of the VCT’s total investments can be invested in any one company.
- At least 70% of the VCT’s investments must be in unquoted trading companies carrying on a qualifying trade.
- For shares acquired before 6 April 2012 (or acquired after that date by funds raised before 6 April 2012) at least 30% of the VCT investments in qualifying companies are in the form of ordinary non-preferential redeemable shares. From 6 April 2012 at least 70% (by value) of the VCT’s qualifying investments must be in “eligible shares”.
- The VCT’s investment in a company when added to all VCT, EIS and SEIS investments made in that company in the twelve months ending in the investment cannot exceed £5 million.

There are complex tax rules that apply to EIS, SEIS and VCT. The above notes are intended to only be a summary of the main conditions and to serve as a contrast between the three reliefs. Further, more detailed, advice will always be required before investing under either of these schemes.

Source

BDO LLP London www.bdo.co.uk
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 10% and 39.6%.

Gains derived by individuals or companies on assets held for investment are taxed at the same capital gains rates (currently 15%, with an additional 3.8% for income earners above $250,000). 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 Kauffman Foundation, 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 24 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. The majority of state tax credit programs offer 25 to 40 percent credits.

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.

Finally, there is a federal program “Qualified Small Business Stock” in which those who hold this stock for at least five years and several other requirements may get a lower rate on gains. The discount amount has varied from 50 to 100 percent of gains on ordinary income. Congress has not been consistent in approving a package of 40 plus “tax extenders” that includes Qualified Small Business stock, leading to the variance. The 100% exemption ended December 31, 2013, but both chambers of Congress are working on different ideas to restore it permanently or for two years.