



Compendium of Fiscal Incentives: Tax Outlook in Europe

BUSINESS ANGELS PERSPECTIVE

2017



The European Trade Association for Business Angels,
Seed Funds, and other Early Stage Market Players



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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 include the examination of specific legislation in each country.

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FOREWORD FROM EBAN

EBAN is proud to present the new edition of its much anticipated annual mapping of fiscal incentives available to business angels in Europe in 2017. EBAN, the European Trade Association for Business Angels, Seed Funds, and other Early Stage Market Players, joined efforts with Business Angels Europe and BOFIDI this year to develop its annual publication.

Fiscal incentives have an important role in stimulating the activity of business angels – Early stage equity investors in start-ups – 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 Medina Braha, Research Analyst at EBAN and Teaching Assistant from University of Prishtina, Kosovo. We would also like to thank Johan Van Houtte, Stijn Schalk and the international network of professional accountants working with BOFIDI for their efforts in compiling this data and updating it with the most recent fiscal changes. We would also like to thank all EBAN members together with other colleagues that have proactively contributed to the publication by 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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EXECUTIVE SUMMARY

➤ Goals and Contents

The 2017 compendium is intended to assist business angels, entrepreneurs and other readers interested in early stage activities with information on one of the most important motivations to stimulate business angel activity: fiscal incentives. Indeed, the latter can encourage high net worth individuals to diversify their portfolio of investments to those in unquoted start-ups or early stage funds – and therefore increase the number of business angels active in Europe.

Included in the compendium is a summary of the main fiscal policies of 35 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 for professionalising business angel activity. They 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 BOFIDI, as well as others that have shared their experiences and knowledge from their respective countries. The information received was collected and organised.

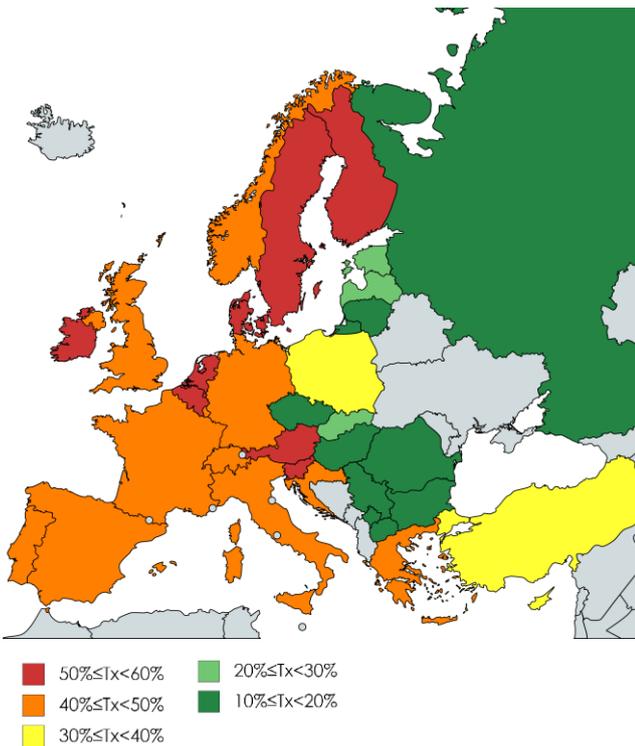
Fiscal systems are complex matters that require detailed analysis. This study must be understood as a summary of the main fiscal policies, and does not include the examination of specific legislation in each country.

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 relevant to angels investing across borders.

➤ General Tax Rates

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

Individual Income Tax Rate (maximum)

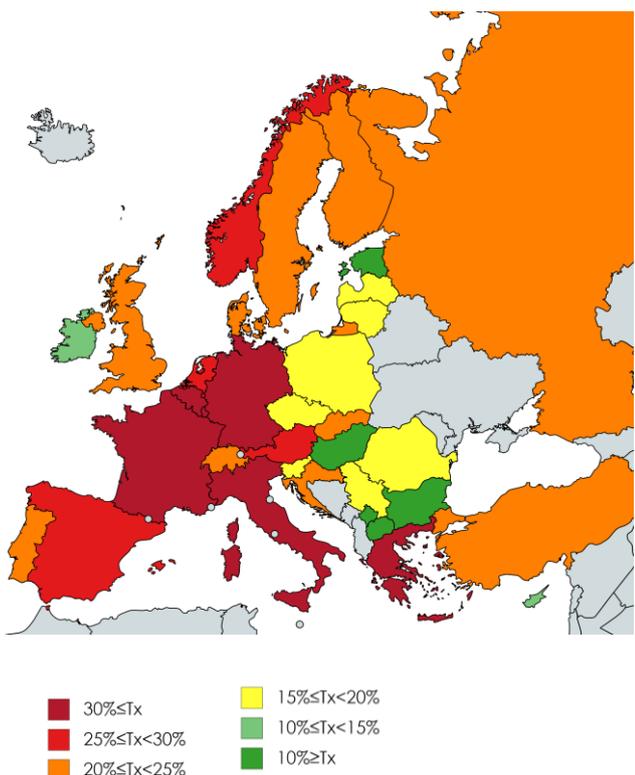


Eastern European countries have the lowest rates in Europe, especially with regard to individual tax rates, indicating a strategy of economic development through a competitive tax policy seeking foreign investment into their countries.

The general corporate rate on income of Western European countries is equal to or above 20% and 38%, with the highest percentages in France and Luxembourg.

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.

Corporate Income Tax Rate (maximum)

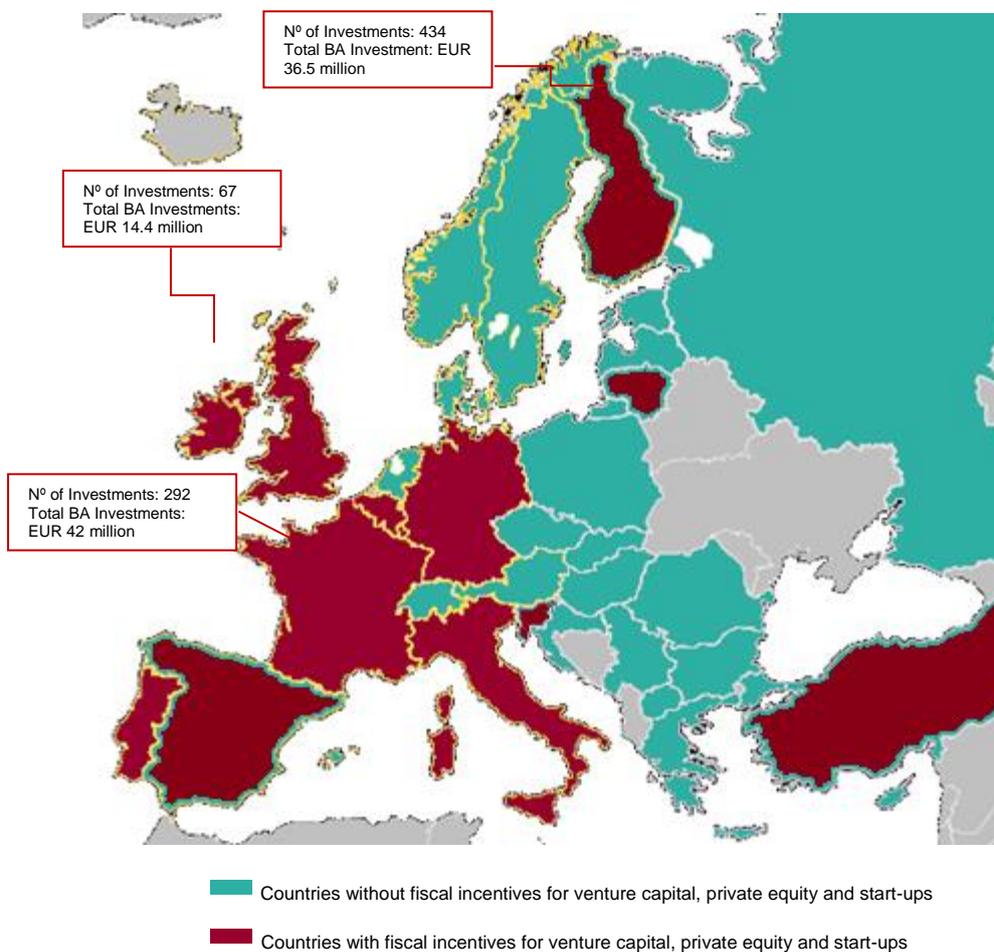


Capital gains are normally incorporated in the global income, but in many countries reductions and exemptions can be applied, namely at corporate level. Dividends received by residents from residents are exempt in most of the countries under certain conditions (participation conditions, among others). 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 thirteen countries: Belgium, Finland, France, Ireland, Italy, Germany, Lithuania, Luxembourg, Portugal, Slovenia, Spain, Turkey 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 information about a few deals done and amount invested through business angel networks in 2015, as provided by the national federation to EBAN.



Opportunities

Sustainable growth requires innovation. Business angels and other early stage investors support innovation by funding and mentoring young innovative companies during their most risky stage. Fiscal incentives are used to attract investment, to help private investors diversify their portfolio and invest into early stage/business angel investing. Furthermore, governments and policy-makers are increasingly conscious of the importance of incentives to stimulate the 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 players.

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 a few countries providing special conditions for early stage investment but 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 take as inspiration to create the basis of a favourable market for early stage investing.

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

France

Business Angels benefit from an income tax reduction of 18% of the amount invested with the limit of EUR 50,000 (EUR 100,000 for married couples). The investment must be held for at least 5 years and the company must be an SME.

In addition, individuals eligible for the wealth tax can invest up to EUR 90,000 and reduce the wealth tax by 50% (thus a maximum wealth tax deduction of EUR 45,000). This tax break also applies when investing in SMEs across the 27 EU Member States. The wealth tax reduction and the income tax reduction mentioned above cannot be applied to the same single investment.

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 exempt 50.28% of their amount in taxes. 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 main schemes as well as a third new scheme to support social impact investment.

Entrepreneurs' Relief: Mainly focused on entrepreneurs, this allows taxation of 10% for the first GBP 10 million of lifetime gains on qualifying business, rather than of up to 28%.

Enterprise Investment Scheme (EIS):

- EIS income tax relief was raised in 2011 to fall in line with Venture Capital Trusts, the amount of upfront income tax relief increasing from 20% to 30%. The amount of investment attracting upfront tax relief doubled in April 2012 from £500,000 to £1 million, although 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 until 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.

SEED Enterprise Investment Scheme (SEIS):

- Introduced in April 2012 to offer a higher rate of 50% tax relief for investments in very early seed stage businesses that have fewer than 25 employees and have been trading for less than 2 years. The total amount that an investor can invest per annum under this scheme is £100k. Investment can also be carried back and set against the previous year's tax liability.
- CGT paid on a previous investment realised in the current or previous year can be reduced by 50% if reinvested into an SEIS eligible business
- Any gain from the disposal of the shares in the SEIS company is exempt from CGT after 3 years. Inheritance tax exemption after 2 years.
- SEIS rules and benefits apply directly if the participation occurs in a syndicate or as part of an Angel Co-investment Fund.
- SEIS applies only to business angels paying taxes in the U.K. and investee companies must have a permanent establishment in the U.K.

Social Investment Tax Relief Scheme (SITR):

- Introduced in 2014 to offer tax relief for qualifying investments – organisations with a defined and regulated social purpose including charities, community interest companies or community benefit societies, carrying out a qualifying trade and with fewer than 500 employees and gross assets of no more than £15 million.
- Individuals making an eligible investment can deduct 30% of the cost of their investment from their income tax liability, either for the tax year in which the investment is made or the previous tax year (if 2014/15 or later). The investment must be held for a minimum period of 3 years for the relief to be retained.
- If individuals have chargeable gains in that tax year, they can also defer their CGT liability if they invest their gain in a qualifying social investment. Tax will instead be payable when the social investment is sold or redeemed. They also pay no CGT on any gain on the investment itself, but they must pay income tax normally on any dividends or interest on the investment.

2. General Overview of Tax Regimes in Different European Countries

Country		Income Tax		Capital Gains		Dividends	
		Individual	Corporate	Individual	Corporate	Individual (1)	Corporate (1)
	Austria	Up to 50%	25%	27.5% or 30%	Subject to corporate income tax rate	27.5%	Tax free*
	Belgium	Up to 50%	33% plus surtax of 3%	Generally not taxed	Subject to corporate income tax and exempt for gains on shares	30%	95% exempt*
	Bulgaria	10%	10%	10%	Subject to corporate income tax rate	5%	Tax free*
	Croatia	Up to 40%	20%	4%	20%	Dividends exceeding HRK 12,000 are taxed at 12%.	12%
	Cyprus	Up to 35% plus a surtax up to 3.5%	12.5%	Generally not taxed	Subject to corporate income tax rate	17%	Exempt*
	Czech Republic	15%	19%	15%	Subject to corporate income tax rate	15%	15%, but with many exemptions
	Denmark	Up to 55.56%	22%	27% to 42%	24.5%	Up to 42%	Exempt*
	Estonia	21%	0% until dividends distributed	21%	0% until dividends distributed	21/79 of net dividends (21% of gross disbursement)	21/79 of net dividends (21% of gross disbursement)
	Finland	Up to 31.75% + municipal 16.5% to 22.5% + surtax of up to 2.25%	20%	30%-32%	30%-32%	85% of the amount of the dividends: 30%-32% 15% of the amount of the dividends: exempt*	Exempt*
	France	Up to 45% plus a surtax up to 4%	33.33% up to 38.1%	16% for sales in long-term business assets	Subject to corporate income tax 34.43%-38.1% (except for sales of shares eligible to the participation exemption regime – effective rate of 4.13% or 4.57%)	taxed as general taxable income plus social contributions	95% exempt*
	Germany	Up to 47.5%	15%	Taxed at individual tax rate (applied only to 60% of gains) or 26.375%	95% exempt*	Taxed at individual rate (applied only to 40% of profit) or 26.375%	95% exempt*
	Greece	Up to 42%	Up to 33%	15%	26%	10%	Exempt*
	Hungary	15%	9%	15%	9%	15%	Exempt*
	Ireland	Up to 52%	12.5% (trading) or 25% (non-trading)	33%	33%	52%	Exempt*

Country		Income Tax		Capital Gains		Dividends	
		Individual	Corporate	Individual	Corporate	Individual (1)	Corporate (1)
	Italy	Up to 43% + regional tax rate up to 3.33% + municipal tax rates up to 0.9%	24% plus the regional tax (generally 3.9%)	Taxed at individual tax rate. Exemptions*	95% exempt*	Taxed as ordinary individual income Exemptions*	41.86% exempt*
	Kosovo	Up to 10%	10%	10% on a net basis	10% on a net basis	0%	0%
	Latvia	24%	15%	15%	15%	10%	Exempt*
	Lithuania	15%	15%	15%	15%	15%	15% with exemptions*
	Luxembourg	Up to 42%	From 15% to 19% + 7% + 6% to 12% municipality	Up to 45,78%	Subject to corporate income tax, exemptions*	Up to 45.78%	Subject to corporate income tax, with exemptions*
	Macedonia	10%	10%	0%	0%	10%	0%
	Norway	28%* plus a marginal tax of up to 12%	28%	28%	28% with exemptions*	28%	97% exempt*
	Poland	18% to 32%	19%	19%	19%	19%	Exempt*
	Portugal	Up to 48%	23% plus municipal tax (generally 1.5%)	28%	Subject to corporate income tax. Important exemptions.	28% or 50% of dividend subject to individual tax*	23% or 25%, with exemptions*
	Romania	16%	16%	16%	16%	5%	5%*
	Russia	13% (residents) or 30% (non-residents)*	20%	13%	Subject to corporate income tax	9% paid to residents and 15% to non-residents	9% if paid to residents, 15% if paid to non-residents or exempt*
	Serbia	10%/15%/20%	15%	15%	15%	15%	Exempt*
	Slovak Republic	Up to 25%	22%	Up to 25%	22%	Exempt*	Exempt*
	Slovenia	Up to 50%	17%	20% to 5% depending on holding period	Subject to corporate income tax. 50% exempt*	Fully exempt when received, 25% withholding tax when paid	Fully exempt when received, 15% withholding tax when paid. Exemptions*
	Spain	Up to 48%	28%	20% to 23%	Subject to corporate income tax. Exemptions*	21%	Subject to corporate income tax. Exemptions*
	Sweden	Up to 57%	22%	30% (25% on unlisted shares)	Subject to corporate income tax. Exemptions*	30%	Subject to corporate income tax. Exemptions*
	Switzerland	Up to 44%	From 11% to 24%	Exempt*	Subject to corporate income tax. Relief can be applied.	Taxed at individual tax rate.	Subject to corporate income tax. Relief can be applied.

Country		Income Tax		Capital Gains		Dividends	
		Individual	Corporate	Individual	Corporate	Individual (1)	Corporate (1)
	The Netherlands	Up to 52%	Up to 25%	25% when at least 5% of company shares are held	Subject to corporate income tax. Exemptions*	25%	Exempt*
	Turkey	Up to 35%	20%	Up to 35%	Subject to corporate income tax. Exemptions*	Up to 35%	Exempt*
	United Kingdom	Up to 45%	20%	18% or 28%. Exemptions*	Subject to corporate income tax. Exemptions*	Up to 37.5%	Exempt*

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

Country Profiles

Austria

Income tax rate

Individual: Progressive rates (four tax bands) up to 50% (for income exceeding EUR 90,000). If income exceeds EUR 1,000,000 tax rate amounts to 55% (for the years 2016-2020).

Corporate: 25%. There is an alternative minimum tax of EUR 500 or EUR 1,750 for limited liability companies.

Capital Gain tax rate

Individual: Capital gains relating to investments (excluding real estate) are subject to a 27.5% capital gains tax. Capital gains tax on real estate amounts to 30 %.

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 27.5%.

Corporate: Dividends received by residents from Austrian corporations are tax free. Dividends received from non-residents are exempt under certain conditions. Dividends paid to non-residents are subject to 27.5% withholding tax unless a reduction is applied under tax treaty or an exemption under EU parent subsidiary directive.

Other tax incentives

- R&D projects depending on the research intensity: 14% (12% until 2017) of the costs for R&D; several conditions have to be checked.
- Tax group can be formed with the consequence that the profit and loss of each group member is attributed to the main group member and the residual value is taxed.
- Interest on the acquisition of shares in other (non-related) companies are tax deductible.

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

Investments in private equity funds should be increased by the tax exemption of dividends to private investors up to EUR 15,000.00 (tax credit of max EUR 4,125.00). Legal validity depends on confirmation of the European Commission.

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

Non-resident corporations are taxed only on their income from Austrian sources (eg income from permanent establishments). The taxation on non-resident corporations may be reduced under a double tax treaty between Austria and another state or country. However, dividends and capital gains (except real estate) is generally taxed in the country the receiving or owner company is resident. Possibly Austria has the right to levy withholding tax. Dividends to EU-member country companies are tax free.

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, 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

Austrian tax code

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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 Gains 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 offset deferred tax assets against said taxable base.

In case the company does not qualify as a small or medium sized 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 30%. Under certain conditions, the tax rate amounts to 15%.

Corporate: Dividends received by Belgian companies are eligible for the 95% participation exemption. The participation exemption is subject to certain conditions. A minimum participation threshold of 10% or an investment value of at least EUR 2.5 million is applicable. The shares must be held in full ownership for at least one year. Certain specific tax haven exclusion are applicable.

Withholding tax exemption is provided for dividends distributed by a Belgian subsidiary to a parent company residing in another EU Member State or in a State with which Belgium has concluded a tax treaty provided that this or any other treaty provides for the exchange of information necessary to implement the provisions of the national legislations of the Contracting States. There is a participation requirement of at least 10 percent in the subsidiary's share capital, which was or will be held for an uninterrupted period of at least one year.

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

Notional interest deduction

Belgium has introduced a notional interest deduction (risk capital deduction) which is generally applicable for all companies subject to corporate income tax. The notional interest deduction is a separate deduction from the taxable base which is calculated on the company's equity capital multiplied by a percentage based on the long term risk free interest rate (1,131% + 0,5% for income year 2017). The application of the notional interest deduction leads to a lower effective tax rate and stimulates the investment with equity capital.

Tax shelter for start-ups

As of 1 July 2015, a tax incentive to encourage investments in Belgian start-ups is installed.

The tax shelter for start-ups comprises a tax reduction of 45% for investment in new shares of a start-up (micro company) and a tax reduction of 30% for investments in new shares of an SME or start-up fund. The individual/investor must hold the shares for 4 years. There is an investment threshold of 100.000 EUR or 30% shareholding in the start-up company. The start-up company may raise up to 250.000 EUR through the tax shelter regime.

Interest received on loans granted to a start-up through crowdfunding are exempted from withholding taxes and personal income tax.

A start-up company can benefit from a 10% wage withholding tax exemption on paid salaries, which is increased to 20% for micro companies.

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

A specific favorable tax regime is applicable to PRICAF's (specific fund subject to investment conditions). The income of a PRICAF is generally not subject to tax. Dividends distributed by a PRICAF are not subject to movable withholding taxes provided to the extent that the dividends are related to realised capital gains.

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 gains 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

See the above mentioned tax shelter rules for direct investments and PRICAF rules for investment through a fund.

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

The above mentioned tax shelter for investment in start-ups is only available for persons subject to Belgian personal income tax.

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

Bulgaria**Income tax rate**

Individual: 10% (some deductions and allowances are available).

Corporate: 10% tax rate for corporate income tax.

- 100% 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.
- 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 Gains 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 1 January, 2014 right of usufruct in agricultural land or other limited real rights in land for: (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 residents 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 the first paragraph. Declaration for origin of the funds is needed before the acquisition deal for land.

Currency: The official currency in Bulgaria is the Bulgarian Lev (BGN). In July 1997, a currency board was created and the BGN was pegged to the DEM at a rate of BGN 1 to DEM 1. BGN is currently 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 the 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 corporate tax.
- Any special purpose investment company under the Special Purpose Investment Companies Act is exempt from the levy of corporate 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

Bulgarian Investment Agency, Laws <http://www.investbg.government.bg/bg>

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 Gains tax rate

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

Corporate: Capital gains are 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, technology centres, and strategic business support services.

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

Investment (EUR million)	People employed	Period (years)	Corporate Income Tax
0.3 – 1.5	10	Up to 10	10%
1.5 – 4	30	Up to 10	7%
4 – 8	50	Up to 10	3%
> 8	75	Up to 10	0%

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 Gains tax rate

Individual: Capital gains realised on the sale of shares are exempt from taxation. Gains in respect to 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 an individual Cyprus resident (Special Contribution for Defence – SDC) and 0% for dividend payments to non-Cyprus tax residents.

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

A recent (Aug 2014) change in the income tax law, states that any amount invested by legal or physical persons in innovative SMEs is tax deductible.

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: 22%

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). 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 Gains tax rate

Individual: Generally taxed at 15% (exemptions under 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 those that apply to the participation exemption for dividends.

Dividends tax rate

Individual: 15%.

Corporate: 15%. Dividends received by residents from resident companies are exempt from tax if the parent company holds at least 10% of the distributing company for an uninterrupted period of at least 12 months. Dividends paid by a subsidiary in an EU member state when the parent holds at least 10% for an uninterrupted period of at least 12 months are also exempt from tax.

Dividends paid 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 states are exempt if the parent company maintains a holding of at least 10% of the distributing company for an uninterrupted period of at least 12 months. As of 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 production in the manufacturing industry, in technological centres and in strategic service centres. Available investment incentives include 10 year corporate income tax relief (full or partial), job creation grants, and grants for re-training employees, property-related incentives, and tangible and intangible assets incentives.

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 applies 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 from 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: 22%.

Capital Gains 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 a resident of Denmark, the EU/EEA, or a country that has concluded a tax treaty with Denmark. 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 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

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 (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?

The main obstacle is the lack of level playing field compared to other jurisdictions close to Denmark. In the UK they have SEIS, entrepreneurs' relief, patent box etc. Sweden has the "Investor-avdrag".

Danish start-ups can only rely on tax-credits that convert deficits due to R&D into cash. That can take up to 1 ¾ year from when the deficit is created until the tax value of that deficit is paid back.

Sources of information

www.taxindenmark.com

Estonia**Income tax rate**

Individual: 21% (2014), 20% (2015).

Corporate: 0% until dividends distributed.

Capital Gains tax rate

Individual: Gains are considered as income and taxed at regular 21% (20% for 2015).

Corporate: No capital gains tax, taxed on a regular basis if dividends distributed.

Dividends tax rate

Individual: 21/79 of net dividends (20% 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 (20% of gross disbursement).

Other tax incentives

None - No tax incentives.

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

None - No tax incentives.

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

Commonly through an Estonian legal entity as corporate income is tax-exempt, until the dividends are 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)

Estonian Government Income Tax Information <http://www.emta.ee/index.php?id=1752>

Finland**Income tax rate**

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

Corporate: 20%.

Capital Gains tax rate

Individual: 30%. If gains over 40,000 €, then 32%.

Corporate: 20% on profits. 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: 75% tax free and 25% taxed as capital gain when dividends are less than 8% of the company's net value, up to EUR 150,000; from this value they are taxed at the 85/15% rule.

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

Other tax incentives

N/A

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

Special angel funds are starting, some ordinary private investment funds that invest in start-ups 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

The Business Income Tax Act (BITA) should be amended in Finland so that a tax-neutral exchange of shares can be done to countries with whom 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 BA¹ that invests in the equity of a start-up as an individual can get a deduction of 50% from his/her capital gain income in the range of EUR 5,000 – 150,000 (meaning the investment should be in the range EUR 10,000 – 300,000). The tax is not avoided, only deferred. Certain criteria need to be met for the investment object, for example it cannot be more than 6 years old. This is in force until 31 December 2015 and will hopefully continue with the new government that will be formed after parliament elections in April 2015.

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?

Not much yet, since the tax incentive for BAs came into force only 15 May 2013. The results so far are marginal, but there is a positive psychological effect given that the government approved the model.

Sources of information

www.worldwide-tax.com

Tax administration in Finland - www.vero.fi

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 if the money earned as capital gain is employed in a high-growth start-up 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: 33.13% plus the surcharge 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 approximately 38.1% (small or new businesses may benefit from lower rates).

Capital Gains 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 tax of 16%, plus social contributions at a tax rate of 15.5%.

The capital gains realised on the sale of shares are subject to income tax at the progressive rate (i.e. with a top marginal rate of 45%), after the application of a standard tax allowance applied on the net capital gain, depending upon the holding period: 50% after a 2-year holding period and 65% for an 8-year holding period. The capital gains are also subject to social contributions (15.5%).

An extra allowance is applicable for sale of shares in an SME incorporated for less than 10 years: 50% for shares held for more than 1 year and less than 4 years; 65% for shares held for more than 4 years and less than 8 years; 85% for shares held for more than 8 years.

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 a progressive allowance of up to 85% on the remaining amount for shareholding 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 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 significant impact of the management of the issuing company, with an ownership of at least 10% of the "participating securities" for a 2-year period), resulting in an effective rate of 4.13% or 4.57% (12% × 34.43% or 12% × 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: Taxable as ordinary income at a rate of 33.33% 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

Exceptional depreciation and the declining balance of depreciation is used at certain capital expenditures as incentive to capital investment.

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

Only French residents are concerned by income tax reduction. "Wealth tax" reduction, however, concerns both French and foreign residents.

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

Tax incentives concerning the "wealth tax" and income tax reduction 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

FRANCE: Comparative Table of Investment Methods Proposed to Business Angels:
 Source: France-Angels – www.franceangels.org

	Tax break/tax system	Main restrictions	Investment channel	Investment target	Rules concerning the amount granted	Duration of the investment
Direct investments in SMEs by a private individual	<p>Income tax reduction (“Madelin” provisions): 18% of the total amount invested within the limit of EUR 50,000 (private individual) or EUR 100,000 (couple)</p> <ul style="list-style-type: none"> Capital gains: In case of disposal of shares with gain, taxed as general income on income tax at progressive rates (with a marginal rate of 45%) after deduction of allowance up to 65% if shares are have been held for at least 8 years or up to 85% provided certain conditions are met. <p>For the calculation of capital gains, the acquisition price is reduced by the amount of income tax reduction (“Madelin”) effectively obtained in relation with the investment. The capital gains are also subject to social contributions (15.5%).</p> <ul style="list-style-type: none"> Tax on dividends: taxed as general income on income tax at progressive rates with a top marginal rate of 45% (after 40% allowance applicable to gross dividend when the target is located in France or the EU) plus social contributions (15.5%). 	<p>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).</p> <p>The target must be in France or in the EU and be subject to corporate income tax.</p> <p>Target must fit within the European definition of an SME and within the private-equity definition of company in seed, start-up or expansion phase. Staff: 2 to 50. An annual turnover, or a total annual balance sheet value not exceeding EUR 10 million.</p> <p>Target must carry out an operational activity (excluding financial and real estate activity).</p>	<ul style="list-style-type: none"> Business angels network Professional or private network 	Unquoted companies located in the EU	<p>For a married couple investing EUR 100,000 – Income tax deduction with an annual ceiling of EUR 18,000.</p> <p>For a private individual investing EUR 50,000 – Income tax deduction with an annual ceiling of EUR 9,000.</p> <p>The part of annual investment exceeding the annual ceiling may be deferred the four following years.</p>	Period of shareholding: 5 years

Investment as an individual in an SME: issues linked to the wealth tax	<ul style="list-style-type: none"> • Wealth Tax reduction: 50% of the total amount invested within the limit of EUR 90,000 (i.e. a maximum wealth tax deduction of EUR 45,000). <p>This wealth tax reduction cannot be accumulated with the French individual income tax reduction mentioned above (the wealth tax reduction cannot be applied for cash subscription in the share capital of a company already placed under the “Madelin” provisions). For one investment, the taxpayer will have to opt either for wealth tax reduction or for income tax reduction.</p>	<p>Holding the shares for at least 5 years (in case of disposal of the equity investment before 5 years’ time: repayment of the tax deduction).</p> <p>Target must fit with the European definition of an SME (an annual turnover of less than EUR 50 million or a total balance sheet value of EUR 43 million, and employing less than 250 employees) and must be in the EU and subject to corporate income tax.</p> <p>The company must carry out an operational activity (excluding financial and real estate activity).</p>		<p>Unquoted companies located in EU</p>		<p>Period of sharing holding: 5 years</p>
Investments with equity-linked savings plans (Plan d’Epargne en Actions PEA)	<p>No capital gains tax, provided gains and income are blocked in the PEA for a period of 5 years.</p> <p>If withdrawal within those 5 years, no income tax but payment of social contributions (15.5%) if the funds are invested within 3 months in the capital of a transmitted company.</p>	<ul style="list-style-type: none"> • Deposit with a fixed ceiling • Not simultaneously with the tax reduction for Direct Investment • Shareholder must not hold more than 25% of the shares of the company 	<ul style="list-style-type: none"> • Business angels network • Professional or private network • Stock exchange 	<p>Quoted and unquoted companies located in EU</p>	<p>Deposit with a fixed ceiling: the equity-limited saving plan has a limit of EUR 150,000 (private individual) or EUR 300,000 (couple)</p>	<p>Capital gains exempt from taxes if remain in the equity-limited saving plan for 5 years</p>
Investment in SMEs through a holding company (SARL, SA and SAS)	<ul style="list-style-type: none"> • Income 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 90,000 (i.e. a maximum wealth tax reduction of EUR 45,000). 	<ul style="list-style-type: none"> • Target must fit with the European definition of an SME. • In case of an investment in the holding company by contribution in cash, the holding has to re-invest the cash in an SME within the same fiscal year. 	<ul style="list-style-type: none"> • Business angels network • Professional or private network • Stock exchange 	<p>Unquoted companies located in EU</p>	<p>Income tax reduction: For a married couple investing EUR 100,000 – Income tax reduction with an annual ceiling of EUR 18,000.</p> <p>For a private individual – Income tax reduction with an annual ceiling of EUR 9,000.</p> <p>The part of investment exceeding the annual ceiling may be deferred the four following years.</p>	<p>Period of shareholding: 5 years</p>

	Tax break/tax system	Main restrictions	Investment channel	Investment target	Rules concerning the amount granted	Duration of the investment
Investment through Capital Risk Company (SCR)	<ul style="list-style-type: none"> For the company itself: corporate income tax exemption for income and capital gains deriving from the portfolio of shares held by the SCR. For the members: no income tax on capital gains or on dividend distributed if the following conditions are met : <ul style="list-style-type: none"> Revenues are injected immediately back into the SCR, The shareholder holds the shares for at least 5 years, And shareholder families do not own more than 25% in a company held by the SCR. <p>If these conditions are not met: income tax at progressive rates (with a top marginal rate of 45%). In any case, social contributions (15.5%) are always due.</p>	<ul style="list-style-type: none"> Constitution of a limited company, joint-stock company or a non-trading company, compulsory to benefit from the statutes. A family group cannot hold more than 30% of the rights to benefits in the SCR. No commitments above 25% of the SCR net accounting result. The SCR has 2 years to reach 50% of unquoted shares in companies located in EU (distinction about specific corporate purpose between a small SCR with under EUR 10 million in revenues, and a large SCR with over EUR 10 million in revenues). 	<ul style="list-style-type: none"> Business angels network Professional or private network Stock exchange 	Quoted and unquoted companies located in EU (securities of unquoted companies must represent at least 50% of the net assets of the risk capital company)		Period of shareholding: 5 years
Investment club	<p>Income: 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, by the same rules as a direct investment by a physical individual.</p> <p>Capital gains: the capital gains realised by the club are exempt from taxation. However, gains realised by members in case of withdrawal or dissolution of the company are subject to taxation.</p>	<ul style="list-style-type: none"> 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 up to EUR 5,500 per member 	<ul style="list-style-type: none"> 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

	Tax break/tax system	Main restrictions	Investment channel	Investment target	Rules concerning the amount granted	Length of the investment
Investment in Venture Capital Mutual Funds (FCPR)	For the subscriber, the revenues and the portfolio capital gain benefit from a tax exemption, but are not exempt from social contributions (15.5%). There is neither income tax reduction, nor wealth tax reduction on investments.	It is not an active investment: the investment choice is taken by the fund's portfolio managers.	Organisation of collective investments in transferable values (banks, specific companies).	Investment in share of funds which have to invest 50% in unquoted companies located in the EU	Minimum purchase of a share in a venture capital mutual fund (amount depending on each fund)	Savings frozen for a minimum of 5 years in order to benefit from fiscal advantages
Investment in Innovation Mutual Funds (FCPI)	<ul style="list-style-type: none"> • Cash subscription of shares in the FCPI gives the right to an income tax reduction: 18% of the amount invested with the limit of EUR 12,000 (individuals) or EUR 24,000 (couples). • For the subscriber, the revenues and the portfolio capital gains benefit from a tax exemption. • Wealth Tax reduction: 50% of the total amount invested within the limit of EUR 18,000. 	It is not an active investment: the investment choice is taken by the fund's portfolio managers.	Organisation of collective investments in transferable values (banks, specific companies).	Investment in shares of funds which have to invest 60% (70% for funds incorporated after 1 January 2014) in innovative companies (conditions of expenses in R&D or Anvar Certification) located in the EU	<p>Minimum purchase of shares of the fund (amount depending on fund)</p> <p>For a married couple investing EUR 24,000 – Income tax reduction with an annual ceiling of EUR 4,320.</p> <p>For a private individual investing EUR 12,000 – Income tax reduction with an annual ceiling of EUR 2,160.</p> <p>The part of investment exceeding the annual ceiling cannot be refunded or deferred the following years.</p>	Savings frozen for a minimum of 5 years in order to benefit from fiscal advantages

Investment in Local Investment Funds (FIP)	<ul style="list-style-type: none"> • A cash subscription of shares in the FIP gives a right of an income tax reduction: 18% of the amount invested in the limit of EUR 12,000 (individuals) or EUR 24,000 (couples). • For the subscriber, the revenues and the portfolio capital gains benefit from a tax exemption but are not exempt from social contributions (15.5%). • Wealth Tax reduction: 50% of the total amount invested within the limit of EUR 18,000. 	<p>It is not an active investment: the investment choice is taken by the fund's portfolio managers.</p>	<p>Organisation of collective investments in transferable values (banks, specific companies).</p>	<p>Investment share of funds</p> <ul style="list-style-type: none"> • A minimum of 60% (70% for funds incorporated after 1 January 2014) of the funds invested in securities, shares or current account advance which at least 20% of the entity was incorporated less than 8 years ago (or which at least 10% in unquoted companies is less than 5 years old, if FIP is incorporated before 1 January 2011) which are SMEs in the EU. • Investments limited to specific geographical zones 	<p>Minimum purchase shares of the fund:</p> <p>For a married couple investing EUR 24,000 – Income tax reduction with an annual ceiling of EUR 4,320.</p> <p>For a private individual investing EUR 12,000 – Income tax reduction with an annual ceiling of EUR 2,160.</p> <p>The part of investment exceeding the annual ceiling cannot be refunded or deferred the following years.</p>	<p>Savings frozen for minimum 5 years in order to benefit from fiscal advantages</p>
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Situation for angels investing through a co-investment or angel fund	Opportunities/obstacles in the framework of a cross-border investment	Sources of information on fiscal environment or efficiency of fiscal incentives for angels
<p>"Tax on wealth" incentive available if the investment is made through a holding.</p>	<p>Fiscal incentives also apply in the case of an investment in a foreign-based company incentives</p>	<p>www.franceangels.org www.afic.fr</p>

Germany



Income tax rate

Individual: Progressive rate up to 45% plus 5.5% solidarity surcharge thereon, which is a total of 47.475%. Church tax of 9% (8% in Bavaria and Baden-Württemberg) is levied on the income tax of church members, but is deductible from the income tax base. Capital income, especially dividends and interests are taxed at a flat tax rate of 25% (26.375% including solidarity surcharge) which is in principle withheld at source.

Corporate: The corporate tax rate is 15% (15.825% including solidarity surcharge). A trade tax of between 10% and more than 19% (effective trade tax rates in cities with more than 20.000 inhabitants) is also applied.

Capital Gain tax rate

Individual: Progressive up to 45% (47.475% including solidarity surcharge), non-taxable in certain cases. Especially gains from the sale of shares are subject to the flat-rate withholding tax of 25% (26.375% including solidarity surcharge).

Corporate: There is no separate capital gains tax in Germany; capital gains are included in taxable income unless exempt under the participation exemption. Capital gains realized by an enterprise from the disposal of business assets are generally treated as ordinary business income. However, gains from the sale of certain fixed assets (e.g. real property and buildings) may be rolled over if the proceeds are used for reinvestment purposes. Capital gains arising from the sale of shares by a corporation generally are 95% exempt (a 100% exemption with a 5% add-back as a non-deductible business expense), regardless of how long the participation in the subsidiary has been held and of the extent of the participation. The 95% exemption is not granted to banks, financial institutions, (until fiscal year 2016) finance companies including holding companies (in respect of shares acquired with the intention of realizing a short-term profit from trading, 'held for trading exception'), life or health insurance companies and pension funds.

Dividends tax rate

Individual: dividends are subject to the flat-rate withholding tax of 25% (26.375% including solidarity surcharge) 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 and business expenses are deductible to the extent of 60%.

Corporate: dividends received by a German corporation (from resident or foreign corporations) are 95% exempt if at least 10% (15% for trade tax purposes under certain conditions) of the shares in the corporation paying the dividend are held. Dividends paid to non-residents are subject to a 26.375% withholding tax (40% refund can in principle be applied in the case of foreign corporations receiving the dividend) unless exempted.

Other tax incentives

The Venture Capital Act (Wagniskapitalbeteiligungsgesetz – "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. A Key Issues Paper on Venture Capital was also published on 16 September 2015, but in 2016 these considerations were completely rejected.

With the implementation of § 8d KStG (corporate income tax law) a provision was introduced to avoid the loss of unused tax losses carried forward in case of detrimental change in ownership (§ 8c KStG). This provision makes an investment in start-ups more attractive, because under certain conditions, it allows the investors to use the losses carried forward at level of the target corporation.

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), the principles regarding the taxation of partnerships apply.

If the fund is a corporate entity (GmbH or AG), 95% of the capital gains from selling shares 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). In the future, there might be a minimum shareholding requirement of 10% for the exemption described above to be applied.

Investment Grant for Business Angels

In May 2013 a grant specifically designed for Business Angel investments called "INVEST" was launched by the Federal Ministry of Economy. Angel investors investing in small and innovative businesses (in quantitative terms: companies with an annual turnover or balance sheet total of not more than 10 million Euros and with fewer than 50 employees) receive from the federal government a grant of 20% of their total investment amount (maximum grant per year per investor of 50,000 Euros). The investment must be between 10,000 Euros and 500,000 Euros. To receive this grant investors and the respective companies have to fulfil certain other conditions.

As of 1.1.2017 the measures to promote Business Angel investments have been extended considerably. Especially an “exit-grant” has been introduced. By using this “exit-grant” individuals may receive a refund up to 25% of tax on the capital gains from “INVEST”-shares, limited to 80% of the amount originally invested into INVEST-shares.

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 on dividends and capital gains from selling shares may be reduced to 0%.

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

No permanent currency or administrative controls apply on foreign investments. Foreign investors are subject to the same conditions as their German counterparts in obtaining operating licenses, securing building permits and obtaining approval for investment incentives.

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

Most types of investment or operational incentives in Germany are provided in the form of direct subsidies, grants, reduced-interest loans, public guarantees or silent participations. Various federal and regional programs exist. Incentives mainly focus on the promotion of business expansion and new investments, renewable energy (e.g. solar and wind energy), energy efficiency and environmental protection, social housing, health care, infrastructure and agriculture, research and development (R&D) and recruitment, particularly of the long-term unemployed. Current incentives include preinvestments and investment allowances for certain start-ups and for small and medium-sized businesses. Businesses in the manufacturing sector may apply under certain conditions for a partial relief from energy taxes. There are no taxes on incorporation or capital increases. Costs of entering a company in the trade register and of notarizing the articles of association depend on the company's capital stock and on whether a lawyer is used to draft the articles. Where shares are issued at a premium, the premium is not considered taxable income.

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: <http://www.gesetze-im-internet.de>;

www.bundesfinanzministerium.de;

www.bmwi.de

www.steuerliches-info-center.de

Business Angels Netzwerk Deutschland e.V. (<http://www.business-angels.de>)

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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 Gains 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. However, a series of cross-border EU-funded programmes implemented in 2013 with the objective of stimulating business relations with neighbouring countries (Bulgaria, Albania, Serbia etc.) could change that. Currently there is no indication that these programmes have encouraged 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 15% is applicable on all types of income (additional contributions at 18.5% social security paid by employee + 22% social security paid by employer). Tax rate is reduced to 15% from 1 January 2016.

Corporate: The rate of corporate income tax is 9%. Tax rate is reduced to 9% from 1 January 2017.

Capital Gain tax rate

Individual: 15%. Tax rate is reduced to 15% from 1 January 2016.

Corporate: 9%. A shareholder resident in a non-treaty country is taxable at 9% 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: 15%. Dividends paid to a non-resident individual may be subject to withholding tax at 15% unless the rate is reduced by a relevant treaty. Tax rate is reduced to 15% from 1 January 2016. Dividends paid to resident individual may be subject to withholding tax at 15% and additional 14% health contribution with upper limit of HUF 450,000 p.a.

Corporate: No withholding tax applies to dividends paid to corporations. Dividends received by a Hungarian company are generally exempt from corporation tax, except dividends from CFCs.

Other tax incentives

Tax credit for certain investments. 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. Tax allowance for development purposes 100 million up to 3 billion HUF for 10 years. Tax allowance for supporting spectacular team sports, movies or performing art organizations. Tax allowance for interests of an investment credit for the SME sector: 60% of interests paid.

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 Hungarian sources.

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

http://en.nav.gov.hu/taxation/taxinfo/summary_individuals.html

Hungarian tax law

Márton SÜTŐ E-mail: suto.marton@buco.hu Web: www.buco.hu

Steuer und Buchhaltung

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Tel: +36 1 436 0500 Fax: +36 1 436 0501

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 Gains 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 corporate 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 EIS scheme outlined below. It allows individual investors to obtain income tax relief on investments in each tax year. A qualifying company is one which: (1) is an unquoted company (except in the case of companies listed on the Developing Companies market); (2) is engaged in a qualifying trade; (3) has its issued share capital fully paid up; and (4) is not intending to wind up within 3 years of receiving investment via this scheme, unless it is for bona fide commercial reasons.

EIS (Employment & Investment Incentive Scheme)

The EIS replaced the previous BES (Business Expansion scheme) in November 2011. This scheme is open to a much wider range of companies than the BES scheme. The scheme is targeted at start-up and growth companies seeking to raise finance.

The main points of the EIS are as follows:

- The potential for individuals to claim tax relief of 41%.
- 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 average salaries that are not reduced, or increases 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 10 million with a limit in any one year of EUR 2.5 million.
- 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 has 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.

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

N/A

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

N/A

Sources of information

Irish tax law

Italy**Income tax rate**

Individual: Progressive rate up to 43%. Additionally, there is a regional tax which ranges from 1.2% to 2.63% and a municipal tax which ranges from 0% to 0.9%.

Corporate: 24% (IRES) plus the regional tax on productive activities (IRAP), which is generally levied at 3.9% (regional authorities are empowered to increase or decrease the standard rate by up to 0.92%; the regions may, in certain cases, provide for exemptions).

Capital Gains 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

The tax treatment depends on the chosen legal form of the investment (co-investment). If the investment is made via a corporation (LLC or PLC), the corresponding tax regulations apply. 95% of the profits generated by the sale of shares are tax-exempt. For special incentives for investments in start-ups, see paragraph "any other general fiscal incentive ..."

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

The Italian legislator seeks to avoid any mutual disadvantages by means of double taxation agreements (concluded with 96 states).

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

There are several special provisions and benefits of tax law and commercial law for innovative start-up companies:

- Innovative start-ups can redact their deed of foundation and its subsequent amendments for free, using a standard model and with a digital signature. The procedure can be carried out entirely online;
- Innovative start-ups are exempted from paying: annual fees to the Chambers of Commerce; other registration fees and duty stamps usually owed to the Commercial Register (circular 16/E Italian Revenue Agency, June 11th, 2014);
- The corporate type s.r.l. (LLC) is more similar to the s.p.a. (PLC): Possibility to create categories of shares with particular rights (e.g. voting rights non proportional to the participation in capital); possibility to carry out operations on one's shares; possibility to issue participative financial instruments; possibility to offer capital shares to the public;
- Extension of terms for covering losses: In the event of systematic losses, the innovative start-up benefits from a 1-year grace period to cover losses over 1/3 of the share capital (terms postponed by two financial years);
- Innovative start-ups are exempted from the duty to issue an endorsement of conformity to compensate VAT credits for a maximum amount of € 50,000 (regular threshold: € 5,000);
- Specific variants to the labour law: no limits to durations and total number of renewals (max 36 months); possibility of one more renewal after 36 months (max 12 months, 48 in total); no obligation to keep a fixed ratio between fixed-term and open-ended contracts; without prejudice to minimums determined in collective agreements, parties can determine fixed and variable components of the salary (e.g. linked to efficiency, productivity, profitability, agreed objectives); employees and consultants can be remunerated through stock options and work for equity that are not included in taxable income (taxed as capital gain!);
- Innovative start-ups are exempted from the regular legislation on bankruptcy. The process is faster and less costly, with the goal of allowing the entrepreneur to get back on track immediately with a new entrepreneurial project, overcoming deep-seated prejudices on failure;
- Equity crowdfunding: specific regulation by the national authority CONSOB for "the collection of risk capital via on-line portals"

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

There are differences in the general treatment of tax-resident subjects (private individuals, entrepreneurs, partnerships and corporations) and non-resident taxpayers. Residents of Italy are taxed on the world income principle and non-residents are taxed on their income earned in Italy.

The tax benefits mentioned in the paragraph „Incentives for BA“ can be utilized only by resident subjects or subjects that operate in Italy via a permanent establishment (hence, generate an income in Italy that can be used as tax base)

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

The Ministry of Economic Development envisages different support programs for the internationalization of Italian companies. The individual support programs are based on their own provisions and the participation or receipt of funding is regulated accordingly. The available financial resources of the state are limited.

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

Laws

Ministry of Economic Development (partially English documents)

Revenue Agency (partially English home page)

http://www.agenziaentrate.gov.it/wps/content/Nsilib/NSE/Invest+in+Italy/Super-amortization+and+Hyper-amortization/?page=invest_italy

http://www.agenziaentrate.gov.it/wps/content/Nsilib/NSE/Invest+in+Italy/Allowance+for+corporate+equity+%28Ace%29/?page=invest_italy

<http://www.consob.it/web/investor-education/crowdfunding>

<http://www.sviluppoeconomico.gov.it/index.php/it/impresa/competitivita-e-nuove-imprese/start-up-innovative>

<http://www.sviluppoeconomico.gov.it/index.php/it/incentivi/commercio-internazionale>

ITALY: Comparative Table of Investment Methods Proposed to Business Angels.
Information provided by IBAN with the support of CBA Studio Legale e Tributario and [Gianni, Origoni Grippo & Partners]

	Tax break/tax system	Main restrictions
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	<p>Dividends tax rate <u>Individual:</u> In the case of a so-called non-qualifying holding, incomes are taxed with a substitute tax of 26%. In the presence of a qualifying holding², 41.86% of the incomes are tax-exempt (incomes starting from the year 2017), while the remaining part of 58.14% is subject to a progressive income tax (23% up to 43%). Starting from the year 2018, regardless of the type of holding, a substitute tax of 26% will be applied (this applies only to participations that are held by non-entrepreneurs).</p> <p><u>Corporate:</u> For corporations, 95% of dividends are tax-exempt.</p> <p>Capital gains tax rate <u>Individual:</u> In the case of a so-called non-qualifying holding, incomes are taxed with a substitute tax of 26%. In the presence of a qualifying holding², 41.86% of the incomes are tax-exempt (incomes starting from the year 2017), while the remaining part of 58.14% is subject to a progressive income tax (23% up to 43%). Starting from the year 2019, regardless of the type of holding, a substitute tax of 26% will be applied (this applies only to participations that are held by non-entrepreneurs).</p> <p><u>Corporate:</u> For corporations, 95% of capital incomes from the sale of participations are usually tax-exempt (participation exemption), provided that all required conditions³ are met. Otherwise, profits count as normal taxable income</p>	<p>A participation is considered “qualified” when the same represents, in the aggregate: (1) a percentage of voting rights in the ordinary shareholders’ meeting higher than 2% for listed participations or 20% for unlisted participations; or (2) a participation in the share capital higher than 5% for listed participations or 25% for unlisted participations.</p> <p>A participation is considered to be “non-qualified” when the same represents, in the aggregate, a percentage of the mentioned rights and participation which is lower than the above-mentioned thresholds for qualified participations. In order to determine whether the qualified threshold is exceeded or not, the participations and the rights or securities through which such participations may be acquired must be taken into account.</p>

² A participation is considered a “qualifying” holding, if: (1) the percentage of voting rights in the ordinary general meeting is higher than 2% for listed participations or 20% for unquoted participations; or (2) the participation in the share capital is higher than 5% for listed participations or 25% for unquoted participations.

³ (1) Holding period of 12 months; (2) in the first financial statements following its acquisition, the participation must be recorded under the financial fixed assets; (3) not be located in a tax haven; (4) the participated company must engage in a commercial or industrial activity (pure real estate companies are excluded)

	Tax break/tax system	Main restrictions
<p>Investment through Public Limited Companies and Private Limited Companies resident for tax purposes in Italy</p>	<p><u>Dividends</u> 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 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.</p> <p><u>Capital Gains</u> 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.</p> <p>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.</p> <p>If the participation exemption regime does not apply, and the participation has been accounted for as a financial asset (<i>immobilizzazioni finanziarie</i>) in the 3 fiscal years prior to the disposal, the taxpayer may opt to spread the gain over a maximum of 5 yearly instalments.</p>	<p>To benefit from the "participation exemption" regime:</p> <ol style="list-style-type: none"> 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; 2. The participation must be accounted for by the holder as a financial asset in the first financial statement closed during the holding period; 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 4. The company whose participation is disposed must carry out a business activity. <p>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.</p>
<p>Investments by individuals engaged in an business activity to which the participations are effectively connected, resident for tax purposes in Italy</p>	<p><u>Dividends</u> 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.</p> <p><u>Capital Gains</u> 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.</p> <p>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.</p> <p>If the participation exemption regime does not apply, and the participation has been accounted for as a financial asset (<i>immobilizzazioni finanziarie</i>) in the three fiscal years prior to the disposal, the taxpayer may opt to spread the gain over a maximum of five yearly instalments.</p>	

Partnerships resident for tax purposes in Italy	Partnerships are not subject to corporate or individual income taxes. The partners in the partnership are taxed according to the applicable rules (<i>i.e.</i> to IRES or to IRPEF) on their share of the partnership's profits.	
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Kosovo**Income tax rate**

Individual: Up to 10%

Corporate: 10%

Capital Gains tax rate

Individual: 10% on a net basis

Corporate: 10% on a net basis

Dividends tax rate

Individual and Corporate: 0%

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 has to be paid).

The Kosovo Government approved a tax package for new businesses which is expected to create more jobs. Any business that invests from EUR 2 to 10 million in Kosovo will be relieved from the 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. Upon this issue it established a group which will deal with the list of these raw materials to be relieved from customs. However, these incentives are still not accessible as the Ministry of Finance is in the 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.

International trade guide available at <http://www.itg-rks.com/en-us/Introduction>

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, and production activities. 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) is estimated to reduce the upfront costs for businesses by 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.

As of 24 March 2015 the Government encourages investments as following:

- VAT will be removed for production lines and IT
- Custom reductions for production activities in order to lower investment costs
- By the new VAT Bill, the VAT threshold will be lowered from EUR 50,000 to EUR 30,000 by 2016.

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 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: 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, and 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: 23% on business and employment income.

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

Capital Gains tax rate

Individual: 15% for gains derived from the sale of real estate (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). 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 reduces the taxable income by the amount of expenses incurred multiplied by a coefficient 3, but only if directly relevant to: labour 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 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 EUR 300,000) under certain conditions may be entitled to a reduced rate of 5%.

Capital Gains tax rate

Individual: 15%.

Corporate: 15%.

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 (after investing \geq EUR 1,000,000, 100% tax exemption for 6 years and 50% tax exemption for next 10 years).

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 economic 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:

- 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 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

Invest Lithuania www.investlithuania.com

Luxembourg



Income tax rate

Individual: Progressive rate of up to 42%. A 7% to 9% contribution to the unemployment fund applies that the marginal tax rate amounts to between 44.94% and 45.78%.

Corporate: The income is taxed at 21%, plus a 7% contribution to the unemployment fund. The corporate income tax rate per se will be reduced from 21% to 18% over the next two years. A municipal business tax which ranges from 6% to 12% is also levied, according to the place in which the undertaking is located. The corporate income tax rate for companies having a net taxable base of more than 30.000 € will be reduced to 19% for 2017 and 18% for 2018, resulting in an overall tax rate of 27,08% for companies in Luxembourg City for 2017 and 26,01% for 2018 (including the contribution to the unemployment fund and the municipal business tax)

In addition, a reduced corporate income tax of 15% is applicable as from 2017 for companies with a tax base of less than 25.000 €. For companies with a tax base between 25.000 € and 30.001 €, the corporate income tax charge for 2017 is 3.750 € plus 39% of the base above 25.000 € and for 2018, 3750 € plus 33% above 25.000 €.

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

Wealth tax for corporate entities having their statutory seat or central administration in Luxembourg:

Luxembourg corporate taxpayers are liable for an annual net wealth tax of 0.5% on their total net assets (based on their financial statements as at 31 December of the preceding year) up to EUR 500 million, and at the rate of 0.05% on the portion of their total assets exceeding EUR 500 million.

As of 1 January 2016, a minimum net wealth tax applies. Such Minimum net wealth tax is either (i) a fixed amount of EUR 3,210 for Luxembourg corporate taxpayers holding financial fixed assets representing more than 90% of their total balance sheet and a total balance sheet of more than EUR 350,000 (i.e. the so-called "SOPARFIs"), or (ii) a progressive amount ranging from EUR 535 up to EUR 32,100 (contingent to their balance sheet).

As of 2017, the minimum net wealth tax has been increased from EUR 3.210 to EUR 4.815.

Capital Gains 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. 22.47% to 22.89% (i.e. half of the marginal rates) and if shares are held for less than 6 months, max. 44.94% to 45.78%.

Corporate: Subject to tax on income. Exemptions for participations representing (1) an acquisition price of EUR 6 million or (2) 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.

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 44.94% to 45.78% with a tax credit for any withholding tax suffered. Dividends from non-EU or non-Treaty country companies suffers full marginal rate up to 44.94% to 45.78% with a tax credit for any withholding tax suffered.

Corporate: Subject to tax on income. Exemptions for participations representing (1) an acquisition price of EUR 1.2 million or (2) 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

Intellectual property tax regime: The Luxembourg preferential IP Box Regime was repealed for 2016 in order to comply with the point of view of the European Union and the OECD regarding the taxation of intellectual property ("nexus approach").

The applicable provisions were repealed as of July 1, 2016 regarding income tax and as of January 1, 2017 regarding net wealth tax.

According to the grandfather clause, existing IP companies continue to benefit from the current favorable regime (i.e. an 80% exemption from income tax on income and gains deriving from the qualifying IP rights and a full net wealth tax exemption) until June 30, 2021.

Investment Tax Credits: Most commonly used. Luxembourg tax law provides for two types of investment tax credits: (1) a tax credit of 12% on the increase in investment in tangible depreciable assets made during the year concerned, and (2) a tax credit of 7% 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: SICAR (Société 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 securitization company, a company which carries out securitisation activities or which participates in securitisation transactions, could be used as an alternative investment vehicle. It is fully subject to tax, but the commitment to remunerate the security holders (both capital and debt) issued by the securitisation company qualifies as interest on debt even if paid as return on equity. Securitisation companies are not subject to net wealth tax in Luxembourg.

In addition, as a major fund center, 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. Potential 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. There is also intense lobbying 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.

Sources of information

Luxembourg Tax Code

Macedonia**Income tax rate**

Individual: 10%.

Corporate: 10%.

Capital Gains 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 for salary and income tax for the first three years for entrepreneurs and students who are registering a company for the first time in their life.

Tax incentives for companies' first year of employment: no 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 have improved. There were several laws updated in line with the EU Law legislative in this field.

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 agreements, 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), QBE Insurance Group Limited (United Kingdom), Mittal Steel (Netherlands), Duferco (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 a new Innovation fund with a budget of EUR 24 million named for support of entrepreneurs, innovators, start-ups, accelerators, incubators and mature companies. An update about the supporting legal structure, here including the business angels and BA funds, is needed.

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 legal, economically active private person, foreign or domestic. In fact foreigners have a 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?

The BA community is just formulating now, so there are no past statistical data of impacts resulting from BA activities.

Sources of information

www.investinmacedonia.com, Agency for Foreign investments and Export promotion of Republic of Macedonia

www.ujp.gov.mk – Public Revenue Office of Republic of Macedonia

www.crm.com.mk – Central Register of Republic of Macedonia

www.finance.gov.mk – Ministry of Finance 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: 27% (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, and 14.1% for employer's contribution. Only income from personal services is subject to marginal tax, social security or employer's contribution.

Corporate: 27%.

Capital Gains 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 resident companies of Norway or in EEA are 97% exempt from tax (remaining 3% is taxed at 28%). For dividends received from a low-tax jurisdiction within the EEA, the 97% exemption applies only if 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

- 51% special tax rate for petroleum companies by which the marginal tax rate of 78% is maintained.
- 31% resource rent tax rate for hydro-power companies by which the marginal tax rate of 58% is maintained.
- Increased depreciation rate from 20% to 30% for assets such as fixtures and furniture, cars, vehicles machinery, tractors etc. The increased rate applies to the first year of the investment.
- Strengthening of R&D tax credit scheme. Companies can apply for a tax deduction of up to 20% for their R&D projects.
- Shipping income is tax-exempt on a permanent basis.

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

NorBAN has suggested governmental support for co investment schemes, but they 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

The Norwegian state-owned agency Innovation Norway gives a helping hand to some startups, and even lends money to some early phase companies, but the process is unfortunately rather long and chance plays a major role. NorBAN has helped fund a site dedicated to guide entrepreneurs and get them 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
PWC World Wide Tax Summaries – Corporate Tax 2014-2015

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% or 15% (only for small taxpayers and beginners in the first year of activity).

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/Swiss company, there is no taxation if certain holding and participation requirements are met (the company has held at least 10% (for Swiss companies: 25%) 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

Research and development (R&D) expenses may reduce the taxable base since 01.01.2016.

It can be available a depreciation write-off for start-up and small taxpayers up to EUR 50,000.

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

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

Exemption from income tax for activities within a special economic zone (currently there are 14 special economic zones in Poland). Free help in completing the formalities related to the investment.

Exemption from property tax and reduction of the taxable base by the amount allocated to the innovation fund for Research and Development Centers.

The exemption from property tax, provided by local councils.

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

The Natural Persons' Income Tax Act

The Legal Persons' Income Tax Act

Portugal



Income tax rate

Individual: Up to 48%.

Corporate: 17% or 21% 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).

Capital Gains tax rate

Individual – resident: 28% on the capital gains, unless the company is not listed and is considered a Micro, Small or 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) is tax exempt. Exemption (0%) is subject to conditions of 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% to over 50% of the amount if chosen to be taxed on worldwide income.

Individual – non-resident: 28%.

Corporate – Portuguese company: 21%. 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 of 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 reduction 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 company tax of the last 5 years if the profits were invested in a growing business.

Another tax incentive for business angels 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 (or startup) less than 3 years old, can claim a deduction on the individual income tax of 20% of the investment made in the "startup." 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 and www.apba.pt (APBA - Associação Portuguesa de Business Angels) to obtain specific information.

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

COMPETE BUSINESS ANGELS CO-INVESTMENT FUND

The COMPETE incentive was extended to a new programme for investment operations to be finished on 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

Within 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](http://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 and at www.apba.pt (APBA – Associação Portuguesa de Business Angels).

Romania



Income tax rate and Payroll taxes and contributions

Individuals: income tax rate: 10% calculated to total gross income minus social and health contributions

Payroll taxes and contribution

Individuals-withholdings: health insurance 10%, social security 25% - calculated to total gross income;

Corporate costs: Insurance contribution for work 2.25% - calculated on total gross income.

For a gross income of EUR 1.000, net salary is EUR 585 and total employer cost is EUR 1.023.

Capital Gain tax rate

Individuals: 10% on Income; sale of real estate is taxed at a rate of 3% after deduction of a non-taxable amount of RON 450,000 (approx. EUR 96,600).

Corporate:

- **Corporate income tax payer** (16% on fiscal profit). However, revenues obtained from valuation/ revaluation/ sale/ transfer of participation titles owned in a Romanian legal person are exempted, if at the date of valuation/ revaluation / sale/ transfer, the shareholder owns for an interrupted period of 1 year minimum 10% of the share capital of the company where he owns the titles. This is not applicable in the case of revenues obtained from sale/ transfer of participation titles owned in a Romanian company by a legal person resident of a State with whom Romania has not concluded a Double Tax Treaty.

Dividends earned by a resident company in EU Member State 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 and several other conditions are met.

- **Micro-company tax payer** (1% on total revenues obtained in case of companies with 1 employee, or 3% in case of companies with no employees). Starting 1 January 2018, all companies which obtained in the previous year revenues up to RON equivalent of EUR 1,000,000, which are not owned by the state and are not in dissolution/ liquidation procedure have been obliged to apply micro-companies tax, instead of Romanian corporate income tax. Ordinance 25 published on 30 March 2018 introduces an exception to the rule above, allowing companies with a share capital of at least RON 45,000 (roughly EUR 9,600) and at least 2 employees to opt for becoming a Romanian corporate income tax payer starting 1 April 2018.

Dividends tax rate

Individuals: Dividend income is taxed at a 5% income tax rate. Additional, health insurance contribution in amount of RON 2,280 per year (representing 10% of 12 minimum gross salaries) is due if the estimated yearly revenues are at least equal to 12 minimum gross salaries at country level.

Corporate: 5% tax rate from the revenues obtained from dividends, unless the applicable Double Tax Treaty provides for more favourable rates. An exemption is applicable for dividends received under conditions above set by Parent-Subsidiary directive for EU (similar provisions are applicable for Romanian companies holding a minimum of 10% of the share capital for a period of at least 1 year), this exemption being applicable only for corporate income tax payers.

Other tax incentives

General tax incentives include: accelerated depreciation, incentives for R&D activities, income tax exemption for IT employees granted under certain conditions, corporate tax exemptions for reinvested profits 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 corporate angel investments. However, law 120/2015 establish separate incentives for encouraging individual business angels to invest in micro companies and small sized companies in Romania, if certain conditions are fulfilled. These incentives refer to: exemption from dividend tax for the first 3 years from the purchase of shares (up the equivalent of invested amount); exemption from tax on capital gain from the transfer of ownership rights after the 3 years mentioned.

The facilities do not apply to companies that carry out activities in the following areas: banking, insurance, financial intermediation, real estate, gambling, naval construction, steel, coal, weapon production and sale, and consulting.

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

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 to the extent permitted by company law, as well as loans financed from profits or capital of other business in Romania or abroad. The exceeding borrowing costs (calculated as the difference between any debt-related costs and the interest income) which exceed the deductible threshold of RON equivalent of EUR 200,000 are deductible for corporate income tax up to the limit of 10% of a fiscal EBITDA.

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?

Differences only for individual business angels as mentioned above.

Sources of information

Romanian Tax Code and Methodological Norms for the application of the Romanian Tax Code
Law 120/2015 – incentives for individuals “business angels”.

* The employee social contribution is capped at 5 average salaries (RON 2415*5) and employer social contribution is capped at 5 average salaries * numbers of employees

** The medical leave fund it is capped at 12 minimum salary (RON 1050)* number of employees

Russia**Income tax rate**

Individual – resident: 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.

Individual – non-resident: 30% (excluding dividends paid by Russian companies).

Corporate: 20% (for certain categories a reduction to 15.5% is applicable).

Capital Gains tax rate

Individuals: 13%.

Corporate: 20% - Taxed as ordinary income at the normal corporate rate.

Dividends tax rate

Individual – resident: 9%.

Individual – non-resident: 15%.

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) Provision of investment tax credit;
- 2) Direct investment operations are exempt 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.
- 4) Tax breaks for investment projects in 13 regions in Siberia and the Far East.

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%.

Corporate: 15%.

Capital Gains tax rate

Individual: 15%.

Corporate: 15%.

Dividends tax rate

Individual: 15%.

Corporate: 0% for domestic companies as well as for transfer of dividends from a branch to the foreign entity.

20% is the general withholding tax rate from transfer of dividends 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 providing 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), founded in 2010 as non-profit association, is the first and only organization that addresses the topic of early stage equity financing in Serbia. Its main goal is to connect business angels and entrepreneurs with a developed business plan and a strong management team capable of implementing the idea and commercialising the business. Also, SBAN allows investors to invest together. For now, there is no such fund as an angel fund, although SBAN has plans to create one.

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 most of WB countries, justifying the support for projects targeting promotion and development of such instruments. Non-existent venture capital financing in Serbia creates a 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 a very low R&D GDP ratio of 0.35%. Lack of capital for companies in early stages of development, and non-existence of equity capital market are two of main reasons for the 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.

For opportunities, the emphasis is on the low income tax rate of 15%, an educated and skilled labour force available at competitive costs, and 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 hire 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 of 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 a 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/she 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.

As an additional benefit for companies to streamline their operations, many municipalities offer investors the possibility of operating within designed industrial zones. Income generated through commercial activities in the Free Zones in Serbia is exempt 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, Kruševac, Apatin and Vranje. Foreign companies can establish a privately-owned Free Zone based on the project approved by the government. In Free Zones, 2013 turnover was over EUR 5 billion that has increased by 97% over 2014. The government established a set of tax benefits for companies placed in Free Zones.

In 2013, several tax incentives referring to tax credit for investment in fixed assets, which were prescribed by the Corporate Income Tax Law, were 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 realise export of goods higher than 50% relative to the total supply of goods and services, i.e. at least EUR 10 million.

VAT shall not be paid on the import of goods

- That are imported on the ground of a donation contract and/or as humanitarian assistance;
- That 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 received;
- That are carried into duty-free shops under the customs procedure;
- On the basis of replacement in the warranty period;
- That 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;
- That 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 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 or by a permit from the customs authority for outward processing production. In both cases finished products must be 100% designated for export. If the goods are imported for the purpose of use in the production process and subsequent re-export, the goods are placed under procedure of active refining using the postponement system, thus exempt from import duties under certain conditions.

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

VAT on import is to be paid.

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

Yes. Go to www.siepa.gov.rs for more information.

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

There is no project realised by business angels' investment. There are three projects in negotiation, of which one is in the last stage.

Sources of information

<http://www.mfin.gov.rs>

<http://www.siepa.gov.rs>

Slovak Republic**Income tax rate**

Individual: 19% (additional contributions of 4% Health Care by Employee plus 10% Health Care by Employer, 9.4% Social Security by Employee plus 19.4% Social Security by Employer).

Corporate: 22%, plus health care levy of 14% to total 36%.

Capital Gains 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 14%. The maximum annual calculation base is capped.

Other tax incentives

Investment incentives may be available to start new production or for 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 Gains 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 being participation of at least 8% and held for more than 6 months.

Dividends tax rate

Individual: 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 to the EC parent-subsiary directive.

Other tax incentives

Instead of the Corporate Income Tax, eligible companies may choose to be taxed under the tonnage tax framework.

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

Investments in high-risk companies, established under special law, are tax exempt.

Investment funds, VCs, pension funds and pension insurance companies are taxed at 0% rate when certain conditions are fulfilled.

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: Progressive from 19 up to 48%, depending on the Autonomous Community. For non-residents, 24% for residents outside the EU and 19% for residents of the EU, together with Iceland and Norway.

Individual, incentive for Business Angels: According to Law 14/2013, of September 27, for the support of entrepreneurship and their internationalization the investor business angel can apply for a deduction of 20% on investment income tax (IRPF) up to a maximum base of EUR 50,000 (which implies a maximal deduction of EUR 10,000 per year) if the investment is done in a new or recently created company. The requirements to apply to this deduction are: **(i)** the shares must be acquired at the time of the incorporation of the company or through a capital increase within the three years following its incorporation, **(ii)** the investment must be done in a corporate company and must be kept for a minimum of 3 years and maximum of 12 years, **(iii)** the company must have the adequate resources to undertake the corporate activity, **(iv)** the stockholding acquired can't exceed the 40% of the Social Capital of the start-up and **(v)** the equity of the company may not exceed EUR 400,000 at the time to apply for the deduction.

Individual, incentive for Business Angels in Catalonia: In Catalonia, according to Law 26/2009, of 23 December, and Law 7/2011, of 27 July the investor business angel can also apply for a regional deduction in terms of income tax (IRPF) for stock acquisitions or investments in start-ups or companies incorporated not more than 3 years before the year of the investment. The taxpayer, in the income tax part corresponding to Catalonia Region 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. Unless in Companies created or owned by universities and research centres, where the deduction can be of 30% with a maximum of EUR 12,000.

Also, up to 59% for Research & Development expenses and up to 60% of net incomes arising from the letting of the right to use qualifying IP are tax free.

Individual, incentive for Business Angels from Madrid: In the Madrid Region, the Royal Decree 1/2010, of October 21, 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 and must be maintain, at least, for 3 years.

Individual, incentive for Business Angels from Illes Balears: In the Balearic Region, the Decree 1/2014, of June 6, establishes a similar measure to the previous regions. In this case, the deduction will be the 30% of the investment in start-ups with maximum quantity of EUR 6,000. Also, the stockholding acquired can't exceed the 40% of the Social Capital of the start-up.

Corporate: 28% in 2015 and 25% in 2016 and henceforth. Newly incorporated companies may apply a tax rate of 15%.

Capital Gain tax rate

Individual: For Spanish tax residents, the tax rate is 19% in the first EUR 6,000, 21% the following EUR 44,000 and 23% on income exceeding EUR 50,000. For non-residents, 24% for residents outside the EU and 19% for residents of the EU, together with Iceland and Norway.

Not only in the initial investment of the Business Angels have tax incentives, but also to leave a company by selling the shares. The Law 14/2013, of September 27, for the support of entrepreneurship and their internationalization created a tax exemption for the sale of shares invested in a new company or newly established provided the investor reinvests the amounts resulting from the sale in the acquisition of shares or shares of another company of new or recent creation.

In the event that the amount the investor reinvests less than the amount perceived by the sale of shares or units, the exemption shall apply proportionally. If the reinvested amount is higher, the deduction of 20% mentioned above, will apply for the amount that exceeds the amount of the sale of the shares.

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 Royal Law Decree 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: For Spanish tax residents, the tax rate is 19% in the first EUR 6,000, 21% the following EUR 44,000 and 23% on income exceeding EUR 50,000. The withholding tax rate on dividends paid to non-residents is 19%.

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

Other tax incentives

The entrepreneur who intends to start a new and independent economic activity, and makes the first investment expenses, has the right to immediately deduct the Value Added Tax (VAT - Spanish IVA) accrued for the

investment expenses incurred and that are entitled to deduction, without waiting for the start of the effective activity. This has been established by the Supreme Court in its ruling of July 19, 2017, which allows the deduction of VAT before the actual start of the taxable operations.

The Law 14/2013, of September 27, for the support of entrepreneurship and their internationalization, together with the tax incentives for Business Angels, this law tries to help your entrepreneur to set their company and to export. There measures are: (i) VAT cash (or settlement) approach, (ii) deductions for the investment of benefits, (iii) tax incentives for the investment in research, development and innovation and (iv) the patent box.

The Law 4/2008, of 23 December 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

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?

In contrast with other countries where the Start-up Sector is more mature:

- Tax incentives not as relevant.
- However, the last legislatives measures are focused to incentive this kind of operations.

We need to take into account that the tax regulation in Spain is highly volatile and depends on the economic and political situation of the country, region and even community.

Sources of information

Red Española de Business Angels (ESBAN), www.esban.com

www.ipyme.org/IPYME/es-ES/Publicaciones

Asociación Española de Business Angels Networks (AEBAN), www.aeban.es

Business Angels Network de Catalunya (BANC), www.banecat.com

ACCIÓ, Government of Catalonia

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Sweden**Income tax rate**

Individual: Up to 57%.

Corporate: 22%.

Capital Gains 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 persons (not applicable for the more common investment through privately held companies). The business angel can deduct up to SEK 650,000 from a maximum investment amount of SEK 1.3 million 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 for business angels. One potential outcome would be an extended tax deduction to apply also for privately held (BA) investment companies. The Research and Innovation bill adopted in 2012 foresees that a growing share of funds, totalling roughly EUR 1 billion until 2016, will be allocated to research and innovation activities. The overall aim of the bill, which sets out the policy priorities for 2012-16, is to increase the quality of research, and to strengthen the links between R&D investments and economic growth. To further enhance investments in R&D, employer contributions have been reduced by 10% as of 1 January 2014 for staff working in R&D.

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

COMMISSION STAFF WORKING DOCUMENT - Country Report Sweden 2015

Switzerland**Income tax rate**

Individual: Progressive tax rates up to approximately 43.66% (federal + cantonal/communal level). Maximal tax rate in the canton/commune with the lowest tax rate is approximately 22.5%.

Corporate: From 11.5% to 24.2%, depending on canton and commune.

Wealth tax rate

Individual: Progressive tax rates up to approximately 0.90% (cantonal/communal level). Maximal tax rate of lowest commune is approximately 0.13%

Corporate: taxation of capital of approx. 0.1% - 0.3% for cantonal level.

Capital Gains tax rate

Individual: Tax free for movable assets unless gain is regarded as business income. Taxation of real estate gains according to cantonal rules with tax rates between approx. 10% and 40%.

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 or partially with Double Tax Treaties.

Other tax incentives

Tax holidays and special tax regimes available if certain criteria are met but are challenged through EU and OECD. Might be abolished in 2019.

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

A Corporate Tax Reform is in preparation which could include:

- Introduction of new tax regimes compatible with EU and OECD requirements.
- Reduction of cantonal corporate tax (CIT) rates.
- Removal of certain tax obstacles in order to generally strengthen the attractiveness as a business location.

The Corporate Tax Reform 3 is expected to come into force at the earliest in 2019.

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

Swiss Finance Ministry: <http://www.efd.admin.ch/>

Contact: Aline Denereaz

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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 Gains 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 return per year, which is taxed at a rate of 30%. The deemed annual return covers capital gains as well as the dividends. The deemed annual return is calculated according to the following tax brackets (where the deemed annual return increases when the tax base increases):

Bracket	Tax base*	Percentage 0.36%	Percentage 5.38%
1.	Up to EUR 75,000	67%	33%
2.	EUR 75,001 up to EUR 975,000	21%	79%
3.	Exceeding EUR 975,001	0%	100%

* The tax base amounts to the value of assets/portfolio shares as per January 1 of the concerning fiscal 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 dividend tax rate amounts to 15%.

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

If a resident taxpayer holds less than 5% of a company's shares, the shares are deemed to provide an annual return per year (dividend and capital gains), which is taxed at a rate of 30%. We refer to the scheme as provided above. 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 from a >5% shareholding are exempt from taxation in the Netherlands under application of the participation exemption, unless the subsidiary qualifies as a low-taxed company. Dividends paid from a Dutch company to a non-resident is subject to a 15% withholding tax, but a non-resident may be exempt from Dutch dividend tax or be entitled to a tax refund, depending on whether a tax treaty or European Parent Subsidiary Directive may apply.

Other tax incentives

- In the Netherlands, in general, tax incentives for high investments like those operated by BAs are not available.
- Small scale Investment – Small asset investments from €2,301 up to and including €314,673 may be tax deductible up to an additional 28%.
- Energy investment – 54.5% tax deduction for more than €2,500 investment in energy assets qualified by the Ministry of Economic Affairs. The maximum investment amount is €121,000,000.
- Environment investment – up to 36% additional tax deduction for qualifying investments.
- A combination of small scale investment and energy investment tax deductions, is possible as well as small scale investment and environment tax deduction.
- Profits derived by corporate taxpayers from innovations are taxed at an effective tax rate of 5% when opting for the innovation box. The innovation must be self-developed and only profits attributable to the innovation are taxed at the 7% rate. The innovation box should be applicable to patents or with respect to IP for which an R&D certificate is obtained by the Dutch Ministry. Please note that the innovation box regime only applies on innovative profits for which the R&D work was executed in the Netherlands.
- With respect to employees working on R&D projects, a wage tax credit can be obtained if a R&D certificate is granted by the Dutch Ministry with respect to the R&D work. The wage tax credit amounts to 32% (40% for innovative start-up companies) of the first EUR 350,000 wage costs and 14% on the exceeding wage costs.

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

The Dutch Seed Facility stimulates and mobilises the Dutch early stage risk capital market by co-funding venture capital funds. These private funds finance high-tech and creative start-up 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.

Some investment funds as defined in the Dutch Financial Supervision Act (Wet op het Financieel Toezicht) can request an exemption after meeting certain criteria.

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

Foreigners of outside EU who invest a minimum amount of €1,250,000 in the Netherlands receive a permanent resident permit under certain circumstances.

One of the circumstances is that the investment should create jobs in the Netherlands, should have an innovative character or provides specific knowledge to the Dutch economy.

Direct investment in a Dutch company is not necessary. It is possible that foreign investors invest indirectly through a participation fund, seed fund or a group of investors in the Netherlands.

If the requirements should be met, the foreign investor, and any family members, are free to participate in the Dutch labour market and can 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

Fiscal investment funds that invest in real estate are allowed to hold a taxable subsidiary for the performance of activities incidental to their investment activities.

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

www.rvo.nl

<http://www.government.nl/>

www.acconavm.com/expertise

acconavm adviseurs en accountants

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Turkey**Income tax rate**

Individual: Progressive rate between 15% and 35%.

Corporate: 20%.

Capital Gains 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 corporate tax if some conditions are satisfied.

Dividends tax rate

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

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

Other tax incentives

Incentives for designated Technology Development Zones:

Any company that qualifies to operate within the government-designated "Technology Development Zones" holds the following exemptions until 31 December 2023.

- 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 Centre," 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

Under the Business Angel Scheme applied in Turkey, licensed business angel investors can deduct 75% of the capital that they invest in innovative and high growth SMEs (whose shares are not traded in the stock market) from their annual income tax base. SMEs must meet certain criteria set by the Turkish Treasury to be eligible to receive business angel investment incentives such as maximum annual net sales of TL 5,000,000 and maximum 50 employees. Under the Scheme, these companies should be resident Joint Stock Companies in Turkey. BAs, excluding co-investments, may receive tax support for their investments in up to twenty different individual companies during the license validity period of 5 years.

The 75% deduction rate will be increased to 100% for those investors investing in SMEs whose projects are supported by the Ministry of Science, Industry and Technology, the Scientific and Technological Research Council of Turkey and the Small and Medium Enterprises Development Organization. The given licenses will be valid for 5 years and the tax deduction will be applied until 2017 with the option of extension for another 5 years. The acquired shares must be held by investors for at least 2 years in order to benefit from the tax incentive. The maximum annual amount which can be deducted from the income tax base is TL 1 million.

Investments in a venture company by at least two licensed BAs is defined as a BA co-investment in the Business Angel Scheme. One of the BAs participating in the co-investment should be selected as a leading partner. The leading partner submits a business plan to the Turkish Treasury on behalf of the partnership and delivers information and documents requested by the Treasury via BA Networks. A BA involved in co-investments can act as the leading partner in at most five investments at the same time. The maximum amount of co-investment for each venture company can be at most TL 2,000,000 annually.

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

There is a very open-minded attitude towards foreign direct investment. With the establishment of a co-investment fund mechanism, the fund of funds will be able to co-finance the companies that are already invested in by the business angels as long as the capital injected by the fund of funds does not exceed the capital invested in the

company by the BA. This policy will enable the BAs to share their risk with the sub-fund. Moreover, it will also help BAs to diversify the portfolio of their venture capital firm.

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

The BAs can co-invest with venture capital firms. The amount of investment that is eligible for tax support in those co-investments is TL 2 Million. However, in case of investments in different venture capital companies by a BA, the maximum total investment amount cannot exceed TL 1 million. BAs shall receive tax incentives for their investments in up to 20 different joint stock companies during the 5 year validity period of their license. In addition, BAs shall receive tax incentives for co-investments in a maximum of 20 different corporations, excluding their individual investments, during the 5 year validity periods of licenses.

Under the terms of the Turkish Legislation, a certain number of tax incentives are provided for angel investors. 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 that the investment is made. In order to do so, the shares should be held for at least 2 years. If the angel investor participates in private venture companies whose projects are related to research, development and innovations programs that are supported within 5 years of the investment by the Scientific and Technological Research Council of Turkey, the 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?

There is no difference of treatment between nationals and foreigners in BA investments.

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?

The BA scheme is new to Turkey. The results of the questionnaire made with the licensed BAs show that the most important factor to them in applying for the BA license is the existence of tax incentives under the BA scheme. The reports related to this factor have been published by the Treasury on its official web site.

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: 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 Gains 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 residents and non-UK ordinary residents are not chargeable to UK capital gains tax, although subject to anti-avoidance provisions. Details in table below.

Corporate: At the ordinary corporate tax rate. UK-resident companies are subject to Corporate Tax at an 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 (1) selling shareholding in a company in which it owns 10% or more; (2) with intra-group sales within a Capital Gains Group; and (3) processing share-for-share transactions (among others).

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 Corporate Tax purposes, are exempt from corporate tax, but are taken into consideration in calculating the appropriate tax rate where the company's profits are between the basic rate profit and higher rate profit levels. Dividends received from a non-resident company generally follow the same rules and are exempt from UK tax, according 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.

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 BAs are the Enterprise Investment Scheme (EIS), the Seed Enterprise Investment Scheme (SEIS) and, for investments through a fund, Venture Capitalist Trusts (VCT). There is also a new Social Investment Tax Relief that allows investments through Funds and special VCTs.

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

Must be a UK tax payer to benefit from these schemes.

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?

"Nation of Angels" research carried out by UKBAA, and supported by the Enterprise Research Council for 2014-15, evaluated the impact of angel investing under the EIS scheme. They found that 1 in 8 deals done by BAs in the UK used the EIS or SEIS scheme. 75% said that the EIS/SEIS schemes' benefits affected their decision to invest.

Sources of information

www.hmrc.gov.uk/eis

HMRC Report (2008) Study of the impact of the Enterprise Investment Scheme and venture Capital trusts on company Performance.

"Nation of Angels, the impact of Angel investors on growth of SMEs", UKBAA- CFE, ERC, January 2015.

UNITED KINGDOM: Comparative Table of Investment Methods
Source: www.hmrc.gov.uk/eis

	Tax break/tax system	Main restrictions	Investment channel	Investment target	Rules concerning the amount granted	Length of the investment
Direct investments by a private individual	<p>Entrepreneurs' Relief - the first GBP 10 million of lifetime gains on qualifying business assets taxed at 10% rather than up to 28%.</p> <p>Entrepreneurs' Relief will now be allowed where a qualifying gain, which has been deferred into investments qualifying for Enterprise Investment Relief (EIS) and Social Investment Tax Relief (SITR), is subsequently realised.</p>	<p>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 qualifying partnership for 12 months prior to disposal.</p>	Entrepreneurs' Relief	The company must be a trading company, or a member of a trading group.	No limit on sum invested, but only the first GBP 10 million in lifetime gains can be taxed at 10% rate.	Minimum length of holding of investment is 12 months.
	<p>Income Tax reduction of 30% on amount invested in qualifying investments up to GBP 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.</p>	<p>Investors must be UK taxpayers.</p> <p>There is a 3-year qualifying period: shares must be held for at least 3 years to avoid Income Tax claw back.</p> <p>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.</p> <p>For the income tax relief to apply, the investor cannot be connected to the company - cannot be a partner, director or employee - 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.</p>	Enterprise Investment Scheme	<p>There are two targets for investment with different criteria.</p> <p>Knowledge Intensive Businesses (KIB) - high levels of innovation and IP, therefore risk, and highly skilled and qualified employees.</p> <p>Gross assets of the company cannot exceed GBP 15 million before any share issue and GBP 16 million after that issue.</p> <p>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.</p>	<p>There is an annual investment limit of GBP 5 million applicable to the investee company, less other State aid risk capital.</p> <p>A lifetime limit of GBP 12 million for main EIS qualifying companies and GBP 20 million for KIBs.</p>	All investments must remain in the company for a minimum period of 3 years.

	Tax break/tax system	Main restrictions	Investment channel	Investment target	Rules concerning the amount granted	Length of the investment
	<p>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.</p>	<p>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.</p> <p>An existing shareholder will only be able to claim relief if all of the existing shares were issued under EIS, SEIS or SITR and are subscriber shares (i.e. the original shares issued on incorporation)</p> <p>EIS/VCT can no longer be used to fund the acquisition of an existing company or trade.</p>	Enterprise Investment Scheme cont'd	<p>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 500 employees.</p> <p>The company 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.</p> <p>EIS relief will not be available for share issues in companies that have been trading for more than 7 years or, in the case of KIB, 10 years. Exception: There has been a previous issue of shares under EIS/VCT/SEIS or there has been a fundamental change in the nature of the business.</p>		
	<p>Income Tax reduction of 50% on amount invested in qualifying investments up to GBP 100,000 per year (limited to income tax liability if less than this).</p> <p>Investment can also be carried back and set against the previous year's income tax liability.</p>	Same as for EIS, except that Directors can qualify for relief.	Seed Enterprise Investment Scheme	<p>The same conditions for qualifying companies apply as for the EIS, except:</p> <ul style="list-style-type: none"> -Gross Assets of the company cannot exceed GBP 200,000 before any share issue. -The company must have fewer than 25 employees at the time the shares are issued. -The company cannot have been trading for more than 2 years. 	Maximum investment GBP 150,000 per company including other de minimis State aid.	3 year qualifying period as for EIS.

	Tax break/tax system	Main restrictions	Investment channel	Investment target	Rules concerning the amount granted	Length of the investment
	Capital Gains Tax exemption on 50% of any gain reinvested in an SEIS company.					
	Capital losses can be offset against UK income instead of UK gains. Tax relief equal to up to 45% of loss. Can also be carried back to previous year and set against income.	Shares must be subscribed (i.e. new shares) in a qualifying trading company (e.g. an EIS company – but not restricted to just EIS companies).	Share loss relief against general income.	Must be a qualifying trading company.	No limit on relief of loss so long as there is sufficient tax liability to absorb it.	No particular restrictions
Investment through Public Limited Company		Depending on the approach used, the setting up costs are between GBP 20–80 (for direct filings) or GBP 500–550 (if an incorporate agent is used). Can be incorporated on a “same day” basis (less expensive in a standard incorporation system of 5–7 days).			Minimum capital requirement: GBP 50,000, paid up to at least quarter of the nominal value plus any premiums.	No particular restrictions
Investment through Private Limited Company		Setting up costs are between GBP 20–80 (for direct filings) or GBP 150–300 (if an incorporate agent is used). From 5 to 7 business days to be incorporated (if an incorporated agent is used it may take 1 or 2 days).			No legal minimum capital (but at least 1 share of GBP 1).	No particular restrictions

	Tax break/tax system	Main restrictions	Investment channel	Investment target	Rules concerning the amount granted	Length of the investment
	<p>Income Tax reduction of 30% on amount invested in qualifying investments up to GBP 250,000 (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.</p> <p>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 SITR.</p> <p>The deferral lasts until the SITR shares are disposed of or there is some other chargeable event. Any gain from the disposal of the shares in the SITR company is exempt from CGT after 3 years.</p> <p>Inheritance tax exemption after 2 years.</p>	<p>Investors must be UK taxpayers to benefit from this.</p> <p>There is a 3-year qualifying period: shares must be held for at least 3 years to avoid Income Tax claw back.</p> <p>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.</p> <p>For the income tax relief to apply, the investor cannot be connected to the company - partner, director or employee - 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.</p>		<p>Social Investment Tax Relief SITR</p>	<p>Organisation must have a defined and regulated purpose – Charity, community interest company (CIC), or community benefit society, carrying out a qualifying trade.</p> <p>Less than 500 employees and gross assets of no more than GBP 15 million.</p> <p>Cannot be controlled by another company or by another company with a person connected with that other company.</p>	

Situation for angels investing through a co-investment or angel fund	Opportunities/obstacles in the framework of a cross-border investment	Sources of information on fiscal environment or efficiency of fiscal incentives for angels
<p>EIS and SEIS rules and benefits apply directly if the participation occurs in a syndicate as part of an Angel Co-investment Fund.</p>	<p>EIS and SEIS benefits will apply to investments made in any company with a permanent establishment in the UK.</p>	<p>www.hmrc.gov.uk/eis</p>
<p>EIS-Approved Funds:</p> <p>Angels can participate in an approved EIS fund, which makes the investment on their behalf.</p> <p>All EIS shares acquired through the fund are treated as though they had been issued on the date when the fund closed.</p> <p>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.</p>		
<p>Venture Capital Trusts:</p> <p>Venture Capital Trusts provide 30% income tax relief on investments of up to GBP 200,000 per year, exemption from tax on dividends, and exemption from Capital Gains Tax.</p> <p>Investments are managed by a Fund Manager – there is minimal involvement on the part of the investor.</p>		

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 this 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 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

	EIS Relief	SEIS Relief	VCT Relief
Income tax	<p>Income tax relief at 30% of the amount invested in subscribing for new shares (maximum annual investment of GBP 1 million).</p> <p>By election, where an EIS investment is made in 1 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.</p> <p>Dividends paid on EIS shares are taxable.</p>	<p>Income tax relief is available at 50% of the cost of the shares subscribed for (maximum annual investment is GBP 100,000).</p> <p>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.</p> <p>Dividends paid on SEIS shares are taxable.</p>	<p>Income tax relief at 30% of the amount invested in subscribing for new shares (maximum investment of GBP 200,000).</p> <p>There is no carry back of a VCT subscription to the previous tax year.</p> <p>Dividends are exempt from income tax provided that in the year of acquisition the market value of the qualifying shares did not exceed GBP 200,000 or, where the limit is exceeded, the dividends in respect of the first shares acquired up to the limit are exempt.</p>
Income tax reducer withdrawn	<p>If 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.</p> <p>The clawback is the lower of:</p> <ul style="list-style-type: none"> • Original income tax reducer; and • 30% x sale proceeds received (only applicable if sold for a loss). <p>There can also be a claw-back if the company loses its EIS status within 3 years.</p>	<p>If 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.</p> <p>The clawback is the lower of:</p> <ul style="list-style-type: none"> • Original income tax reducer; and • 50% x sale proceeds received (only applicable if sold for a loss). <p>There can also be a claw-back if the company loses its SEIS status within 3 years.</p>	<p>If the VCT shares are sold within 5 years, the VCT tax reducer is clawed back.</p> <p>The clawback is the lower of:</p> <ul style="list-style-type: none"> • Original income tax reducer; and • 30% x sale proceeds received (only applicable if sold for a loss). <p>There is also a clawback if the VCT loses its approved status within 5 years.</p>
Capital gains tax (CGT) relief	<p>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.</p>	<p>An 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.</p>	<p>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.</p>

Relief for Capital losses on disposals	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.	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.	No relief is available.
Deferral Relief	The tax due on a gain on any asset can be deferred by subscribing for shares in EIS qualifying companies, in a period beginning 1 year before and 3 years after the disposal of the original asset.	Capital Gains Tax relief is available on up to half of any chargeable gain reinvested in SEIS qualifying shares. The GBP 100,000 investment limit that applies to income tax relief also applies to 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 same tax year.	VCT deferral relief is not available for investments in shares issued after 5 April 2004.
Business Property Relief	Shares in EIS companies held for at least 2 years will normally qualify for 100% business property relief for IHT purposes.	Shares in SEIS companies held for at least 2 years will normally qualify for 100% business property relief for IHT purposes.	No relief available.

Key points

- An individual can invest annually up to GBP 1 million in an EIS company, up to GBP 100,000 in an SEIS company and a maximum of GBP 200,000 in a VCT per annum.
- For EIS it is possible to invest up to GBP 1 million in 2014/15 and carry back GBP 1 million to 2013/14 provided certain conditions are met.
- For SEIS it is possible to invest up to GBP 100,000 in 2014/15 and carry back GBP 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 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.

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 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, or less than 500 employees for Knowledge Intensive Businesses.
- The investee company cannot raise more than GBP 5 million in total over a 12 month period under the EIS and the VCT scheme.
- The investment funds cannot be used to acquire existing businesses, regardless of whether it is through share purchase or asset purchase, including management buyouts.

Conditions

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 for ordinary EIS qualifying companies must not exceed GBP 12 million immediately before the shares are issued and GBP 16 million immediately afterward, or for Knowledge Intensive Businesses, this limit is GBP 20 million before or GBP 21 million immediately afterward.
- The investee company must be unquoted when the shares are issued and there must, broadly speaking, 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 of making profits. It does not consist, by 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.

Conditions to be met by the investor:

- 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/she, either on his/her 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/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 1 year before, and 3 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 GBP 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 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 GBP 150,000 in SEIS in a 3 year period.
- No EIS or VCT investments can have been made into the company previously.

Conditions to be met by the investor:

- The investor cannot be an employee of the company or any qualifying subsidiary during the period of 3 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% 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 12 months ending in the investment cannot exceed GBP 5 million.

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

Source

BDO LLP London www.bdo.co.uk

UK Business Angels Association www.ukbaa.org.uk

HM Treasury

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 in accordance with multiple 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 20%, 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 are available to promote early-stage investment by business angels: (1) expand investor education through seminars for accredited investors; (2) invest in resources for entrepreneurs and ensure that angel investors are included in an overall portfolio of services to support entrepreneurship; (3) help establish and support state-wide angel networks; (4) ensure that angel investors are represented on state economic development advisory boards; (5) provide financial incentives to encourage angel investment; and (6) identify and collect metrics to monitor the impact on policies to encourage angel investment.

In the context of financial incentives, governors can determine appropriate 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 26 states have early-stage investment tax credits with rates of 10% to 50%, several of which have been enacted in the last three years. Those programmes vary by state, with a wide range of details involved. The majority of state tax credit programs offer 25% to 40% credits.

There are diverse 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 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 feature 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% (although this programme ended several years ago). 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 the federal program "Qualified Small Business Stock," in which those holding this stock for at least five years as well as meeting several other requirements may get a lower rate on gains. The discount amount has varied from 50% to 100% of gains on ordinary income. Congress has not been consistent in approving a package of 40 plus "tax extenders," including Qualified Small Business Stock, thus leading to the variance. The 100% exemption ended December 31, 2014, but both chambers of Congress are working on different ideas to restore it permanently or for at least two years.



The European Trade Association for Business Angels,
Seed Funds, and other Early Stage Market Players

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