COMPENDIUM OF FISCAL INCENTIVES

TAX OUTLOOK IN EUROPE

BUSINESS ANGELS PERSPECTIVE

2018

eban

BOFIDI
Accountants & Advisors

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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 2018. EBAN, the European Trade Association for Business Angels, Seed Funds, and other Early Stage Market Players, joined efforts with 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 Johan Van Houtte, Aleksandr Natanelov, Matthias Verbueken 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.

Peter Cowley
President – The European Trade Association for Business Angels, Seed Funds, and other Early Stage Market Players (EBAN)

ABOUT BOFIDI

At BOFIDI we help the entrepreneurs – as a person and as a company - to grow. We do compliance in terms of accounting, payroll, tax and legal. We advise and assist our entrepreneurs on their inquiries about tax law, legal regulations, business economics and HR. To do this, we have our team of more than 180 well educated employees and specialists, and five well located offices in Belgium (Antwerp - Brabant - Brussels - Ghent - Kempen). Together we make the difference.

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EXECUTIVE SUMMARY

➢ Goals and Contents

The 2018 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 34 European countries (corporate and personal taxes on income, capital gains and dividends), as well as an explanation of the fiscal incentives generally applied or specifically available for business angels.

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 invest while operating 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.

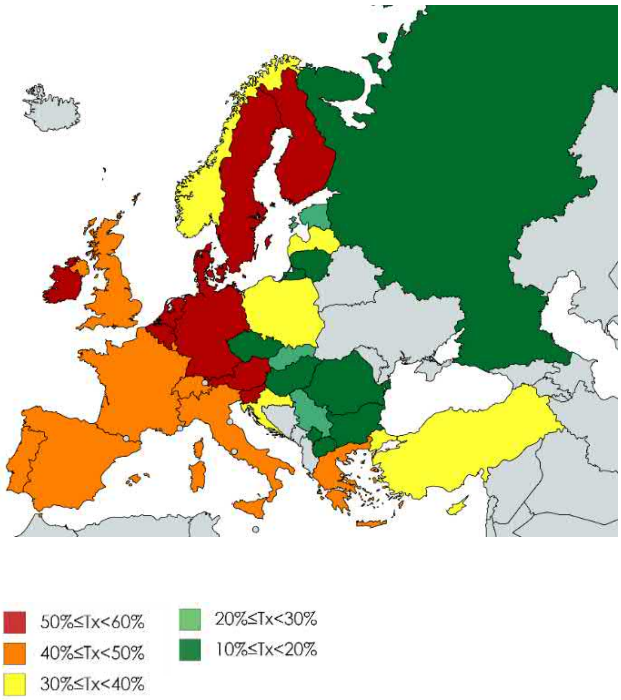
Fiscal systems are complex matters that require detailed analysis. This study must be understood as a summary of the main fiscal policies and does not include the examination of specific legislation in each country.

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.

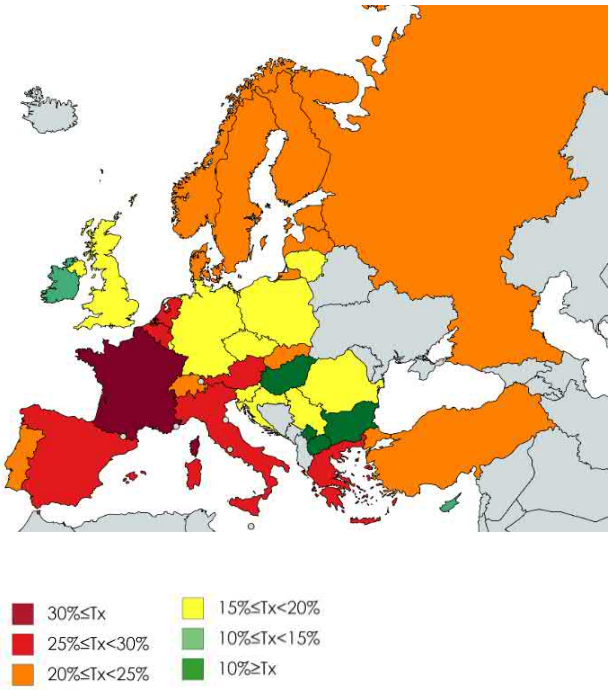
➢ General Tax Rates

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)



Corporate 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.

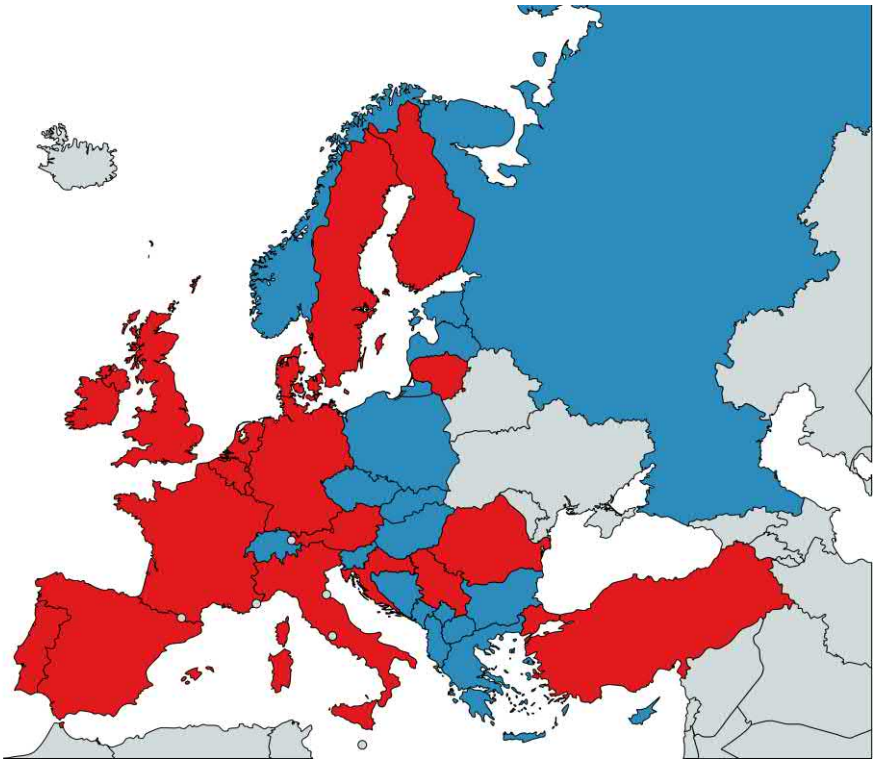
Capital gains are normally incorporated in the global income, but in many countries reductions and exemptions can be applied, namely at corporate level. Dividends received by residents from residents are exempt in most of the countries under certain conditions (participation conditions, among others). 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 nineteen countries: Austria, Belgium, Croatia, Finland, France, Germany, Ireland, Italy, Lithuania, Luxembourg, Portugal, Romania, Serbia, Spain, Sweden, The Netherlands, 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.

➢



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

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

Opportunities

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 four 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:

Belgium

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.

As from tax year 2019, a tax credit of 25% of losses incurred up to EUR 25.000 per accounting year on shares of a PRICAF incorporated after 1 January 2018 is granted to individual investors. The tax credit cannot be combined with the tax credit for Tax Shelter for start-ups.

Germany

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.

Italy

Since 2011 business angels investing through co-investments funds -set up in Italy, in EU / EEA countries or in other countries allowing an adequate exchange of information with Italy's tax administration- benefit from a broad income tax exemption scheme on proceedings from the VC funds and on capital gains realized in case of VC fund shares' sale, provided that the co-investment vehicle matches all the following conditions (some of which are valid from Jan. 1st 2019 in accordance to Italy's 2019 Budget Law rules):

- at least 85% of VC fund's assets are invested in not listed SME, in the form of seed financing, start-up financing, early-stage financing and scale up financing. In any case, majority of SME's shares

must be held by individuals. The VC fund investment in each target SME cannot exceed the amount of € 2,5 million over a 12-months period. The remaining 15% of VC fund's assets are to be invested in Italian listed SME;

- the not listed SME must (i) have a business base in Italy (ii) be levied in Italy without benefitting from exemption / reduction regimes (iii) not have been running its business for more than seven years and (iv) have not exceeded sales turnover of € 50 million in the financial year before the VC fund starts investing in it;
- the business angels investing in the VC fund must (i) be qualified as professional investors according to the EU Directive n. 2004/39/CE or -if not so- (ii) undertake to invest at least € 100.000 into the VC fund and declare to be full aware of the risk profiles involved in the angels investment.

Spain

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.

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.

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%	29.58%	Generally not taxed, otherwise 33%	Subject to corporate income tax and 25.5% taxable for gains on shares	30%	Exempt*
	Bulgaria	10%	10%	10%	Subject to corporate income tax rate	5%	Tax free*
	Croatia	Up to 36%	18%	4%	20%	Dividends exceeding HRK 12,000 are taxed at 12%.	12%
	Cyprus	Up to 35%	12.5%	Generally not taxed	Taxed as individual capital gains	17%	Exempt*
	Czech Republic	15%	19%	15%	Subject to corporate income tax rate	15%	15%, but with exemptions
	Denmark	Progressive up to 56.5%	22%	27% to 42%	22%	27% to 42%	Exempt*
	Estonia	20%	0% until dividends distributed. 20% when distributed	20%	No capital gains tax. Only if distributed	Taxation occurs at the level of the company	20/80 of net dividends (20% of gross disbursement)
	Finland	Up to 31.75% + municipal 16.5% to 22.5% + surtax of up to 2.25%	20%	30%-34%	20%	85% of the amount of the dividends: 30%-34% 15% of the amount of the dividends: exempt*	Exempt*
	France	Up to 45% plus a surtax of up to 3% or 4%	31%	Flat rate tax of 30%	Subject to corporate income tax 31% (except for sales of shares eligible to the participation exemption regime – effective rate of 3.72%)	Flat rate tax of 30% (taxpayers may opt for taxation under the progressive income tax scale)	95% exempt* (otherwise taxable at a rate of 31%)
	Germany	Progressive up to 45% + 5.5% solidarity surcharge	15%	Progressive up to 45% + solidarity surcharge	95% exempt*	Taxed at individual rate (applied only to 40% of profit) or 26.375%	95% exempt*
	Greece	Up to 42%	28%	15%	Included in the taxable profits of Greek companies	10%	10%
	Hungary	15%	9%	15%	9%	15%	Exempt*
	Ireland	Up to 54%	12.5% (trading) or 25% (non-trading)	33%	33%	Upto 54%	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*	26% Exemptions*	95% exempt*
	Kosovo	Up to 10%	10%	10% on a net basis	10% on a net basis	0%	0%
	Latvia	Porgressive up to 31.4%	0% undistributed profits. 20% if distributed	20%	capital gains on sales of property are taxed only when the profit is distributed	20%	Exempt*
	Lithuania	Progressive up to 27%	15%	15% or 20% (based on income)	15%	15%	15% with exemptions*
	Luxembourg	Up to 42%	18%	Exempt*	Subject to corporate income tax, exemptions*	Exempt*	Subject to corporate income tax, with exemptions*
	Macedonia	10%	10%	10%	0%	10%	0%
	Norway	38.52%	22%	22%	22% with exemptions*	22%	97% exempt*
	Poland	17% to 32%	19% or 9%	19%	19%	19%	Exempt*
	Portugal	Up to 48%	21% plus municipal tax and state surtax (generally 1.5% and up to 9%)	28%	Subject to corporate income tax. Important exemptions.	28% or up to 48% of dividend subject to individual tax*	21% or 25%, with exemptions*
	Romania	10%	16%	10%	16%	5%	5%*
	Russia	13% (residents) or 30% (non-residents)*	20%	13%	Subject to corporate income tax	13% (residents) and 15% (non-residents)	13% if paid to residents, 15% if paid to non-residents or exempt*
	Serbia	10%/15%/20%	15%	15%	15%	15%	Exempt*
	Slovak Republic	19% to 25%	21%	19%	21%	Exempt*	Exempt*
	Slovenia	Up to 50%	19%	25% to 5% depending on holding period	Subject to corporate income tax of 19%. 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%	25%	19% to 23%	Subject to corporate income tax. Exemptions*	19% to 23%	Subject to corporate income tax. Exemptions*
	Sweden	Up to 57%	21.4%	30% (25% on unlisted shares)	Subject to corporate income tax. Exemptions*	30%	Subject to corporate income tax. Exemptions*
	Switzerland	Up to 41.5%	From 11.19% to 24.16%	Between 10% and 40%	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%	22%	Up to 35%	Subject to corporate income tax. Exemptions*	Up to 35%	Exempt*
	United Kingdom	Up to 45%	19%	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; possibly extended).

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. Losses of foreign tax group members can be deducted from the Austrian tax base.
- 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

N/A

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,) 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

Contact: Magister Martin Puchinger
Theiss Puchinger Steuerberatungs und Wirtschaftsprüfungs GmbH
Tel: +43/1/504 73 00-0
E-Mail: mpuchinger@tp-partner.at
http://www.theisspuchinger.at/index.php

Belgium

Income tax rate

Individual: Progressive rates up to 50%.

Corporate: As of tax year 2019 (financial years ending 31 December 2018 and later), corporate income tax is levied at a rate of 29% plus a 2% crisis tax, which is a surtax, implying an effective rate of 29.58%. Small and medium-sized enterprises see a decrease in the rate to 20% as from 2018 for the first bracket of EUR 100,000 in profit.

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. The conditions to benefit from the capital gains exemption are brought in line with the Dividends-received deduction. This implies the application of a minimum participation threshold of at least 10% or an acquisition value of at least EUR 2.5 million in the capital of the distributing company.

Capital gains on shares are taxable at 25.5% 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. Capital gains on shares are taxed at 29.58% if the participation condition or taxation condition is not met. The separate 0.412% capital gains tax for multinational enterprises on qualifying shares is abolished.

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%. In addition, as of 1 January 2018, a tax exemption has been introduced for the first EUR 640 in dividend income earned per taxpayer from January 1, 2018 onwards (EUR 800 for income year 2019).

Corporate: Dividends received by Belgian companies are eligible for the 100% 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 exclusions 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. The Constitutional Court however decided in its decision dd. 1 March 2018 to repeal the fairness tax as of tax year 2019 (financial years ending 31 December 2018 and later). Note that the annulment cannot be applied retroactively, except in specific situations (e.g. redistribution of EU dividends).

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 – as from 2018 - calculated on the incremental equity (over a period of five years). This incremental equity is equal to 1/5th of the positive difference between the equity at the beginning of the taxable period and that equity at the beginning of the fifth preceding taxable period. The rate is the rate of the financial year to which the tax return relates.

Minimum tax base

A minimum tax base is introduced for companies with a taxable profit exceeding EUR 1.000.000 by limitation of certain deductions, such as tax losses carried forward, dividend received deduction carried forward. Those deductions will only be deductible up to 70% of profits exceeding the one-million threshold.

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.

As from tax year 2019, a tax credit of 25% of losses incurred up to EUR 25.000 per accounting year on shares of a PRICAF incorporated after 1 January 2018 is granted to individual investors. The tax credit cannot be combined with the tax credit for Tax Shelter for start-ups.

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 recent innovation 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

+ 180 employees

5 offices

+ 4000 clients

40 years experience

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+32 2 486 59 75
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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 of 24% and 36%

Annual tax bands (HRK*)		Tax rate (%)
Over	Not over	
0	360,000	24
360,000		36

* Croatian kuna

Corporate: 18% - certain small companies pay a lower corporate tax rate of 12%.

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 or losses are covered by the corporate income tax regime. They are either an increasing or decreasing item to the tax base.

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 (3 years for small and medium-sized companies), which shall not be shorter than the period in which he/she makes use of the incentive measures.

The following incentive measures are available:

- Tax incentives.
- Employment incentives.
- Incentives for education and training.
- Incentives for investments in development and innovation activities.
- Incentives for the capital expenses of investment projects.
- Incentives for labor intensive investment projects.
- Incentives for investment projects through economic activation of inactive property owned by Croatia.

For example, the following conditions are applicable for tax incentives regarding small, medium, and large entrepreneurs:

Investment amount (EUR)	Number of newly employed persons	CIT rate reduction (%)
150,000 to 1,000,000	5	50
1,000,000 to 3,000,000	10	75
More than 3,000,000	15	100

	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%

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 as shown below:

Chargeable Income (€)	Tax rate (%)	Accumulated tax (€)
0 – 19,500	Nil	Nil
19,501 – 28,000	20	1,700
28,001 – 36,300	25	3,775
36,301 – 60,000	30	10,885
over 60,000	35	

There are various exemptions from Income Tax, the most important being the following:

- The lower of 20% of the remuneration or €8,550 from any office or employment exercised in the Republic by an individual whose residence was outside the Republic before the commencement of the employment, such exemption being applicable for a period of three years commencing from the 1st January following the year of commencement of the employment with the last eligible tax year being 2020
- 50% of the remuneration from any office or employment exercised in the Republic by an individual who was resident outside the Republic before the commencement of his employment in the Republic. The exemption applies for a period of 10 years starting from the first year of employment provided that the above income of the employee exceeds €100,000 per annum

Corporate: 12.5% flat rate on all business (tax adjusted) profits of tax resident companies.

A company which is tax resident in the Republic, is taxed on income accruing or arising from sources both within and outside the Republic.

A company which is not tax resident in the Republic, is taxed on income accruing or arising only from sources within the Republic.

Capital Gains tax rate

Individual: Capital gains realised on the sale of shares or any other non-real estate property are exempt from taxation. Gains, in respect to the sale of real estate property or shares with underlying real estate property situated in Cyprus, are subject to a 20% tax rate. Capital gains relating to foreign property are exempt from tax.

Personal allowances on disposals include €85,430 for the principal private residence, €25,629 for the disposal of agricultural land by a farmer and €17,086 for any other disposal.

Corporate: Taxed as individual capital gains.

Dividends tax rate

Individual: 17% Special Contribution for Defence (SDC) for dividends received by an individual Cyprus tax resident. 0% SDC for dividend payments to non-Cyprus tax residents and non-domicile 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

Profits from Intellectual Property Rights (IPR):

IPR means an asset which was acquired, developed or exploited by a person in the course of carrying on a business and which constitutes intellectual property, other than marketing related intellectual property associated with promotion (marketing) and which is the result of research and development activities, including an intangible asset for which there is only economic ownership.

80% deemed deduction applies to the profit from the exploitation of such IPR which is calculated based on a specific formula that follows the modified nexus approach. Capital gains arising from the disposal of IPR are not included in the qualifying profits and are fully exempt from income tax.

Profits from Shipping Activities:

The following are exempt from taxation in accordance with the provisions of the Merchant Shipping (Fees and Taxing Provisions) Law and are subject to **Cyprus Tonnage Tax**:

- The income of a qualifying ship-owner and/or charterer from the operation of a qualifying Cyprus, community and/or foreign (under conditions) ship, in a qualifying shipping activity.
- The income of a qualifying ship operator from the provision of ship management services of the crew and/or technical administration services.
- Dividends paid directly or indirectly from the profits mentioned above.

Notional Interest Deduction (NID):

Companies resident in Cyprus and companies not resident in Cyprus which maintain a permanent establishment in Cyprus are entitled to a NID on equity, which is effectively a tax allowable deduction against the taxable profits of the company. The NID is calculated by multiplying the "new equity" held and used by the business in the carrying on of its activities with the "reference interest rate".

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 "qualifying investor" that makes a "risk-finance investment" in an "innovative small and medium-sized enterprise (SME)" may deduct the costs of the investment from his/her taxable income, subject to 50% of taxable income percentage limit, €150,000 annual deductible limit and five year carry forward unutilised amount limit.

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 Legislation

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Nicosia & Larnaca, Cyprus
+(357) 22444000
www.auditproservices.com
info@auditproservices.com

Czech Republic

Income tax rate

Individual: Flat rate of 15%. Additional tax of 7% is to be paid from the surplus exceeding the amount of CZK 1,569,552 (approx. EUR 61,200).

Tax base for the employment income is calculated as super-gross income, i.e. gross income increased by social security contributions and health insurance paid by an employer. It is usually 34% of the income (the percentage rate can vary due to maximum base on social security).

Corporate: Corporate income tax is levied at a general rate of 19%. Corporate income tax rate of 5% applies to certain investment funds.

Capital Gains tax rate

Individual: Generally taxed at 15% (tax exemptions relied usually on the term of holding of specific capital).

Capital gains on disposal of securities are tax-free only after the securities have been held more than 3 years. However, the capital gains realized on the disposal of securities up to the annual amount of CZK100,000 are tax exempt for the taxpayer.

The capital gain realized on the sale of ownership interest in business company (limited liability company) is tax-free only after the ownership interest has been held more than 5 years.

Corporate: Capital gains are taxed as corporate income (19%).

The capital gains realised on the sale of shares are tax exempt when the seller is an EU company that holds at least 10% interest in the sold company for and 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: It is subject to withholding tax of 15% for Czech, EU/EEA and other jurisdictions or states with which the Czech Republic signed a double tax treaty. For individuals from all other states, the withholding tax of 35% applies.

Corporate: It is subject to withholding tax of 15% for Czech, EU/EEA and other jurisdictions or states with which the Czech Republic signed a double tax treaty. For entities from all other states, the withholding tax of 35% applies.

Dividends paid by a subsidiary (CZ or another EU Member State resident, Norway, Iceland and Switzerland) to its parent company (CZ or another EU Member State resident, Norway, Iceland and Switzerland) are tax exempt. The parent/subsidiary relationship is met if the company holds at least 10% share for at least of 12 uninterrupted months.

Further dividends are tax exempt if the subsidiary is non-EU resident with which the Czech Republic signed the double tax treaty and is subject to corporate income tax which is not lower than 12%.

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% 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?

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

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LEGAL

FOREIGN TRADE

Denmark

Income tax rate

Individual: Progressive rates up to 56.5 % (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 54.000) and 42% on exceeding income (2019 figures). The threshold amount is double for spouses.

Corporate: Capital gains are normally included in corporate taxable income and are subject to 22 % tax. Gains or losses on non-PIE shares are exempt.

Dividends tax rate

Individual: Dividends are taxed at progressive rates between 27% (for income including net gains on shares up to DKK 54.000) and 42% on exceeding income. (Spouses double)

Corporate: 100% of the dividends must be included in taxable income and taxed at the normal corporate income tax rate (22 %). (Dividends from unlisted companies are only taxable for 70% of the received dividend).

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

Individual: From 1. of January 2019 private investors/BA have the possibility to get a tax deduction of 15 % of the investment, if this is in an unlisted growth/start-up company. Investments should be made directly to the company by the investor or by an Investment Allowance Fund. If certain conditions for obtaining the investor deduction are fulfilled it’s possible to invest up to DKK 400.000 per year until 2022 and up to DKK 800.000 per year from 2023.

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

(Case law has established a PE of foreign investor’s investments in Danish shares through a Danish tax transparent limited partnership (in Danish: “kommanditselskab” or “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 Danish start-ups and growth companies have a number of possibilities to get funded by public and semipublic funds combined with BA.

These funds enable start-up companies to go into close partnerships with banks and private investors from home and abroad.

Tax losses can be carried forward unlimited.

Tax losses for persons can reduce the taxable income for as well the investor as the spouse on any Danish taxable income in Denmark.

Corporate tax losses carried forward can reduce the taxable corporate income for as well the company as the companies within the joint taxation.

Danish companies can get tax-credits that convert tax losses due to R&D into cash. The tax credit is 22% of the tax loss on R&D.

Sources of information

https://vf.dk/en and https://innovationsfonden.dk/en/programmes/innobooster

About us

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For further information please contact state-authorised public accountant Søren Larsen.

Baagøe | Schou
statsautoriseret revisionsaktieselskab

Fiolstræde 44, 3. th.
DK - 1171 København K

Phone: +45 35 24 59 24
E-mail: bs@bsrev.dk
www.bsrev.dk

Estonia

Income tax rate

Individual: 20%

Corporate: All undistributed corporate profits are tax-exempt. For distributed profit corporate income tax ("CIT") rate is 20%, calculated as 20/80 from taxable net payment.

CIT is not assessed on the profit earned, which means no CIT in respect to all retained and reinvested profits. CIT is assessed on a monthly basis and only when profits have been distributed (e.g. dividends, share buy-back, capital reductions, liquidation proceeds), including transactions that are considered as deemed profit distributions (e.g. transfer pricing adjustments, expenses and payments that do not have a business purpose, fringe benefits, gifts, donations and business entertainment expenses).

Capital Gains tax rate

Individual: Gains are considered as income and taxed with flat income tax 20%

Corporate: No capital gains tax, taxed on a regular basis if profit is distributed (actual and deemed)

Dividends tax rate

Individual: Taxation occurs at the level of the company- CIT (20% or 14%) and withholding tax (WHT) applicable. If the natural person receives reduced rate (14%) dividends then 7% WHT rate applies, unless a tax treaty provides for a lower WHT rate (5% or 0%).

Corporate: standard rate 20/80 of net dividends (20% of gross disbursement).

For companies making regular profit distributions (dividends) reduced rate 14/86 of net dividends (14% of gross dividends) is applicable.

Other tax incentives

No special tax incentives. Estonian deferred corporate tax system can be viewed as a tax incentive that endorses re-investment of profits. All undistributed corporate profits are tax-exempt for Estonian companies and permanent establishments ("PE") of foreign companies that are registered in Estonia. This exemption covers both active (trading) and passive (such as dividends, interest, royalties) types of income, as well as capital gains from sales of all types of assets, including shares, securities and immovable property.

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

No tax incentives.

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

- From 2019, Estonia has effective tax treaties with 59 counties in order to attract foreign investors by avoiding the double taxation of their incomes and capital.
- All undistributed corporate profits are tax-exempt.
- Dividends distributed by Estonian companies are exempt from corporate income tax if participation exemption is fulfilled:
  - dividends received from EU, EEA and Swiss tax resident companies in which the Estonian company has at least 10% shareholding;
  - profits derived through a PE in the EU, EEA or Switzerland;
  - dividends received from all other foreign companies in which the Estonian company has at least a 10% shareholding, provided that the underlying profits have been subject to foreign tax or foreign income tax was withheld from dividends received;
  - profits derived through a foreign PE in all other countries, provided that such profits have been subject to tax in the country of the PE;
  - liquidation proceedings, share buy-backs or capital reductions, which have been subject to taxation by the distributor of such income.
- Estonia has no thin capitalisation rules.
- There is a general anti-avoidance rule, which allows tax authorities to ignore the legal form of a transaction and reclassify it for tax purposes.
- There are specific anti-tax haven rules for certain dealings with tax haven companies, treating these as deemed profit distributions..

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

No incentives. Estonia has chosen to incentivise investment activity through the baseline tax system, such as through distributed profits taxes.

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

None. Foreign investors have equal rights and obligations with local entrepreneurs. All foreign investors may establish a company and conduct business in Estonia in the same way as local investors.

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

Income Tax Act

Information prepared by Leinonen Estonia https://leinonen.eu/ee-en

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Finland

Income tax rate

Individual: Progressive rates up to 31.25%. Municipal rates range from 16.5% to 22.5% (average 19.74%) and potential church rates vary between 1% and 2.2%.

Corporate: 20%.

Capital Gains tax rate

Individual: 30%. If gains over EUR 30,000 , then 34%.

Corporate: 20% on profits (generally included in the taxable business income). 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 34%) 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 (certain exemptions might be applicable, e.g. if a dividend is distributed by a company resident outside the EU or EEA).

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

As of 1 January 2020, a company's income will no longer be split into three different sources. The new rules shall be applicable for the first time in financial year 2020. In general, the BITA shall be applicable to all corporate income going forward. The group contribution regime, will become available to all companies that are taxed in line with the BITA

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

A BA[1] that invests in the equity of a 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 is 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: The standard corporate income tax rate amounts to 31%. However for SMEs a 15% tax rate applies up to EUR 38,120 profit and 28% on the exceeding profit up to EUR 500.000.

The standard rate is expected to be progressively reduced to 25% by 2022.

Capital Gains tax rate

Individual: Gains from the sale of shares are subject to a flat rate tax of 30%, which includes income tax (12,8%) and social surcharges (17,2%). Upon election, capital gains on shares acquired before 2018.01.01, can be taxed at the progressive rate (i.e. with a top marginal rate of 45%), after the deduction 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 (17.2%). Gains derived from the sale of qualifying real estate companies are subject to special rules.

Corporate: Corporate income tax applies on capital gains (31%). However, the gain is 88% tax-free save for a 12% add-back assessed on the gross amount of the gain, resulting in an effective tax rate of 3,72%. This participation-exemption regime applies if the capital gain is derived from the sales of shares that qualify as participating shareholding (shares involving the control or significant impact of the management of the issuing company, with an ownership of at least 10% for a minimum 2-year period).

Dividends tax rate

Individual: Dividends are subject to a flat rate tax of 30%, which includes income tax (12,8%) and social surcharges (17,2%). However, taxpayers may opt for taxation under the progressive income tax scale (with a top of marginal rate of 45% plus social contribution 17,2%). In this case, a 40% allowance applies. This choice involve that all income (dividends, capital gains…) would be taxed at the progressive rate.

Corporate: Dividends are taxable as ordinary income at a rate of 31% unless the shareholder 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 (5% add-back), resulting in an effective rate of 1.5%. Dividends paid to a non-resident are subject to 30% withholding tax, except for application of EU Directive or Tax treaties.

Other tax incentives

- **Real Estate Wealth Tax**

  Households pay real estate wealth tax if the net worth of their real estate exceeds EUR 1.3 million. Non-residents are subject to this tax on their French property only. Rates are progressive, ranging from 0.5% to 1.5%.

- **Investments with equity savings plans ("PEA / plan d'épargne en actions")**

  PEA is a tax-privileged plan that allows to invest and manage a portfolio of eligible French and European securities (eg. shares, units of certain investment funds etc.) while taking advantage of an attractive taxation framework

  Tax benefits: No capital gains tax, provided gains and income are blocked in the PEA for a period of 5 years. After 5 years gains are definitively tax free. However, social surcharges still apply (17,2%).

  Fixed ceiling of EUR 150,000 (individual), of 300,000 (couple). Only one PEA per household is allowed, but a specific SMEs equity saving plan (PEA-PME) can be added.

- **Research & Development Tax Credit**

  Businesses that spend money on R&D may be granted a corporate income tax credit. All industrial, commercial or agricultural businesses taxed on the basis of their actual profits are eligible, regardless of their legal structure.

  Tax benefits: The R&D tax credit amounts to 30% of R&D expenses up to €100 million per year, and 5% over this limit. SMEs are also eligible to a 20% tax credit for innovation expenses, The qualifying expenses are limited to €400,000 per year.

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

New businesses, created until 31 December 2019, that invest in R&D and that have innovative start-up or university start-up status are eligible to exemptions from taxes and social security contributions.

Tax benefits: Eligible new businesses are entitled to a corporate income tax exemption for the first financial year, and exemption of the local trade tax for seven years.

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

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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-Wurttemberg) 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 Gains 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

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 (e.g. 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.

The German government has presented a draft law on tax incentives for research and development ("Entwurf eines Forschungszulagengesetzes"). The passing of the law is planned for this year, so that the regulations will take effect from 01.01.2020. Projects that are started on or after 1.1.2020 are eligible, provided that they meet the requirements; retroactive support for work started before 01.01.2020 is excluded. The maximum research allowance is 500,000 Euros per business year. The amount of the research allowance depends, inter alia, on the gross salaries of workers who have worked on eligible projects.

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)
Contact: Prof. Dr. René Schäfer
Steuerberater, FBfIntStR
Geschäftsführender Gesellschafter
Tel: +49 (0) 681 8 91 97-14
Mobile: +49 (0) 160 8 81 96 14
Fax: +49 (0) 681 8 91 97-17
E-Mail : rschaefer@dornbach.de
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Greece

Income tax rate

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

Corporate: 29% in financial year 2018, 28% in financial year 2019, 27% in financial year 2020, 26% in financial year 2021, 25% in financial year 2022.

Capital Gains tax rate

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

Corporate: In general, capital gains are included in the taxable profits of Greek companies.

Dividends tax rate

Individual: 10% withholding tax.

Corporate: 10% withholding tax. No withholding tax applies if the conditions of the EU parent/subsidiary directive are met. Dividends received from foreign and domestic subsidiaries qualifying for the participation exemption are exempt from corporate tax.

Other tax incentives

Law 4399/2016 has been put in place in Greece on 15 June 2016. The new Law is structured into two section (a General Section and a Specific Section). In general, the General Section regulates the beneficiaries of the aids, the terms and prerequisites for participation, the covered investment projects, the eligible expenses, the types of aids, the procedure regarding the filing of applications and evaluation of investments projects, as well as the issues regarding the implementation and completion of investments projects. In the Special Section some special types of aid can benefit from a tax exemption or subsidies (e.g. new independent small and medium enterprises).

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: Flat tax rate of 15% is applicable on all types of income.

Corporate: The corporate tax rate is 9%.

Capital Gain tax rate

Individual: Flat tax rate of 15%.

Corporate: There is no separate capital gain tax in Hungary; capital gains are included in taxable income. 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 shares of a subsidiary for at least 1 year.

Dividends tax rate

Individual: Flat tax rate of 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. Dividends paid to resident individual may be subject to withholding tax at 15%; and additional 17.5% social security tax with upper limit of HUF 625 800 p.a.

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

Other tax incentives

Tax credit for certain investments. Maximum 2 million Euros 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 from 100 million HUF up to 3 billion HUF for 10 years.

Tax allowance for supporting spectacular team sports, movies.

Tax allowance for interests of an investment credit for the SME sector: 60% of interests paid.

Tax group can be formed where affiliated companies' tax bases should be added up and taxed, losses between these companies may be utilized or transactions between group members will be exempt from transfer pricing documentation.

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

JEREMIE (Joint European Resources for Micro to Medium Enterprises) is the European Union's development program for SMEs that offers several means of enterprise development in Hungary. JEREMIE has been started with three subprograms. The venture capital program involves eight competing venture capital funds in two different frameworks (Domestic Funds and Co-investment) with the aim to increase the capital of, and thus provide financing to Hungarian SMEs.

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

Hungarian 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?

Hungarian 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 Hungarian tax or deducted against taxable income to a certain extent. Non-Hungarian-resident taxpayers are taxed on their Hungarian 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

Hungarian tax acts: http://www.njt.hu/

National Tax and Customs Administration: https://nav.gov.hu/

Contact: Márton SÜTŐ
Steuerberater
Geschäftsführender Gesellschafter

Tel: +36 1 436-0500
Fax: +36 1 436-0501
E-Mail: suto.marton@buco.hu

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Ireland

Income tax rate

Individual: Up to 54% (including Universal Social Charge (0-10%) and (4%) Social Insurance).

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

Capital Gains tax rate

Individual: 33%. Entrepreneur relief may apply subject to certain conditions to reduce the tax rate to 10% on the first €1,000,000 of gain.

Corporate: 33%. Gains on the sale of substantial shareholdings in companies resident in EU member states or a tax treaty country are exempt under participation exemption if certain conditions are satisfied.

Dividends tax rate

Individual: Up to 54%

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, exemption under EC parent-subsidiary directive or unilateral credit are applicable).

Other tax incentives

There are tax incentives for private individuals investing, specifically the EIIS 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.

EIIS (Employment & Investment Incentive Scheme) The EIIS 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 EIIS 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.

Similarly there is the SCI scheme this is a tax relief for micro companies. The main points of SCI are as follows:

- The investor can claim the same relief as EII investor.
- 30/40th in the year of investment
- 10/40th may be available after 4 years.
- SCI is available for investors whose associates have an interest in the capital of the company
- The company must be carrying on a brand new venture
- None of the shareholders can carry on a similar venture

The third scheme available is SURE. This is a tax relief for entrepreneurs. The main points of SURE are as follows:

- Starting your own business and you were previously an employee
- You must establish a new company carrying on a new qualifying trading activity
- Have mainly PAYE income in the previous four years
- Take up full-time employment in the new company as a director or an employee
- Invest cash in the new company by purchasing new shares
- Keep the purchased shares for at least four years
- Depending on the size of the investment, investors may be entitled to a refund of income tax paid over the six years prior to the year of investment

- SURE investments cannot be made through designated investment funds. They must be made directly to the company.

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

Merry Mullen, Chartered Accountants, Dublin – Web: www.merrymullen.ie – Telephone: 003531 6458100

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Italy

Income tax rate

Resident Individuals: are subject to income tax on their worldwide income at rates varying from 23% to 43%; in addition, regional surcharge (from 1,23% to 3,33%) and local surchage (up to 0,9%) are applied depending on the region / municipality concerned. Exemptions, allowances and deductions from the taxable base, as well tax credits are granted for a lot of qualifying expenditures and can vary depending on the income level. Individuals carrying out a business activity, under specific conditions, are subject also to a regional business tax (standard rate is 3,9%, which can be raised / decreased by up to 0,92%).

Corporate: the ordinary corporate tax rate is 24%. A surtax of 3,5% is levied on qualifying banks and financial institutions. Undertaking collective investments -as are VC funds- are exempted from corporate tax. The regional business tax (see above) also applies.

Capital Gains tax rate

Individual: if the gain refers to assets held in a business capacity, only 58,14% of the gain is taxable as positive element of the business income. Capital gains realized by other individuals are levied by a substitute tax at a rate of 26%.

Corporate: in general, a participation exemption regime is applicable to gains earned out on alienation of shares and similar financial assets. 95% of the gains is exempted from corporate tax but only provided that (i) a holding period of 12 month has passed before the sale (ii) the shares have been accounted for as financial assets in the first financial statements closed after the purchase of the shares and (iii) the subsidiary has been carrying out an effective business activity since the beginning of the third financial year before the alienation.

Dividends tax rate

Individual: dividends are subject to the flat rate withholding tax of 26% unless the shares are held as business assets. In this case 58,14% of the dividends are treated as part of the business income, while the rest (41,86%) is exempted from taxation, as for the capital gains (see above). Dividends paid on profits realized until Dec. 31st, 2017 -if the participation is 'qualified' (i.e.: worth more than 2% in listed companies or 20% in not listed companies)- then a partial tax exemption is granted to the owner. Dividends of foreign source from black-list countries are subject to ordinary tax on 100% of their amount: 26% advance withholding tax applies.

Corporate: dividends received from resident subsidiaries are 95% exempt. The same treatment applies for foreign dividends only if the foreign dividends have not been fully or partially deducted in the source country. Dividends distributed (even indirectly) by a company resident in a jurisdiction which has a privileged tax regime are in principle fully taxable.

Other tax incentives

Italian tax law grants a taxable base deduction for equity contribution, including capital premium, made by companies into qualifying innovative start-ups with main business base in Italy and set up for no more than 60 months. The benefit is equal to 30% (40% in 2019) of the equity amount invested (50% if the investor acquires the full capital of the target), up to a maximum investment of € 1,8 million per year until 2020. A similar benefit is granted to individuals investing in such start-ups: tax saving is equal to 30% (40% in 2019) of the capital invested up to a maximum investment of € 1 million per year.

Common requirements are following: (i) holding period of 3 years for shares in the innovative start-ups (ii) total maximum subsidized equity investment per single start-up is € 15 million (maximum € 2,5 million per year) (iii) the target start-up has a sales turnover not exceeding € 5 million and cannot distribute dividends. Similar tax benefits and requirements are foreseen also in case of investments in innovative SMEs.

As of 2015 and until 2020, a tax-credit benefit has been introduced for any qualifying R&D investment activities carried out by companies. Such benefit is given to all companies irrespectively from their legal status, their economic sector or accounting regime.

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

Since 2011 business angels investing through co-investments funds -set up in Italy, in EU / EEA countries or in other countries allowing an adequate exchange of information with Italy's tax administration- benefit from a broad income tax exemption scheme on proceedings from the VC funds and on capital gains realized in case of VC fund shares' sale, provided that the co-investment vehicle matches all the following conditions (some of which are valid from Jan. 1st 2019 in accordance to Italy's 2019 Budget Law rules):

- at least 85% of VC fund's assets are invested in not listed SME, in the form of *seed financing*, *start-up financing*, *early-stage financing* and *scale up financing*. In any case, majority of SME's shares must be held by individuals. The VC fund investment in each target SME cannot exceed the amount of € 2,5 million over a 12-months period. The remaining 15% of VC fund's assets are to be invested in Italian listed SME;
- the not listed SME must (i) have a business base in Italy (ii) be levied in Italy without benefitting from

exemption / reduction regimes (iii) not have been running its business for more than seven years and (iv) have not exceeded sales turnover of € 50 million in the financial year before the VC fund starts investing in it;

- the business angels investing in the VC fund must (i) be qualified as professional investors according to the EU Directive n. 2004/39/CE or -if not so- (ii) undertake to invest at least € 100.000 into the VC fund and declare to be full aware of the risk profiles involved in the angels investment.

The tax exemption scheme in force in Italy is aimed both at individuals and at corporate angels investing in VC funds and is granted also to beneficial owner residents in foreign countries included in a white list of collaborative jurisdictions with Italy's tax administration.

Currently the tax exemption for corporate investors lasts until Sep. 2022 according to the EU Commission's decision n. C/2012/6451 issued upon request of Italy's Government with respect to State aids limit regulations in force in the EU. A request of extension for VC fund tax exemption is possible and must be presented to the EU Commission before the expiration term.

A significant boost to VC fund raising activity in Italy is expected from this year on, thanks to specific provisions set forth by 2019 Budget Law and confirmed by Ministry Decrees entered into force mid spring 2019. Particularly, institutional investors such as Pension Funds and Saving Investment Programs for Individuals (so called "PIRs") must invest a fix part of their assets in qualifying VC Funds as new mandatory requirement to go on in carrying out the activity in favor of workers and savers.

Furthermore, end July 2019 the Ministry of Economic Development issued the rules for public investing in VC funds over the period 2019-2025 with a budget of € 110 million. A National Fund for Innovation, called "Invitalia", is being launched by the Government: it represents a big program aimed at financing small and innovative businesses through long term plans dedicated to Italian SMEs with sound economic growth perspective in R&D / environment / digitalization sectors

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

As general rule, foreigners moving to Italy to live in / run business here get the same tax treatment as the residents. A broad net of bilateral tax treaties is in force in Italy to mitigate / avoid double taxation on income for individual and companies.

Italian resident companies may opt for a foreign branch tax exemption which is irrevocable and covers all the qualifying permanent establishments (PE) of the resident enterprise. CFC legislation is in force in Italy but can be disapply if the resident proves that the not resident entity carries out a substantive economic activity.

Exit tax regime applies in case a resident company transfers its tax residence (or assets) away from Italy, even through cross-border (de)mergers or similar operations, without mantaining any PE in Italy. Simmetrically an entry tax regime is applicable for companies coming to Italy: different tax rules apply in case the origin country allows or not an adequate exchange of information with Italy tax authority.

Recently, tax provisions have been put in place to attract high qualified / specialized expatriats granting them a high reduction (50%, for a period of 5 years) of their employment income. Furthermore, an interesting optional tax regime has been introduced in 2017 (lasting 15 years) in the Italian tax law, which aims at attracting to Italy high-wealth individuals (either foreigners or Italians). It allows the taxpayer, as new resident in Italy, to choose for a lump-sum taxation on all his incomes from abroad sources, avoiding the worse worldwide taxation principle.

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

N/A

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

Only nationals can benefit from tax relief in case of direct investments / investments through a fund in innovative start-ups or SMEs, since the relief is intended to reduce personal taxable base (for corporations) or personal taxes (for individuals). Foreigners, if not subject to taxes in Italy, do not benefit from such investments.

BA investments through a VC fund give the same tax treatment in terms of savings and exemptions to nationals and foreigners, as already explained above in the relevant chapter.

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

Resident investing as BA through VC qualifying funds in EU / EEA countries are not subject to taxes in Italy on the profits related to the investments (dividends, proceedings, capital gains) as if they were investing in Italy.

A recent tax law approved end June 2019 ("Growth Decree") has introduced the possibility to extend the use of revolving funds for internationalization also for VC funding operations in foreign jurisdictions not belonging to the EU or to the EEA. Funds can be used either for investments in equity or for shareholders loans.

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

Recent estimates by the Italian Association for Financial Investments (AIFI) indicate that in the first half of 2019 there have been 48 VC operations worth in total nearly € 280 million, while in 2018 the total amount invested by BA

in VC operations nearly reached € 300 million (€ 224 million in 2017). The trend foreseen for coming years is a rapid growth, although still far from the pace of leading European countries such as Germany, France and UK.

Sources of information

Italian laws online: www.normattiva.it

Italian Tax Authority: www.agenziaentrate.it

Italian Ministry of Economic Development: www.mise.gov.it , www.incentivi.gov.it

Italian Ministry of Trade: www.ice.it

Italian Association for private equity and venture capital (AIFI): www.aifi.i

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Contacts:
David Sturaro
Via San Vito n. 18 - 20123 Milan - Italy
david.sturaro@ssaass.it - Tel. +39.02.7208 0602

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, there is a Free Trade Agreement concluded with Turkey. In both cases, some key products/sectors will be protected for a limited period of time. Kosovo also concluded Free Trade Agreements with Albania, Macedonia, Croatia and Bosnia-Herzegovina.

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: Latvia has a progressive personal income tax system. Progressive personal income tax rates are as follows:

- 20% rate on annual income up to EUR 20 004;
- 23% rate on annual income exceeding EUR 20 004 to EUR 62 800;
- 31,4% rate on annual income exceeding EUR 62 800.

Corporate: All undistributed corporate profits are tax-exempt. For distributed profit corporate income tax ("CIT") rate is 20%, calculated as 20/80 from taxable net payment.

CIT is not assessed on the profit earned, which means no CIT in respect to all retained and reinvested profits. CIT is assessed on a monthly basis and only when profits have been distributed (e.g. dividends, capital reductions, liquidation quota), including transactions that are considered as deemed profit distributions (e.g. transfer pricing adjustments, provisions for bad debts, in certain cases issued loans to related parties, expenses and payments that do not have a business purpose, gifts and business entertainment expenses).

Taxpayers can choose to pay the micro-enterprise tax instead of the CIT or persona income tax if they comply with the statutory criteria of the Law of Micro business tax, including the turnover of the calendar year not exceeding EUR 40 000. Micro-enterprise tax shall be paid based on the turnover of calendar year at the rate of 15% as of 2019. If turnover exceeds EUR 40 000 then for exceeding amount 20% of tax should be applied.

The following persons may become a micro-enterprise tax payer:

- an individual merchant;
- individual undertaking;
- a farm or fishing enterprise;
- natural person registered as a performer of economic activities and
- limited liability company.

Capital Gains tax rate

Individual: 20%, with some exemptions in relation to gains from Latvian or other European Union Member State or European Economic Area states, state and local government securities and from real estate used as a habitual residence for personal purposes provided that certain conditions are satisfied.

Corporate: capital gains on sales of property are taxed only when the profit is distributed. Capital gains from sale of shares held for at least 36 months are exempt from tax, provided that certain conditions are satisfied. A nonresident income from the sale of real estate located in Latvia or sale of company's shares where more than 50% of its assets consists of Latvian real estate, is subject to 3% withholding tax.

Dividends tax rate

Individual: 20%, however, dividend income shall be exempt from personal income tax if dividends distributed from profit which were subject to taxation at the level of company.

Corporate: Please see comments above regarding corporate income tax rate on dividends. Redistributions of dividends shall be excluded from the taxable income if the taxpayer has received these dividends from the payer of dividends which is an enterprise income taxpayer in the country of residence thereof, or the dividends has been subject to withholding tax in the country of disbursement, except for the dividends received from a person who is located, set up or established in low-tax or tax-free countries or territories.

Other tax incentives

- There is CIT relief for taxpayers carrying out agricultural activities. A taxpayer is entitled to reduce the taxable base in the reporting year in the amount which corresponds to 50% of the amount received as the State aid for agriculture or European Union aid for agriculture and rural development but not more than the total amount of the taxable objects included in the taxable base in the taxation period.
- Latvia has special economic zones (SEZ) in Latgale, Liepaja and Rezekne and the free ports in Ventspils and Riga. Companies operating in SEZ and free ports can receive CIT and immovable property tax relief in the amount of 80% of the tax amount calculated. Total CIT and immovable property tax relief amount depends on the amount of investments in the SEZ or free port. Depending on the size of the company, the total available tax relief ranges from 35% to 55% of the amount invested. Reliefs are also available on indirect taxes: Value Added Tax, Excise and Customs Duties.
- There are benefits for start-up companies in relation to employees' costs. The start-up company can instead of regular social tax, pay a flat social tax computed as two minimum gross salaries (EUR 430 in 2019) multiplied by social tax rate 35,09%. Additionally, employer shall pay 10% from gross salary minus two minimum gross salaries to employees' pension fund. No personal income tax liabilities. Another option is to reclaim from the state 45% of the salary and salary tax costs paid for the highly qualified startup employees. In order to receive the tax benefit the start-up company and its employee(s) must comply with the certain terms and conditions. The support can be received for 1 year or 2 years (if investment from qualified investor is at least EUR 150,000).

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 effective tax treaties with 62 counties in order to attract foreign investors by avoiding the double taxation of their incomes and capital.

Any other general fiscal incentive which 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?

None. Foreign investors have equal rights and obligations with local entrepreneurs. All foreign investors may establish a company and conduct business in Latvia in the same way as local investors.

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

Law “On Personal Income Tax”, Corporate Income Tax Law, Law “On Aid for the Activities of Start-up Companies”, Law “On State Social Insurance”.

Information prepared by Leinonen Latvia https://leinonen.eu/lv-enx Code, BDO Guide “Doing business in Latvia”

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Lithuania

Income tax rate

Individual: 5%, 15%, 20%, 27% (based on type of income and amount of income earned).

Corporate: 15%.

If income per tax year does not exceed EUR 300.000 and the number of employees does not exceed 10, conditions related to ownerships are met, reduced Corporate Income Tax (CIT) rates may be applicable:

- 0% rate (for the first year of activity only and additional conditions are applicable)
- 5% rate.

Reduced 5% rate is applied to the profits earned from the use, sale or other transfer (including royalties and compensations for violated intellectual property rights) of assets created while executing scientific research and experimental development activity.

Capital Gains tax rate

Individual: 15%, 20% (based on amount of income earned).

Corporate: 15%. If the Company meets the conditions of reduced CIT rates 0% and 5%, they are also applicable for capital gains.

Dividends tax rate

Individual: 15%.

Corporate: 15%. If the shareholder controls at least 10% of shares for at least 12 months and the shareholder is not organized in tax haven (the list of countries is indicated in the legislation), the dividends may be exempt from tax (participation exemption). If the group structure is created for the aggressive tax planning, the Tax Authority may challenge participation exemption and require to calculate withholding tax.

Other tax incentives

All tax incentives indicated below are subject to specific conditions indicated in the legislation:

- Incentive for investment projects – possibility to reduce payable CIT up to 100% by the value of investment to long-term assets. Unused amount may be transferred and used in the following 4 years.
- Incentive for research and development (R&D) works – CIT may be reduced by three times of the costs incurred for R&D purposes.
- Incentive for film production – CIT can be reduced up to 75% per year by the amount provided for film production. Unused amount may be transferred and used in the following 2 years.
- Incentive for Companies located in Free Economic Zones. Companies located at these zones and established after 1 January 2018 pay no CIT for 10 years of operation and 50% reduced CIT (7,5%) over the next 6 years, as well no tax on dividends and no real estate tax are applicable.
- Transfer of losses - tax losses can be transferred within the group entities within the same tax period.
- Charity/donations – Companies may deduct charity/donations given twice from their income if such donations do not exceed 40% of taxable profit.

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

Koinvesticinis fondas - promotion of private investments and state aid for startups. Its purpose is to improve the development of the Lithuanian venture capital market and the growth of new players in the venture capital market. Koinvesticinis fondas invests in start-ups and growing private Lithuanian companies and provides investment and financial advice in relation to these investments alongside private investors including Venture Capital Funds and Business Angels groups. Koinvesticinis fondas acts as a silent investor in the management of companies that it invests in. More information can be found in website https://www.koinvest.lt/en/

Lithuanian Business Angel Network (LitBAN) was established in 2018. It fosters business angel activity in Lithuania. More information can be found in website https://www.litban.lt/

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

- There are 7 Free Economic Zones (hereinafter – FEZ) in Lithuania. They are located in the country's economic centers and provide unbeatable conditions for developing business by offering ready to build industrial sites with physical and legal infrastructure, support services, and tax incentives.
- Lithuania has effective tax treaties with 55 counties in order to attract foreign investors by avoiding the double taxation of their incomes and capital.
- There is a general anti-avoidance rule, which allows tax authorities to ignore the legal form of a transaction and reclassify it for tax purposes.

Any other general fiscal incentive which 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?

None. Foreign investors have equal rights and obligations with local entrepreneurs. All foreign investors may establish a company and conduct business in Lithuania in the same way as local investors.

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

The Lithuanian tax legislation

Information prepared by Leinonen Lithuania https://leinonen.eu/lt-en

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Luxembourg

Income tax rate

Individual: Progressive tax rate (by taxable income bracket) up to 42%. A 7% to 9% contribution to the unemployment fund applies, so that the marginal tax rate is between 44.94% and 45.78%.

Corporate: Income tax is composed of corporate income tax and municipal business tax. As of 2019, corporate income tax (CIT) is levied at a rate of 17% if the taxable income exceeds EUR 200,000 (15% if the taxable income is less than EUR 175,000 and EUR 26,250 plus 31% of the taxable income between EUR 175,000 and 200,001). The corporate tax rate is increased by a surcharge for the employment fund (7% of the CIT)

Municipal business tax is levied at a rate varying between 6.75% and 12.6% depending on the municipality where the company has established its registered office . For companies established in Luxembourg City, municipal business tax is levied at a rate of 6.75% of their taxable income.

Companies established in Luxembourg City are thus taxed at a combined income tax rate, for 2019, of 24,94% (18.19%, including the employment fund + 6,75%).

Special tax regimes and measures apply for Family Wealth Management Company (Société De Gestion De Patrimoine Familial), Holding Companies, Investment Funds, Specialized Investment Fund, Securitization Vehicle, Venture Capital Company, Special limited partnership (société en commandite spéciale or abbreviated SCSp), Reserved Alternative Investment Fund (RAIF), Shipping Companies and for Intellectual Property Rights Companies.

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 net assets exceeding EUR 500 million.

The taxable basis is the net worth of the company, i.e. fair market value of the assets less the liabilities of the company, adjusted by certain tax exemptions (e.g., shareholdings qualifying to the Luxembourg participation exemption regime, specific IPs qualifying to the IP regime) or by certain special valuations fixed by the law (e.g. buildings). As of 1 January 2016, a minimum net wealth tax ”NWT” applies. Such minimum NWT is either (i) a fixed amount of EUR 3,210 for Luxembourg collective entities holding financial fixed assets, transferable securities, cash at bank and receivables owed to affiliated undertakings 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 total balance sheet).

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

The minimum NWT is due if the amount of NWT obtained when applying the rates above (of 0.5% and 0.05%) is lower than the minim NWT. Said minimum NWT can be reduced by the CIT paid in the previous year (including contribution to the employment fund but after deduction of possible tax credits).

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 Luxembourg resident 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 (i.e. speculative capital gains), max. 44.94% to 45.78%.

Corporate: Capital gains from the sale of substantial shareholdings are exempt from corporate tax. Substantial shareholdings are shareholdings of at least 10% of the share capital or of an acquisition cost of at least EUR 6,000,000, which are continuously held for more than 12 months. The exemption applies to shareholdings in subsidiaries that are within the scope of the EU Parent-Subsidiary directive (2011/96/E), or that are incorporated as fully taxable capital companies that are subject to a corporate income tax which is comparable to Luxembourg corporate income tax (i.e. the income tax amounts to at least 8.5% (as of 2019) and is calculated on a taxable base which is determined in a similar way as the income subject to Luxembourg corporate income tax).

Capital gains remain taxable for an amount corresponding to the sum of the expenses and any write-down economically linked to the shareholding that reduced the tax base of the company in the year of disposal of said shareholding or in the previous financial years. This rule is known as the “recapture rule”.

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 capital 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 potential 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 potential tax credit for any withholding tax suffered.

Corporate:

a) Dividends paid by Luxembourg capital companies are subject to a 15% withholding tax. The withholding tax rate on dividends may however be reduced by applicable tax treaties.

Dividends paid by a Luxembourg capital company to (i) a Luxembourg capital company, (ii) other capital companies, which companies:

(i) Are within the scope of the EU Parent-Subsidiary directive; or,

(ii) Fully taxable capital companies at a corporate income tax comparable to Luxembourg corporate income tax and are resident in a treaty country or countries in the European Economic Area (EEA);

are exempt from Luxembourg withholding tax if at the date when the dividends are put at their disposal, the beneficiary holds or commits itself to hold a direct shareholding representing at least 10% of the share capital of the Luxembourg distributing company or an acquisition price of at least EUR 1.2 million for a uninterrupted period of at least 12 months.

A withholding tax exemption is also available for dividends paid to permanent establishments of an EU capital company.

An indirect shareholding through a Luxembourg or foreign partnership comparable to a Luxembourg (tax transparent) partnership is deemed to be held directly.

b) Dividends received by a Luxembourg capital company from a Luxembourg or a foreign capital company can be tax exempt in Luxembourg at certain conditions:

- The dividend is paid by a Luxembourg capital company, an EU capital company (listed in the EU Parent-Subsidiary directive 2011/96/E) or a foreign capital company which is subject to corporate tax in its jurisdiction at a rate of at least 8.5%, on a similar tax base as Luxembourg corporate income tax;
- Said shareholding has been held for an uninterrupted period of more than 12 months (or the Luxembourg capital company commits itself to hold it for an uninterrupted period of more than 12 months);
- The Luxembourg capital company holds a minimum shareholding of at least 10% in the share capital of the concerned subsidiary or acquisition costs of at least EUR 1.2 million.

The expenses of the year in direct economic relation with the concerned shareholding (e.g. interest expenses) are considered non-taxable deductible, up to the amount of the exempt dividend received.

Other tax incentives

A tax credit is available for qualifying capital expenditures. The investment tax credit is calculated as follows as of 2017:

a) 13% of the difference between the value of total depreciable fixed tangible assets other than real estate and the average value of such assets during the last five years;

b) 8% on investments up to EUR 150,000 in such assets during the tax year and 2% on investments exceeding EUR 150,000. A similar tax credit is available for software. For investments linked to environmental protection or adaptations enabling the hiring of disabled persons, the rates are 9% and 4% respectively.

Special measures applies to environment friendly cars, acquisition of software, the production of films, the development of new products, for hiring unemployed individuals and for staff training.

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 specific 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 (except for the minimum NWT).

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 (UCIs, SIFs, RAIFs,…) 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 or unless they are assimilated to resident taxpayers (in which case the Luxembourg and foreign sources of income are taken into account to determine the income tax to be paid in Luxembourg).

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

Above information is only an extract of the Luxembourg legislation and does not give a complete view of each individual situation

For further information: contact@afcbenelux.eu or yves.mertz@afcbenelux.eu

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Contact : AFC Benelux SARL

37, rue d'Anvers, L-1130 LUXEMBOURG

+352 39 58 42

contact@afcbenelux.eu

yves.mertz@afcbenelux.eu

Macedonia

Income tax rate

Individual: 10%.

Corporate: 10%.

Capital Gains tax rate

Individual: Capital gains derived from the sale of immovable property, securities and equity participations in companies are subject to a 10% tax, levied on 70% of the gain.

Corporate: Capital gains are treated as ordinary income of the taxpayer and are included in its general taxable base in accordance with accounting rules and standards.

Dividends tax rate

Individual: 10%.

Corporate: Same as capital gains. Dividends paid between resident companies are tax-exempt.

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: 38.52%

Corporate: 27%.

Capital Gains tax rate

Individual: 22%.

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

Dividends tax rate

Individual: 22%.

Corporate: Dividends received from resident companies of Norway or in EEA are 97% exempt from tax (remaining 3% is taxed at 22%) 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

N/A

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

N/A

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

N/A

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

N/A

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

N/A

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

N/A

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

N/A

Sources of information

Berge & Lundal Revisjonsselskap AS

www.berge-lundal.no

Berge & Lundal Revisjonsselskap AS

Berge & Lundal Revisjonsselskap AS has locations in the city of Oslo. The firm has 15 employees, whereas 4 principals.

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Poland

Income tax rate

Individual: Progressive rates (17% to 32%), although individuals carrying out economic activities may opt for special rules under which a 19% tax rate generally applies without any allowances. Individual income is also subject to a special tax (4% from the surplus above1,000,000 PLN income).

Corporate: 19% or 9% (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.

"IP Box" – new tax relief in force since 01.01.2019 which allows taxing income from "intellectual property rights" with a lower tax rate of 5%.

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 (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

Kancelaria Doradztwa Podatkowego Jarosław Kubiak

Our company, established in 2003, provides our clients tax advice and book-keeping services, including payroll and personnel administration.

P&K TAXSERVICES offers services to businesses and individuals, both foreign-based and domestic. We can communicate in Polish, German and English. To make sure our clients receive complete service, we cooperate with statutory auditors and law offices in Poland. We also maintain close contacts with tax and law firms from Germany and Austria.

The sourcesof our success are a team consisting of specialists with ,amy years of experience acquired in popular international consulting companies.

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WIRAS

On 1 January 2011, Jarosław Kubiak Kancelaria Doradztwa Podatkowego became a member of WIRAS Verbund, an international association of consulting firms.

WIRAS Verbund is an association of independent reputable tax, legal and consultancy firms from all over the world (e.g. Germany, USA, Australia, Brazil).

The member firms are fully independent and unrelated in terms of equity, and their cooperation is based on mutual support and assistance on a per-project basis.

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13. Applications for private tax rulings
14. Helping you choose the most tax efficient way to start up in business
15. Tax advice in merger, transformation and winding-up processes
16. Registering foreign businesses for Polish VAT

Portugal

Income tax rate

Individual Residents: Progressive rate from 14.5% up to 48%, applicable to the global worldwide income, resulting from the sum of the different categories of income (wages and other labour incomes, pensions, dividends, interests and other capital incomes, property incomes, capital gains, royalties, etc)

Individual Non Residents: Income tax applied individually to each income category (salaries and wages, dividends, interests, property incomes, etc) obtained in Portugal, usually at a rate of 25%.

Corporate:

Residents (worldwide incomes) and non-residents with permanent establishment in Portugal (Portuguese incomes): Corporate Income Tax of 21% (first EUR 15,000 of profit taxed at 17% for SMEs) + up to 1.5% of municipal surtax + a state surtax from 3% (for incomes greater than EUR 1.500.000) up to 9% (for incomes greater than EUR 35,000,000).

Non-residents (without permanent establishment in Portugal): Foreign companies are taxed only in certain categories of incomes obtained in Portugal, namely dividends, interests, property incomes, intellectual property rights, royalties and a small range of technical services (consulting, auditing, technical assistance, others). General rate of 25%. Several reductions and exemptions are applicable, resulting from Double Taxation Agreements and EC parent-subsidiary directive, reducing general rate to 5%, 10% or 15%

Capital Gains tax rate

Individual – resident: Rate of 28% (if capital gains not included in the global worldwide income. If included, progressive tax up to 48%. Inclusion is optional), unless the company is not listed and is considered a SME, in which case the tax rate decreases to 14%.

Individual – non-resident: Rate of 28%.

Corporate – Portuguese company: Capital gains are included in the global profit and subjected to Corporate Income Tax mentioned above (21% plus surcharges).

Reductions and exemptions applicable:

Exemption of 50% of capital gains originated on fixed assets sales if the product of the sale is reinvested in fixed assets over the next two years.

Total exemption (0%) of capital gains obtained on corporation equity sales (capital shares and other types of equity) if the selling company owns more than 10% of share capital of target company for more than one year (Portuguese Participation Exemption Regime).

Corporate – non-Portuguese company: Total exemption (0%) on capital gains on the sale of shares and quotas held in a Portuguese company by a non-resident company are tax exempted.

Exemption does not apply, being applicable a rate of 25%, if the foreign company is owned in more than 25% by a Portuguese company, except if the non-resident company owns at least 10% of share capital of a Portuguese company for more than one year; the foreign company is resident in a EU or EEA member state (bounded by an agreement for administrative cooperation in tax matters similar to the EU´s) or a state that has a treaty in force foreseeing exchange of information; and is subject to and not exempt from corporation tax as foreseen in EU Council Directive (Directive 2011/96/EU, dated 30 November) or a tax similar to the Portuguese Corporation Income Tax (in the latter case, provided that the legal rate is not lower than 60% of the standard Portuguese CIT rate that now stands at 21%).

Dividends tax rate

Individual – resident: Rate of 28% (if dividends not included in the global worldwide income. If included, progressive tax up to 48%. Inclusion is optional)

Individual – non-resident: Rate of 25%

Corporate – Portuguese company: Dividends received from other companies are included in the global profit and subjected to Corporate Income Tax mentioned above.

Reductions and exemptions applicable:

Total exemption (0%) for dividends received from another resident company if the beneficiary company owns more than 10% of share capital of payer company for more than one year (Portuguese Participation Exemption Regime).

Similar conditions for subsidiaries resident in EU countries, African countries with Portuguese as the official language, and Timor).

Corporate – non-Portuguese company: Rate of 25%

Portuguese Participation Exemption Regime (total exemption: 0%) is applicable to EU resident companies.

Total exemption (0%) for dividends received by EU resident companies under EC Parent-Subsidiary Directive also applies. Reduced rates of 10% or 15% through Double Taxation Agreements.

Other tax incentives

Portugal **Investment Tax incentives**

Contractual tax incentives

Investment projects carried out until 2020 with a minimum amount of Eur 3.000.000 and qualified by Portuguese authorities as strategic for national economy are eligible for tax incentives, as foreseen in the Tax Benefits Code and the Investment Tax Code. Incentives are granted on a case-by-case basis under a government contract for a period not exceeding ten years and can include a Corporation Income Tax credit from 10% up to 25% of the investment. In addition, exemptions or reductions of property transfer tax, property tax, and stamp duty applies.

Tax regime for investment promotion (RFAI)

The regime establishes a Corporation Income Tax reduction to investment realised within specific business sectors and regions.

Companies investing in certain regions of Portugal / sectors and in certain types of assets benefit from a deduction in payable Corporation income Tax of 25% of the investment (for investments up to EUR 15.000.000) or 10% (for the part exceeding that limit). Tax deduction is limited to 50% of payable CIT and unused deduction in the investment year can be deducted in the following ten years. Exemptions or reductions from property transfer tax (IMT), property tax (IMI), and stamp duty on the acquisition of real estate for investment purposes also applies.

Tax regime for Research and development (R&D) investments (SIFIDE II)

Portuguese tax resident and permanent establishments of foreign companies can deduct to the payable Corporation Income Tax, up to the respective amount, the value of eligible expenses incurred with R&D, in a double percentage as follows:

- Base rate: 32.5% of the R&D expenses incurred; this rate is increased by 15% in case of SMEs that do not benefit from the incremental rate of 50% (applicable to entities that had completed two years of activity).
- Incremental rate: 50% of the difference between the R&D expenses made in the tax year and the average amount of the R&D expenses made in the previous two years, up to the limit of EUR 1.5 million.

The investment project and R&D eligible investments must be previously approved by Portuguese authorities (ADI – National Innovation Agency).

Tax regime for equity investments (conventional remuneration of share capital)

Portuguese tax resident and permanent establishments of foreign companies can deduct to the payable Corporation Income Tax 7% of equity investment, up to EUR 2.000.000, upon the incorporation of an entity or on capital increases. The deduction is made in the tax period where the entries are made and in the following five years.

Specific incentives to Business Angels and Venture Capital

Portugal has a special tax regime for venture capital investors, risk capital companies and risk capital funds, operating in accordance with national legislation and registered near the Portuguese Securities Market Commission (CMVM):

Incomes obtained by Risk Capital Funds and Risk Capital Companies in its investment activities are totally exempted of CIT - Corporation Income Tax.

Incomes obtained by foreign investors in Risk Capital Funds and Risk Capital Companies, resulting from profits distributions / dividends or sell of participation units and / or shares are tax exempted.

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 start-up) less than 3 years old, can claim a deduction on the individual income tax of 20% of the investment made in the referred project. The 20% deduction must not exceed 15% of the income tax.

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

COMPETE BUSINESS ANGELS CO-INVESTMENT FUND

The COMPETE program is a part of the programme Portugal 2020, focused on competitivity and internationalization. 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.

DNA Start up – Micro Venture Capital Fund (EUR 100,000–EUR 250,000)

Business angels, in partnership with the entrepreneur, can invest a minimum of 15% with the remaining being supported by the public venture capital fund.

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

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

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

- Information about FINICIA co-investment fund can be accessed through the Public Development Agency IAPMEI - www.iapmei.pt and www.inovcapital.pt
- Information about the fiscal regime and incentives can be obtained at www-min-financas.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).

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Luis Caiano Pereira caianopereira@ cpag-sroc.pt
Ana Santos ana.santos@ cpag-sroc.pt
Carlos Sousa Gois csgois@ cpag-sroc.pt

CAIANO PEREIRA, ANA SANTOS, SOUSA GÓIS & ASSOCIADOS, SROC, LDA.,
registered at OROC under n.º 38 and at CMVM under nº 20161388
Rua S. Domingos de Benfica, 33, R/c Dto 1500-556 Lisboa – Portugal
Tel. (+351) 215 699 611 | Tel. (+351) 217 248 320 | geral@cpag-sroc.pt

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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 or in a foreign company located in a country with which Romania has concluded a double tax treaty (including those outside the EU) are non-taxable, 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 received by Romanian resident companies from Romanian legal entities are non-taxable revenues. Dividends received by Romanian resident companies from a foreign legal entity which is a corporate income taxpayer or payer of an assimilated tax, located in a country with which Romania has concluded a double tax treaty, are non-taxable revenues if the Romanian legal entity receiving the dividends owns at least 10% of the share capital of the Romanian company or foreign company paying the dividends for an uninterrupted period of 1 year.

  In the case of dividends paid by a Romanian company to another Romanian legal entity, 5% of the dividend tax is withheld by the payer from the total amount. This withholding is not applicable if the Romanian company receiving the dividends owns at least 10% of the share capital of the other Romanian company for an uninterrupted period of 1 year as at the dividend payment date.
- *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).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. An exception to the rule above exists, allowing companies with a share capital of at least RON 45,000 (roughly EUR 9,500) and at least 2 employees to opt for becoming a Romanian corporate income tax payer.

Dividends tax rate

Individuals: Dividend income is taxed at a 5% income tax rate. Additional, health insurance contribution in amount of RON 2,496 per year (representing 10% applied to 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).

Fiscal losses can be carried forward for 7 years.

The fiscal loss recorded by a taxpayer that ceases to exist due to restructuring (merger, spin-off) can be carried forward by the newly created taxpayer in proportion to the assets transferred. The fiscal loss recorded by a taxpayer that does not cease to exist due to restructuring can be carried forward by the respective taxpayer in proportion to the assets kept. Also, the company which partially took over the assets can carry the fiscal loss forward in proportion to the assets taken over.

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 1,000,000 are deductible for corporate income tax up to the limit of 30% of a fiscal EBITDA.

Dividends may be distributed quarterly in advance. Interim distributions can be made during the year – only up to the quarterly net profit (after the mandatory reserves, if any, are allocated), but loss carry-forwards must be set off before the dividends can be distributed. Interim distributions must be based on interim financial statements approved by the shareholders. Such interim financial statements must therefore be prepared quarterly, and they must be audited if the company is subject to a mandatory audit (thereby increasing the costs and the administrative burden of the company).

The EU ATAD Directive regarding foreign controlled companies was also implemented in Romania for corporate income taxpayers. Thus, the company controlling such entities will include specific undistributed revenues, for example interest, royalties or dividends (specific conditions have to be fulfilled) in the calculation of corporate income tax.

Also, EU ATAD Directive was implemented for inclusion in the calculation of corporate income tax for the following: transfer of assets from Romania to other countries / transfer of fiscal residency from Romania / transfer of economic activity performed through a Romanian permanent establishment (specific conditions have to be fulfilled).

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”.

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- Achieving Target Operating Model
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- Project management

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: 13%.

*Individual – non-resident:*15%.

Corporate: 13% 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

1. VAT applies to companies (including representative offices and branches of foreign companies), entrepreneurs and any person importing goods into the customs territory of the Eurasian Economic Union (of which Russian Federation is a member state). The rules applying to goods imported from other member states of the Customs Union are covered below.
   Companies and entrepreneurs may apply for exemption from VAT if their aggregate revenues for three consecutive months, excluding VAT, are below RUB 2 million.

   In addition, businesses that apply certain special tax regimes, such as the simplified tax system (available only to relatively small businesses) and the unified agricultural tax regime are outside the scope of VAT unless they import goods into Russia.

1. VAT registration
   Russian legislation does not provide for separate VAT registration. Therefore, when foreign companies with a presence in Russia register with the Russian tax authorities, they register for all taxes, including VAT.

2. Taxable supplies
   VAT is charged on the majority of sales of goods, work and services supplied in Russia, including those supplied free-of-charge. VAT is also imposed on most imports into Russia. The transfer of property rights and certain supplies to oneself, such as the internal consumption of goods and services produced by a taxpayer where the associated costs are not deductible for profit tax purposes, as well as construction for personal use, are also subject to VAT.

3. VAT rates
   There are three main rates of VAT, depending on the nature of the supply.

   The 0% rate applies, in particular, to the sale of goods exported outside the Russian Federation. The 0% rate also applies to a list of services that includes, in particular:

   •

   The 10% rate applies to certain foods, children's goods**, medical and pharmaceutical products**, pedigree livestock and certain books and periodicals.

   The 20% rate applies to all other taxable sales of goods, work and services.

There are also computed VAT rates (10/110 and 20/120) applied to certain transactions, such as the receipt of advance payments and other payments connected with settlements for supplies, as well as to certain types of transfer of property rights.

The period for obtaining a VAT reimbursement under the accelerated procedure is approximately 11 working days starting from the day the application is filed with the tax authorities. Desk audits may still be conducted.

4. 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.

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).

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

Russian Tax Code

КОРН-АУДИТ
— АУДИТОРСКИЕ УСЛУГИ —

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We have offered the audit: the general and investment, mandatory and initiative, quarterly or annually audits. The audit opinion about the assurance of financial statements, the identification of reasons hindering the business development, recommendations for elimination of these reasons; tax planning; elaboration of recommendations for the organization of accounting and document control.

To date, the audit dynasty’s record of service includes over three hundred organizations engaged in various lines of business: investment, education, medicine, pharmacy, trade and industry.

Our company provides the services in respect of restatement/transformation and translation of financial statements into English prepared in compliance with the Russian Legislation into financial statements prepared in compliance with rules No. 1725/2003 dated 29.09.2003 (IFRS) approved by the Commission’s Rules (EC).

In preparation for the transformation of financial statements, we follow the principle of the customer’s identity, taking into account its specific features as much as practical, development prospects and dynamics of the company’s capitalization.

Thus, the financial statements translated and prepared in accordance with the international standards are used not only as a financial document for the parent company based abroad, but also as an argument for attracting additional funds or procedures for the company’s capitalization.

The IFRS is an indication of strategic points of the company’s financial position used in the annual budgeting (planning) of the company, and the mechanism for the value-based management.

The services on transformation and translation of financial statements can be accompanied with services designed to develop the rules of procedure for their preparation, the audit services on international and Russian accounting, the services with respect to assets assessment at fair value, due diligence of a business or coupled with a legal support of sales deals in acquiring or selling the entities (business).

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With best regards to you and your business.

Serbia

Income tax rate

Individual: The personal income tax rate depends on the type of income (between 10 – 20%). A complementary tax is also levied at rates of 10% or 15%.

Corporate: 15%.

Capital Gains tax rate

Individual: 15%.

Corporate: 15% for residents and 20% for non-residents.

Dividends tax rate

Individual: 15%.

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

15% is the general withholding tax rate from transfer of dividends from a Serbian subsidiary to the foreign parent company. However, a Serbian entity will have the right to decrease its tax liability by taking a tax credit for the withholding tax and underlying corporate income tax paid in a subsidiary's country, provided that the taxpayer holds at least 10% of the shares in the subsidiary. 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.

Investments into newly established companies, performing innovative activities, entitles a taxpayer to a tax credit in the amount of 30% of the investments made. The maximum amount of tax credit cannot exceed 100,000,000 Serbian dinars (approximately EUR 846k).

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.

Employees are exempt of paying personal income tax where they have acquired shares in the company they work for either free of charge or at a discounted price, except where securities are considered to be taxable income.

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.

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% up to a tax base of EUR 36.367,76, and 25% on the excess.

Corporate: 21%

Capital Gains tax rate

Individual: Income from capital gains is included in a specific tax base taxable at a 19% rate.

Corporate: Taxed at rate of 21%.. In some cases, capital losses are non-deductible.

Dividends tax rate

Dividend income arising from profits before 2004 and after 1 January 2017 is included in a specific tax base taxable at 7% rate (if paid from abroad) and 7% withholding tax if paid by a Slovak company. A specific 35% withholding tax rate applies for payments to taxpayers from non-treaty jurisdictions or where the beneficial owners of the income cannot be identified, including payments of taxable dividends.

Other tax incentives

Investment incentives may be available to start new production or for the provision of services.

Investment incentives (including tax credits) are potentially available for projects in the following areas:

- Industry.
- Technology centres.
- Shared services centres.
- Tourism.

Taxpayers who perform R&D activities may apply for a special form of support, i.e. the super-deduction of R&D costs.

Finally, the amendment of The Income Tax Act which valid since 1 January 2018 introduced a tax exemption of 50% for income from considerations for granting a right to use a protected patent, utility model, or software created by the taxpayer (basic patent box). Note that tax exemption only refers to assets which are created by own activities and applies to tax periods in which amortisation of an intangible asset is included in tax 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?

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

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Slovenia

Income tax rate

Individual: Progressives rates from 16% to 50%.

Corporate: 19%.

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 of 19%. 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-subsidiary 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 rate from 19 up to 48%, depending on the Autonomous Community. For non-residents, 24% flat- rate for residents outside the EU and 19% flat- rate 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 December 23, and Law 7/2011, of July 27 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. Unless in Companies created or owned by universities and research centres, where the deduction can be of 50% with a maximum of EUR 12,000.

Corporate: Flat-rate of 25%. 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, 19%.

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 is 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 July 1, 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 you 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.

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.bancat.com

ACCIÓ, Government of Catalonia

Contact: BUFETE BUADES

Gabriel Buades Castellà, LL.M.

Abogado

gbc@bufetebuades.com

http://www.bufetebuades.com/de/nuestro-bufete

Av. Jaume III, nº 4. 07012 Palma de Mallorca. Spain

Tel. +(34) 971 228 141 / Fax +(34) 971 228 118

Sweden

Income tax rate

Individual: Up to 57%.

Corporate: 21,4%.

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, and in this case the rate can be down to 20%.

Corporate: Capital gains are subject to ordinary income tax. The corporate income tax rate is 21,4%. After December 31, 2020 the tax rate will be reduced to 20,6%. 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 41.50% (federal + cantonal/communal level). Maximal tax rate in the canton/commune with the lowest tax rate is approximately 22.24%.

Corporate: From 11.19% to 24.16% on profit after tax (resp. from 10.06% to 19.46% on profit before tax), depending on canton and commune.

Wealth tax rate

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

Corporate: taxation of equity of approx. 0.1% - 0.3% only on cantonal level.

Capital Gains tax rate

Individual: Tax free for movable assets unless gain qualifies as gain from sale of business assets (income from gainful activity). 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 (part of the taxable profit of the fiscal year). «Participation relief» on capital gains (sales price minus prime costs) derived from sale of qualified participations (direct participation of at least 10% in share capital or profit and reserves and holding period of at least 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% in share capital. On cantonal/communal level privilege dividend tax rules can vary, but at least 50% (presumably as of 1.1.2020). On federal level only 70% of the gross dividend is subject to taxation (presumable until end of 2019 still 60%).

Corporate: Taxed at the ordinary corporate tax rate. Relief for dividends received from a participation of at least 10% in share capital or profit and reserves or the fair market value of the participation is at least CHF 1 million. Dividends are subject to 35% withholding tax but can be reduced up to 0% acc. to the applicable Double Tax Treaty (reporting procedure, participation of at least 10% in capital and holding period of at least 12 months) or according to the Swiss EU Saving Tax Agreement (i.a. participation of at least 25% in capital).

Other tax incentives

Tax holidays and special tax regimes are abolished presumably as per 1.1.2020 – license box and additional deductions for R&D under certain conditions will be implemented (depending on respective cantonal tax law).

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

- Tax regimes compatible with EU and OECD requirements – from 1.1.2020
- Reduction of cantonal corporate tax (CIT) rates – in most of the cantons in 2020/2021

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 Dénéréaz

Swiss Certified Tax Expert & lic. iur. Partner Transforma AG Website: www.transforma.ch Olgastrasse 10

CH-8001 Zürich Switzerland

Phone +41 43 222 58 42

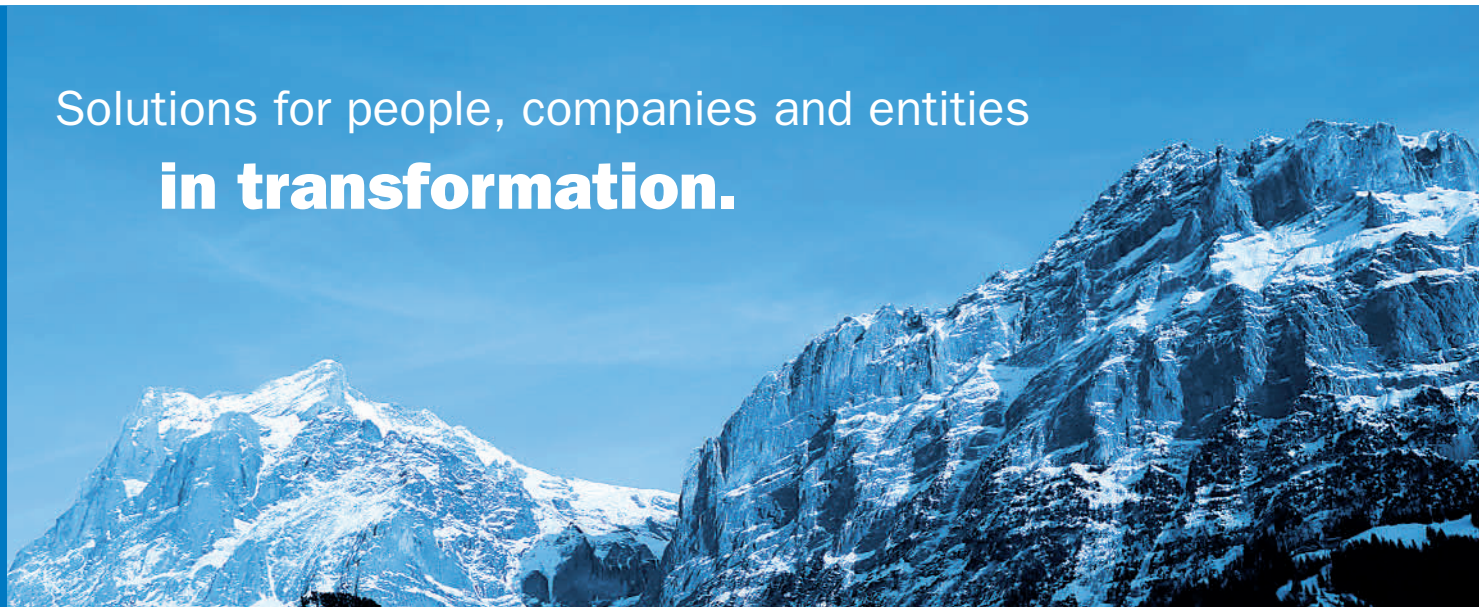
E-Mail: aline.denereaz@transforma.ch

Phone +41 43 222 58 42

Mobile +41 78 641 13 39

E-Mail: aline.denereaz@transforma.ch

transformaconsulting



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Please contact:

Aline Dénéréaz
Direct: +41 43 222 58 42
aline.denereaz@transforma.ch

Transforma AG
Olgastrasse 10
8001 Zürich, Switzerland
www.transforma.ch
Phone: +41 43 222 58 48

The Netherlands

Income tax rate

Individual: Progressive tax rates up to 51,75%.

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 €318.449 may be tax deductible up to an additional 28%.
- Energy investment – 45% tax deduction for more than €2,500 investment in energy assets qualified by the Ministry of Economic Affairs. The maximum investment amount is €122.000.000.
- Environment investment – up to 36% additional tax deduction for qualifying investments. The maximum investment amount is € 25.000.000.
- 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

accon■avm adviseurs en accountants

Arjen Tompkins LL.M.
Senior International Tax Specialist
E-mail: A.Tompkins@acconavm.nl
Phone number: +31318307158
Mobile phone number: +31628459136

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Arjen Tompkins LLM
Tax Services

T: 0031 318 307 158
E: international@acconavm.nl

Plesmanstraat 64
Veenendaal, The Netherlands

PO box 888, 3905 KZ Veenendaal
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Turkey

Income tax rate

Individual: Progressive rate between 15% and 35%.

Corporate: 22%.

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 15 full-time R&D personnel and 10 full-time design center employees 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 (95% for PhDs, 90% 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 Joınt 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 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 in 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 mechanısm, 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: 19% (reducing up to 17% as of 1 April 2020). A diverted profit tax at a rate of 25% applies where multinational companies use artificial arrangements to divert profits overseas to avoid UK tax.

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). As of April 2019, gains from the disposal of UK property and certain UK property related investments assets by nonresidents are subject to UK tax.

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	Entrepreneurs' Relief - the first GBP 10 million of lifetime gains on qualifying business assets taxed at 10% rather than up to 28%. 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.	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.	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.
	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.	Investors must be UK taxpayers. There is a 3-year qualifying period: shares must be held for at least 3 years to avoid Income Tax claw back. Dividends may be received as long as they are at the normal commercial rate and not deemed excessive. These are taxed in the normal way. For the income tax relief to apply, the investor cannot be connected to the company - cannot be a partner, director or employee - 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.	Enterprise Investment Scheme	There are two targets for investment with different criteria. Knowledge Intensive Businesses (KIB) - high levels of innovation and IP, therefore risk, and highly skilled and qualified employees. Gross assets of the company cannot exceed GBP 15 million before any share issue and GBP 16 million after that issue. Qualifying trades: a specific list of non-qualifying trades has been drawn to ensure that the scheme targets companies likely to face a barrier to finance and meets State Aid rules.	There is an annual investment limit of GBP 5 million applicable to the investee company, less other State aid risk capital. A lifetime limit of GBP 12 million for main EIS qualifying companies and GBP 20 million for KIBs.	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
	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.	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. 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) EIS/VCT can no longer be used to fund the acquisition of an existing company or trade.	Enterprise Investment Scheme cont'd	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. 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. 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.		
	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). Investment can also be carried back and set against the previous year's income tax liability.	Same as for EIS, except that Directors can qualify for relief.	Seed Enterprise Investment Scheme	The same conditions for qualifying companies apply as for the EIS, except: -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
	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. 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. 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. Inheritance tax exemption after 2 years.	Investors must be UK taxpayers to benefit from this. There is a 3-year qualifying period: shares must be held for at least 3 years to avoid Income Tax claw back. Dividends may be received as long as they are at the normal commercial rate and not deemed excessive. These are taxed in the normal way. For the income tax relief to apply, the investor cannot be connected to the company - 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.		Social Investment Tax Relief SITR	Organisation must have a defined and regulated purpose – Charity, community interest company (CIC), or community benefit society, carrying out a qualifying trade. Less than 500 employees and gross assets of no more than GBP 15 million. Cannot be controlled by another company or by another company with a person connected with that other company.	

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
EIS and SEIS rules and benefits apply directly if the participation occurs in a syndicate as part of an Angel Co-investment Fund.	EIS and SEIS benefits will apply to investments made in any company with a permanent establishment in the UK.	www.hmrc.gov.uk/eis
EIS-Approved Funds: Angels can participate in an approved EIS fund, which makes the investment on their behalf. All EIS shares acquired through the fund are treated as though they had been issued on the date when the fund closed. 90% of the fund must be invested within 12 months in order for the individual angel investor to qualify for EIS relief. The fund must also invest in at least four companies. The shares must be held in the qualifying companies for at least 3 years.		
Venture Capital Trusts: Venture Capital Trusts provide 30% income tax relief on investments of up to GBP 200,000 per year, exemption from tax on dividends, and exemption from Capital Gains Tax. Investments are managed by a Fund Manager – there is minimal involvement on the part of the investor.		

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	Income tax relief at 30% of the amount invested in subscribing for new shares (maximum annual investment of GBP 1 million). 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. Dividends paid on EIS shares are taxable.	Income tax relief is available at 50% of the cost of the shares subscribed for (maximum annual investment is GBP 100,000). By election, where an investment is made under SEIS in one year, it can be treated as though it was an investment made in the immediately preceding tax year, subject to the overall limit for that year. Dividends paid on SEIS shares are taxable.	Income tax relief at 30% of the amount invested in subscribing for new shares (maximum investment of GBP 200,000). There is no carry back of a VCT subscription to the previous tax year. Dividends are exempt from income tax provided that in the year of acquisition the market value of the qualifying shares did not exceed GBP 200,000 or, where the limit is exceeded, the dividends in respect of the first shares acquired up to the limit are exempt.
Income tax reducer withdrawn	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. The clawback is the lower of: • Original income tax reducer; and • 30% x sale proceeds received (only applicable if sold for a loss). There can also be a claw-back if the company loses its EIS status within 3 years.	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. The clawback is the lower of: • Original income tax reducer; and • 50% x sale proceeds received (only applicable if sold for a loss). There can also be a claw-back if the company loses its SEIS status within 3 years.	If the VCT shares are sold within 5 years, the VCT tax reducer is clawed back. The clawback is the lower of: • Original income tax reducer; and • 30% x sale proceeds received (only applicable if sold for a loss). There is also a clawback if the VCT loses its approved status within 5 years.
Capital gains tax (CGT) relief	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.	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.	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.

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

eban

Rue de la Science 14b
1040 Brussels, Belgium

info@eban.org
+32 (0) 26262060

BOFIDI
Accountants & Advisors

Av. De Tervurenlaan 32
Brussels, Belgium

Aleksandr Natanelov
+32 2 4865975