

French Wealth Tax update The small to medium companies rebate

For the first time this year, taxpayers investing in the capital of small to medium companies may benefit from a rebate of:

- 75% of the amount subscribed in the capital of the small to medium companies (directly or through holding companies) with maximum rebate of 50,000 euros.
- 50% of the amount subscribed in shares of certain French funds (or other EU countries equivalent): *fonds d'investissement de proximité* (FIP), *fonds communs de placement dans l'innovation* (FCPI) or *fonds communs de placement à risques* (FCPR) with maximum rebate of 20,000 euros.

To be taken into account, payments must have been made between 20 June 2007 and 16 June 2008 (15 July for non-residents).

The companies must be of "small to medium size" according to the definition given by EC 70/2001, i.e.:

- Employees: 250 max
- Turnover: 50 M Eur. max
- Grand total: 43 M Eur. max

The companies' headquarters must be situated within the EU (+ Norway and Iceland).

The companies' purpose can be industrial, commercial, *artisanal* (craft industry), agricultural or professional. However, portfolio management and property investment are excluded (with the exception of certain charities).

Other EU regulations also apply (the EU regards this as an indirect government support): the companies must be in a period of creation or expansion; they must not be insolvent or state-funded. The subscriptions should not exceed 1.5 M Eur per year.

Finally, the rebate is subject to the retention of the subscribed shares over a period of 5 years.

So, are you subject to French Wealth tax? Have you invested in small to medium sized companies since 20 June 2007? Is it in your intention to keep the shares subscribed over the next 5 years?

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