

Tax shelter starters now also for growth companies

Since 2015 investors in starting companies obtain a tax advantage. By doing so, the government wants to encourage investments and pull sleeping savings back into the economy. As from 1 January 2018 these measures will be expanded to investments in growth companies.

Crowdfunding for starters

In 2015, the government introduced the 'tax shelter' for investments in starters. This tax advantage was meant for who contributes to the risk capital of a starting company. The investment must comply with two important conditions:

- You should invest in a starter, this is a company in the first four years of its existence.
- You invest in the risk capital, you make a contribution for which you receive shares in return. As a shareholder, you possibly will receive dividends if the company becomes successful and starts distributing dividends. Loans to (starting) companies qualify for other advantages.

Also for growth companies

Since the expansion, the tax shelter is also applicable to growth companies. It is required that it is a (i) small (ii) Belgian company or an EEA company with a permanent establishment in Belgium (iii) which does not originate from a merger or scission and (iv) which employs at least ten people.

In order to qualify as a growth company, the company should have grown considerably during the last two tax years. There are two alternative criteria:

- The average annual turnover should have increased with at least 10% per tax year.
- The number of employees (in 'full time equivalents') should have increased with an average of 10% per year.

Companies can be a 'growth company' as from their fifth until the tenth year after incorporation. This period connects immediately to the first four-year phase in which they are considered to be a starter. Consequently, it is possible to make tax friendly investments during the first ten years.

Limits of the investments

You can invest **maximum 100.000 euro** under this arrangement. You can invest more, but the amount above the threshold does not give right to any deduction. The 100.000 euro applies to all your investments in starters and growth companies together. So, you cannot invest 100.000 euro in a starter and also 100.000 in a growth company. Investing 50.000 euro in both companies is possible.

With such investment, you obtain a **participation of maximum 30%** in the capital of the company. These should be new registered shares, representing a part of the capital, and which are obtained for a contribution in cash.

The scheme is **not open for directors** investing in their own company.

The starting or growth company can gather **maximum 250.000 euro as capital** within the scope of the tax shelter and cannot use the cash to distribute dividends, buy shares or grant loans. The maximum amount (250.000 euro) for a growth period is to be considered over a six years' period (as from the fifth until the tenth year). It is however possible for a company to first gather 250.000 euro as a starter and consequently 250.000 as a growth company. The unused part of the starters regime can be transferred to the period as growth company. Therefore, the maximum amount that a company can obtain equals to 500.000 euro.

Tax reduction for the investor

You are entitled to a Federal tax reduction of:

- 30% if you invest in a starting small company;
- 45% if you invest in a starting micro company;
- 25% if you invest in a growth company (flat rate for small and micro companies).

The tax reduction will be applied to investments in growth companies as from 1 January 2018 (note: the regulation is not yet published in the Belgian Official Journal).

You should keep the obtained shares for at least four years in order to definitively obtain the tax reduction. You can dispose of the shares earlier, but then you will have to partially repay the tax advantage. Through a Federal tax increase you will be taxed on 1/48 of the obtained tax reduction for each month until the end of the 48-month period.

Example

On 2 April 2017, you invested 16.000 euro in a growth company and obtained a tax reduction of 25% = 4.000 euro. You should keep the received shares for four years (48 months), i.e. until 2 April 2021. You decide to sell your shares during January 2020. At that time 33 months are expired, the prescribed holding period runs for another 15 months (from January 2020 up to April 2021). This means that 15/48 of the tax reduction will be withdrawn through a Federal tax increase: 15/48 of 4.000 euro = 1.250 euro.

COMPTAFID-Benelux NV SA
Brussels

Bld. Edmond Machtensl. 180/100
B-1080 Brussels
Tel: +32 (0)2 410 75 75
www.comptafid.be

COMPTAFID-Benelux NV SA
Antwerp

Schijnparklaan 45
B-2900 Antwerp (Schooten)
Tel: +32 (0)3 658 89 02
www.comptafid.be

COMPTAFID (Schweiz) AG
Zürich

Seefeldstrasse 19 – Postfach
CH-8032 Zürich
Tel.: +41 44 250 2929
www.comptafid.ch