

## Investing in a starter through crowdfunding

The Program Law contains two measures making it interesting for tax payers to invest in starters. The tax benefit (30% or 45%) for those making investments with risk has already been discussed. You can also invest in a starter by granting a loan through a recognised crowdfunding platform.

### Crowdfunding

*Crowdfunding* can be done in several ways: in some cases the *crowdfunder* provides a gift to the entrepreneur for which he doesn't receive anything in return; in other cases he does not receive interest but a small benefit in kind (which often happens in the artistic sector where a film or album is realised through crowdfunding and the investors receive a cd or a ticket for the film).

The system provided in the Program Law foresees that the participants will receive interest. This is also the big difference with the tax shelter. The tax shelters investors take a part of the risk-bearing capital of the enterprise, for which they receive shares and possibly dividends. Through the crowdfunding formula loans are granted (=non-risk bearing investment), for which the creditor is remunerated with interest.

Note: through some crowdfunding platforms you can also invest in the risk-bearing capital of a company; they do not fall within the scope of the system discussed here.

### Granting a loan to a starting sme

Also, in this case only loans to starting smes qualify. The same rules as for the tax shelter apply. We herewith remind you of these:

- a company is a *starter* in the first four years of its existence (this period is calculated as from the registration in the Crossroad Bank for Companies of the business database). Are not considered as starters: (i) an entrepreneur transforming his individual business to a company, but performing the same activity, (ii) companies which are formed through mergers or scissions or existing companies;
- in order to determine whether a company is small or not, we do not (only) look at article 15 of the Belgian Companies Code, but also at the accounting directive. On this basis, a distinction is made between micro-companies, small companies and medium companies: (i) a *micro-company* has a total balance sheet of max. 350.000€, a turnover (ex VAT) of 700.000€ and maximum 10 employees, (ii) a *small company* has a balance sheet of maximum 3.650.000€, a turnover (ex VAT) of 7.300.000€ and maximum fifty employees; (iii) a *medium company* has a balance sheet of maximum 20 million €, a turnover (ex VAT) of 40 million € and maximum fifty employees.

Under these measures, also loans to medium companies qualify. Who wants to invest in a medium company, should in any case opt for crowdfunding. Medium companies do not qualify for the tax shelter (tax benefit), this system is limited to micro and small companies.

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## What should you do

You should grant a loan to a starting entrepreneur through a crowdfunding platform.

Some Belgian crowdfunding platforms:

- Bolero Crowdfunding Platform ([www.bolero-crowdfunding.be](http://www.bolero-crowdfunding.be));
- My Micro Invest ([www.MyMicroInvest.com](http://www.MyMicroInvest.com));
- Angel.me ([www.angel.me](http://www.angel.me)).

Note: if you grant the loan directly to the starting entrepreneur, you do not qualify for the tax benefit. In some cases in Flanders, the tax reduction for the win-win-loan might then apply.

Under this regime you can grant a loan up to maximum 15.000€: possibly spread over several loans to several starters. This amount applies per creditor: you cannot provide 15.000€ to several starters each, but you can divide 15.000€ under different starters.

These measures apply to loans granted as from 1 August 2015, which have a duration of at least four years. If the company repays the loans earlier, there is no sanction: you should after all not pay taxes on the interest you received in the meantime. The only result is that you no longer receive interest (since the loan has been paid back) and thus you no longer need the exemption.

## What do you get: no withholding tax on the interest received

You have an exemption for the interest you receive. This interest is no taxable income: there is no withholding tax or personal income tax/non-resident tax due.

If the amount of the loan exceeds 15.000€, the interest related to the excess amount is taxable.

### Example

*You grant a loan of 20.000€ to a starting company through a crowdfunding platform. You receive 10% interest. On the first 15.000€ you receive 1.500€ interest = no taxable income, so exempt. On the part exceeding the threshold (5.000€) you will pay taxes: 500€ interest (on the part of 15.000 up to 20.000€), on which the company will have to withhold 25% withholding tax.*

## Important differences with the tax shelter

We again provide you with an overview of the most important differences with the other new rules (tax reduction):

- crowdfunding is no investment in risk-bearing capital, but a loan;
- directors can give a loan to their own company;
- also loans to medium companies apply.