

# FIP (Local Investment Fund)

## LOCAL INVESTMENT

The aim of France's 2003 economic initiative law is to encourage funding for the creation and growth of enterprises by using local sources of capital.

### ➤ LOCAL BANQUE POPULAIRE FIPs:

- Are savings products marketed by the Banque Populaire branches offering attractive tax incentives
- Encourage funding for the growth of regional enterprises

### ➤ REGULATORY FRAMEWORK: TYPE OF INVESTMENTS

- At least 60% is invested in SMEs that operate in the geographical zone selected by the fund
- Eligible SMEs: SMEs with fewer than 250 employees and sales/revenues of less than €50 million or less than €43 million on their Balance Sheet total
- 10% (6% up until 2007) of the fund's assets must be used for enterprises in existence for less than 5 years

### CREATED IN 2003, FIPs ECHO THE CREATION OF VENTURE CAPITAL MUTUAL FUNDS (FCPIs) IN 1997

- Same purpose: encourage funding for unlisted companies
- Same tax incentives as FCPIs, with the condition that they are kept for a minimum of 5 years

### Lower risk due to the type of investments, centring mainly on funding for the development or transfer of mature businesses:

- With proven profitability
- Showing potential for growth
- As co-investors with BP DEVELOPPEMENT:
  - giving FIPs access to more ambitious projects,
  - guaranteeing subscribers quality own-account management,
  - allowing FIPs to enjoy the same yield expectations as the VCC, BP DEVELOPPEMENT.

## A PREFERENTIAL TAX STRUCTURE

For unitholders with fiscal domicile in France, FIPs offer a preferential tax structure, provided they retain the subscribed investment units for 5 years:

- At entry: Tax reduction at time of subscription
- At exit: Tax exoneration on products and capital gains (excluding social security contributions)
- The tax incentives continue to apply in the event of redemption or sale before the 5 years are up, due to the taxpayer's loss of employment, retirement, invalidity or death

### ➤ TAX REDUCTIONS

Subscribers enjoy a tax reduction equal to 25% of the subscription, up to a payment limit of:

- €12,000 for a single person,
- €24,000 for a married couple.

Implying a maximum tax reduction of:

- €3,000 euros for a single person,
- €6,000 for a married couple.

### **FIP and FCPI tax incentives combined = 25% of the investment made**

- A maximum reduction of €6,000 (2 x €3,000) for an annual investment of €24,000 (2 x €12,000) for a single person
- or a maximum reduction of €12,000 (2 x €6,000) for an annual investment of €48,000 (2 x €24,000) for a couple