

German INVEST Program: Investment grant for German **and** Dutch investors

Kick-off meeting

Euregio Business Angels Forum

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Dieses Projekt wird unterstützt
durch das INTERREG-Programm

Dit project wordt ondersteund
door het INTERREG-programma

About Business Angels Agentur Ruhr e.V. (BAAR)

- Private based business angels network seated in Essen since 1999
- Up to eight internal pitch events and two public pitch events per year
- Companies selected by a screening committee of angels
- No specific branch focus
- Annual total investment amount by BAAR angels 1,5m € per year
- Membership fee for angels 600 € per year



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Generally about INVEST

- INVEST is a grant program of the German government, specifically designed for business angel investments
- INVEST covers two different grants:
 - Purchase Grant
 - Exit Grant



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Purchase Grant: General framework

- Grant of 20% of the investment up to 25 % of shares
- Investment between 10,000 € and 500,000 €
- Maximum grant per year per investor of 100,000 €
- Maximum investment of 3m € per company per year
- Lock-up period of three years
- Tax free



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Purchase Grant: Requirements for the company

- Not older than 7 years
- SME in the definition of EU: less than 50 employees, maximum revenue or gross assets of 10m €
- Not to be listed on the stock exchange
- Head office within the EEA, at least one branch (Zweigniederlassung oder Betriebsstätte) in Germany
- Carry on an **innovative trade** as defined by a list of the Federal Office of Statistics
 - or prove to be innovative through a patent of central importance to the business (max. 15 years old), the receipt of public funding for research and innovation up to two years prior or an independent assessment
- Not to be dominated by another company

Purchase Grant: Requirements for the investor

- Natural person with permanent residence in the EEA (e.g. Netherlands) or a GmbH or UG (limited company) with up to six shareholders
- Investment needs to be made on one's own account
- No credit financing (exemption: convertible note)
- No prior shareholder of the investee company (exemption: the investor has received the Purchase grant already for the prior shares)
- Not associated with the company, e.g. shares of more than 25 % or acting as a manager of the investee company

Purchase Grant: Rules of the process

- Companies apply online for eligibility at BAFA (Bundesamt für Wirtschaft und Ausfuhrkontrolle)
- Investor applies online for the grant separately afterwards
- Payment is due not until the verification of the investment
- No pay-back of the grant if the company fails during the lock-up period

Example Purchase Grant: the benefit of the EU state aid rules

- A Dutch company has a branch in Germany. The company can apply for eligibility at BAFA.
- A Dutch business angel applies for the Purchase Grant while afterwards investing 500,000 € and receiving 20 % of the shares of the Dutch (mother) company.
- The Dutch business angel receives 100,000 € from Bundesamt für Wirtschaft und Ausfuhrkontrolle (BAFA) after having invested.
- Tax free? Only if he is due to pay income taxes in Germany (or: if grants are tax free in the Netherlands?)

Exit Grant

The Exit Grant is 25% of the profit of a sale of shares, which were previously supported by the INVEST Purchase Grant

- It can only be received by natural persons
- The purchase of shares must have been supported by INVEST after January 1st, 2017
- The profit of the sale must be at least 2,000€
- The Exit Grant is limited to 80% of the issue price of shares, which were supported by INVEST

Information

<https://www.business-angels.de/en/investitionszuschuss-wagniskapital-2/> (English)

<https://www.business-angels.de/invest-zuschuss-fuer-wagniskapital/> (Deutsch)

http://www.bafa.de/DE/Wirtschafts_Mittelstandsfoerderung/Beratung_Finanzierung/Invest/invest_node.html (Deutsch)

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