

## THE LEGAL, ADMINISTRATIVE AND TAX OBSTACLES TO THE CREATION OF SUCH FUNDS HOWEVER CONSTITUTE STRONG DISINCENTIVES:

- Venture capital funds investing in other Member states are subject to double taxation because their cross-border business is deemed to constitute a taxable presence in the country where the investment has been made.
- Monitoring and transparency rules applicable to venture capital funds vary from country to country. This limits their mutual cross-border recognition and exposes them to the risk of double taxation.

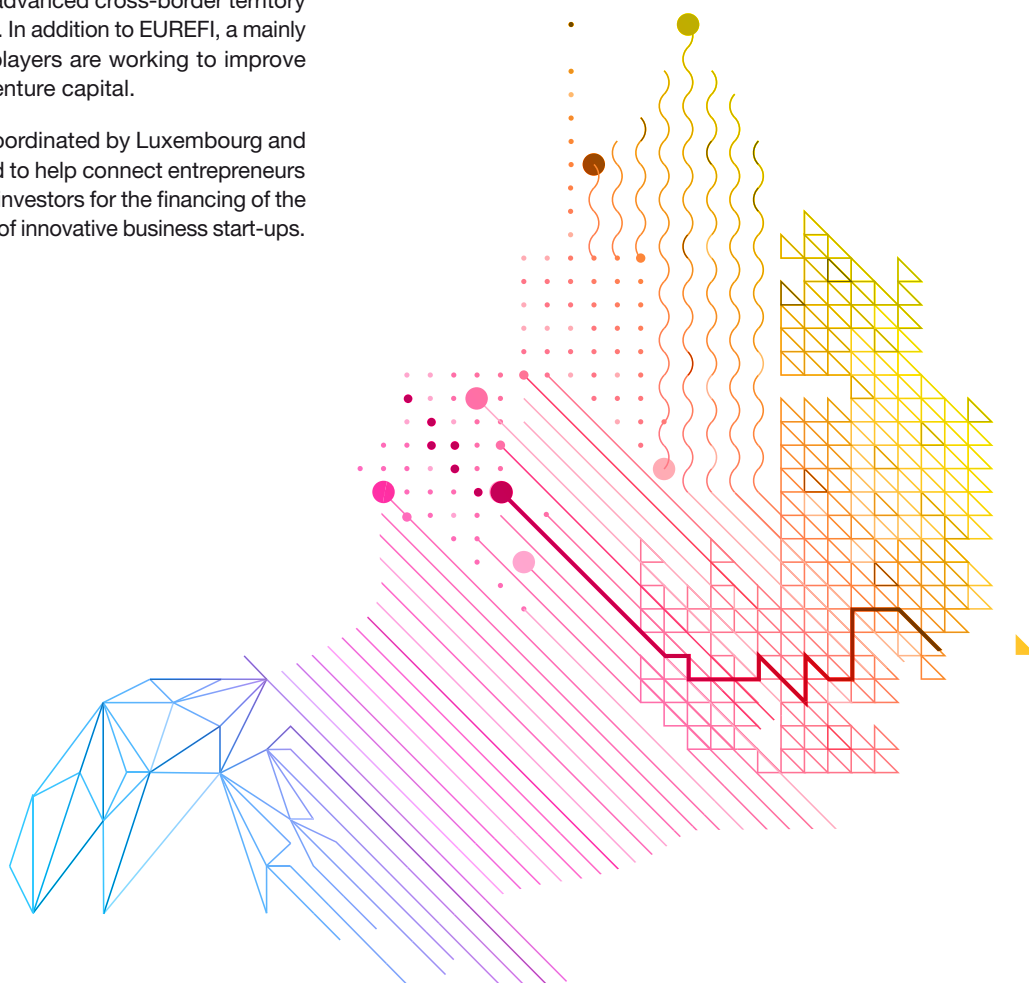
Aware of the adverse impact of these obstacles on business funding and competitiveness, the European Commission appointed an independent working group of tax experts from May 2007 to June 2009, which led to a report<sup>120</sup> and recommendations. A public consultation was also launched on 3 August 2012 to identify the concrete problems and work to lift the obstacles to cross-border investment by venture capital funds. These two initiatives have nonetheless not yet led to substantial reforms that would significantly improve the framework conditions encouraging cross-border investment in venture capital funds and their mobilisation.

- **The Greater Region** is the most advanced cross-border territory in this area along France's borders. In addition to EUREFI, a mainly private instrument, institutional players are working to improve SMEs' access to cross-border venture capital.
- The **"Seed4Start" platform**,<sup>121</sup> coordinated by Luxembourg and Lorraine economic partners aimed to help connect entrepreneurs of the Greater Region with private investors for the financing of the creation, takeover or development of innovative business start-ups.

However, efforts still need to be made in two areas: better coordination of public and private financing within these funds and developing support to businesses throughout their lifecycle and the innovation cycle (R&D, design, marketing and development).

## IN A NUTSHELL...

**The frameworks for the funding of partnerships and projects are as diverse as the providers of funding and potential recipients are numerous. European funding may be distinguished from national funding bodies, funding by territorial authorities and cross-border venture capital funds. In cross-border territories, available European funds are mainly the ERDF, along with ETC programmes. In France, Bpifrance is responsible for promoting the financing of activities that may be targeted at cross-border areas. From time to time, territorial authorities launch calls for cross-border project proposals, which are more limited financially, using their own funds.**



<sup>120</sup> European Commission, *Report of Expert Group on removing tax obstacles to cross-border Venture Capital Investments*.

<sup>121</sup> See project factsheet page 95.