[FR] Tax Advantages for Investments in SOFICAs Changed

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Cash payments made for shares of a SOFICA entitle investors to certain tax advantages in France, with respect to both corporation tax and income tax. The amending Finance Act for 2006 of 30 December 2006 significantly modified the calculation method of this tax break as far as income tax is concerned. General conditions relating to SOFICAs and to eligible works remain unchanged.

Introduced in 1985, SOFICAs (*Société pour le Financement du Cinéma et de l'Audiovisuel* , Company for the financing of films and audiovisual works) are public limited companies. They act as investment funds whose sole activity is the financing of films and audiovisual works approved by the French National Film Centre (*Centre National de la Cinématographie, CNC*). Their capital-raising has been facilitated by tax benefits offered to their shareholders. According to the CNC, SOFICAs financed 78 films with a total amount of EUR 32.8m in 2006.

Under the old system (ex-Article 163 septdecies of the *Code général des impôts* - the French tax code), cash payments made for shares of SOFICAs could be set off against overall net income, up to 25% of that income but for not more than EUR 18 000.

This tax deduction has now been replaced, for payments made between 1 January 2006 and 31 December 2008, by a tax relief (*réduction d'impôt*). This entails a direct reduction of income tax due, without the recalculation of taxable income. In accordance with the new Article 199 unvicies of the French tax code, the tax relief is equal to 40% of cash payments made for shares of a SOFICA (again capped at 25% of total net income and EUR 18 000). This allows for a tax relief of up to EUR 7 200, for a net income higher than EUR 72 000. If the SOFICA concerned undertakes to use 10% of its investment capital to acquire shares of production companies, the tax relief is increased to 48% (up to EUR 8 640).

The modification does not significantly affect high-income taxpayers, as the effects of the two calculation methods are equivalent in the highest income tax band. It could however render SOFICAs more attractive for middle-income taxpayers.

This measure also aims at creating incentives for SOFICAs to become shareholders of production companies. Up until now, this method of financing has

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remained marginal in comparison with the only other admitted method, cash payments to production companies under partnership contracts.

Loi n°2006-1771 du 30 décembre 2006, loi de finances rectificative pour 2006, article 102

http://www.legifrance.gouv.fr/WAspad/UnTexteDeJorf?numjo=ECOX0600190L

Act n°2006-1771 of 30 December 2006, Amending Finance Act for 2006, Article 102

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