

PRACTICAL GUIDE

Tax Incentives: Renewable Energy and Green Business

The following practical guide is for informational purposes only and it presents a summary of the key measures for tax incentives in French Green Business. It does not constitute legal advice.

Several tax incentives exist in France for both individuals and business regarding renewable energy and Green Business.

I – FOR INDIVIDUALS

- Tax credits for equipment spending in the principal residence

Individuals can benefit from a tax credits for spending that improves the environmental quality of their principal residence. This device, which was implemented on January 1, 2009, is valid through December 31, 2012.

The tax incentive cannot exceed, over a period of five consecutive years between January 1, 2005 and December 31, 2012, 8,000 € per individual or 16,000 € per couple being jointly taxed. The tax incentive applies specifically to heating equipment, isolation materials, and equipment using renewable energy. The tax credit rate varies according to the period and type of equipment, and can amount to up to 50% of the expenses.

- 5.5% VAT for individuals investing in equipments that produce renewable energy

Individuals choosing to invest in equipment producing renewable energy for domestic use will benefit, under certain conditions, of a reduced 5.5% VAT. The 5.5% VAT applies to home improvement, renovation and maintenance projects executed by craftsmen and construction contractors, and it applies to the entire cost, including hourly wages and raw materials and supplies necessary to complete the projects (if they are furnished by the contractor carrying out the projects).

- Eco-loan at a zero percent interest rate for carrying out the entirety of renovation projects for older residences

As of April 1, 2009, each individual can benefit from the eco-loan at a zero percent interest rate in order to carry out renovation projects geared towards improving the energy efficiency of their principal residence (under the condition that it was build before January 1, 2009). The loan to be reimbursed without interest payments cannot exceed 30,000 € per residence.

- Income tax exemption when the power of photovoltaic panels does not exceed 3 kilowatts-peak

Individuals that have installed photovoltaic panels that do not exceed 3 kilowatts-peak and that do not exceed 30sqm in surface area are entitled to a tax exemption on the income they generate by selling the corresponding electricity.

- Buying a new vehicle : Bonus / Penalty / Discount Coupon

The **bonus** of purchasing a clean vehicle constitutes of a financial aid that can range from 200 to 5,000 €, depending on the vehicle's carbon dioxide emission. It can be increased by 300 € if the purchase is accompanied by the destruction of a vehicle that is older than fifteen years.

The **penalty**, also called the "écopastille," is a tax collected for the registration of individually-owned cars that pollute most. The amount of the tax ranges from 200 to 2,600 €. In addition, a yearly penalty of 160 € has been imposed beginning on January 1, 2009 for vehicles that emit more than 250 g of CO² per kilometre.

Lastly, a **discount coupon** of 1,000 € is awarded since December 4, 2008 for the purchase of an individually-owned new vehicle that emits less than 160 g of CO², accompanied by the destruction of a vehicle that is over ten years old. This coupon cannot be combined with the 300 € increase awarded for the purchase of a clean vehicle, cited above.

II – FOR PROFESSIONALS

- Progressive acceleration of supplies designated to economise energy consumption and equipment producing renewable energy

These supplies and equipment can, under certain conditions and if they were acquired or manufactured before January 1, 2009, be subject to an exceptional acceleration over twelve months starting from their installation (faster than is justified by economic wear).

- Discount of the rental value for supplies designated to economise energy consumption

At the time of the establishment of premise taxes, the rental values of supplies benefiting from the exceptional acceleration mentioned above are taken into account at a rate of half of their value if these supplies were acquired or manufactured after January 1, 1992. For example, the rental values for photovoltaic supplies to which the professional tax applies are taken into account at a rate of half of their value.

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Ichay & Mullenex Avocats is a French law firm focusing on all legal issues related to the new technologies, the green business and the sustainable development in France and abroad. They are considered experts in intellectual property and Internet law, e-commerce, online gaming, data protection. Ichay & Mullenex Avocats also assists its clients on all issues related to financing, mergers & acquisitions, restructuring, etc. and advises them on their litigation and arbitration procedures.

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