Federal Ministry
for Economic Affairs
and Climate Action

INVEST
Zuschuss für Wagniskapital

Fast forward to the finish line

INVEST – Venture capital grant

Inject cash into start-up companies and get a tax-free grant of up to €100,000. A refund of capital gains tax is also available.

bmwk.de

Young innovative companies need venture capital

Every year, countless new businesses in Germany try to get their high-potential ideas off the ground. However, many of these start-ups fail at the first hurdle. The main reason is a lack of capital and therefore insufficient funds for proper financing of market access and the growth phase. Germany lags behind other countries considerably when it comes to the availability of venture capital through private investors.

Through the INVEST funding programme, the Federal Ministry for Economic Affairs and Climate Action offers support to private investors (especially business angels) to enable them to connect with early-stage, innovative companies and supply venture capital.

Overview of the INVEST objectives:

- Provide young, innovative companies with greater ease of access to venture capital
- Encourage business-minded individuals to take a stake in young, innovative companies

INVEST specifics

Target group: Private investors (natural persons or business angel syndicates) investing in small, young and innovative companies

Acquisition grant

Type: Non-repayable tax-free grant for the purchase of company shares

Amount: 15% of the equity investment made. The investment must amount to at least €10,000 and €333,333.33 at the most. Overall investments of up to **€666,666.66** per investor are eligible for an acquisition grant

Basis: Issue price of the shares acquired by the investor in the company, including a paid premium (surcharge on the purchase price)

Exit grant

Type: Lump-sum refund of capital gains tax on the sale of shares purchased (only applies to natural persons)

Amount: 25% of the profit earned from disposal of shares acquired under the INVEST programme. The capital gain must amount to at least €2,000. The exit grant is limited to the amount of the acquisition grant.

Basis: Difference between the sales price and issue price of the shares

Win-win situation for companies and investors

Benefits for companies

As part of the application procedure, the young company is certified as eligible for funding under the INVEST programme. This certification, together with a funding eligibility logo, can then be used to attract investors.

Benefits for investors

The acquisition grant reduces the risk associated with equity investment. The investor receives a tax-free refund from the government of 15% of the investment sum they have invested in a young, innovative company while retaining all of their shares in the company. If the investor sells his shares after a lock-up period of three years, or if the company fails, he is not required to refund the grant.

If the investor (natural persons only) makes a profit on selling his shares, he receives the taxes due in the form of a lump-sum exit grant of 25% of the capital gain. This further improves revenue potential for the investor.

Information for companies

Young, innovative companies must meet certain requirements when seeking equity investment from an investor under the INVEST programme.

Requirements for companies:

- Must not be more than seven years old
- Must have fewer than 50 employees (full-time equivalents)
- Must have an annual turnover or annual balance sheet total that does not exceed €10,000,000
- Must be an incorporated company or a registered cooperative society with head office in the European Economic Area and at least one branch office in Germany that is listed in the trade register or cooperative register, or a permanent establishment that is listed in the commercial register
- Must have proven innovative capacity: The company belongs to a sector that has been defined as innovative[1], owns a patent, has claimed public funding for a research or innovation project in the two years before submitting an application or has received an innovation award. Proof of innovative capacity can also be furnished in the form of a **separate brief expert opinion** compiled by a nominated independent expert (a list of these experts is provided on the BAFA homepage).
- Must have ongoing trading activity or start business activities no later than one year after investment

1 See www.bafa.de > Wirtschaft > Beratung & Finanzierung > INVEST for a list of the sectors eligible for funding and the external experts qualified to confirm the innovative capacity of a company.

Information for investors

Under the INVEST programme, funding is provided to natural persons with a main residence in the European Economic Area who take a stake in young, innovative companies. To obtain approval for the acquisition grant, the investor can also choose to subscribe for shares in the relevant company via an equity investment company or *Unternehmergesellschaft* **("UG" or limited liability entrepreneurial company**) with up to **ten shareholders**. However, the exit grant may only be issued to natural persons.

Requirements for investors:

- Investment: at least €10,000 and not more than €333,333.33 per investment. If the equity investment is made in instalments linked to particular milestones (e.g. turnover or profit targets), each of the investor's instalments must be at least €10,000. Each investor can apply for grants in respect of investments of up to **€666,666.66**. In addition, for investments by an equity investment company, the total amount of investment eligible for support is limited to €2,000,000 over three years. Grants may be awarded for shares in companies to the value of up to **€3,000,000** annually.

- Newly issued shares must be purchased (not existing shares held by another shareholder)

- Shares must be purchased on investors' own account with their own cash (no financing of shares by way of credit)

- Duration of investment: at least three years (lock-up period)

- The decision to invest must be made on the basis of a formally submitted business plan

- Investment must be made in all opportunities and risks carried by the business. The standard market liquidation preferences and anti-dilution provisions are permitted.

- Shares may also be acquired through a convertible loan. In this case, the acquisition grant (in respect of the converted amount) is only paid after the conversion.

- To obtain the exit grant, the investor must be a natural person, must have received the acquisition grant when purchasing the shares, must comply with the lock-up period of three years and must not hold the shares for longer than ten years.

Note: Applications for an acquisition grant must be submitted to BAFA before company shares are acquired. Otherwise funding cannot be granted.

Application procedure stages

Company submits application

Company submits online application in order to receive certification of its eligibility for funding.

BAFA certifies eligibility for funding

The certification is valid for one year and can be reapplied for after this period.

Investor submits application for acquisition grant

Investor submits online application seeking approval for the acquisition grant, quoting the application number of the company eligible for funding.

Shareholders' agreement is signed

The investor and company can sign the contract before BAFA approves the application.

BAFA issues approval

Grant approval is valid for 3 months (or 24 months in the case of agreed milestone payments or convertible loans).

Application for payment of acquisition grant

Investor provides BAFA with proof of its stake in the company and payment to the company for shares.

BAFA issues the tax-free acquisition grant to the investor

Investor submits application for exit grant

Investor provides BAFA with proof of disposal of the company shares, at the earliest after the 3-year lock-up period, and also the realised capital gain.

BAFA issues the exit grant to the investor

For more information, see: www.invest-wagniskapital.de

If you have any questions:
Federal Office of Economics and Export Control (BAFA)
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Funding is based on the "Guideline for subsidising venture capital from private investors for young, innovative companies (INVEST)" with effect from 6 March 2024.

How can companies and investors apply?

Companies and investors wishing to take part in the INVEST programme should apply to the Federal Office of Economics and Export Control (BAFA). The company should submit its application for funding eligibility before the relevant investor's application for the acquisition grant is submitted[2]. When submitting its application, the company may either still be seeking an investor or already have found one.

Note: The investment contracts between the investor and company or the convertible loan agreement may only be concluded after the investor has submitted an application for the acquisition grant. Similarly, the investment sum must be transferred to the company. BAFA's grant approval does not yet have to be available for this.

2 If the investor is participating in plans to set up a business, he must submit his application before the company does. He will then receive a notice of receipt from BAFA specifying a time limit of three months. The company must be founded and enrolled in the trade register or co-operative register within this period, and have submitted its application for funding eligibility to BAFA. For more detailed information, see: www.bafa.de > Wirtschaft > Beratung & Finanzierung > INVEST

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