

Exceptional tax deduction to support industrial investment

On April 16, 2015, the French Senate approved a measure designed to support investment made by businesses to speed up the modernization of their productive assets. This is a one-year exceptional measure that offers businesses the possibility to benefit from an additional “bonus” depreciation of 40%. In other words, it allows certain equipment to be depreciated up to 140% of their value.

The French Tax Authorities have just released an instruction that provides detailed information on how this exceptional measure should be implemented.

Any and all companies whose profits are derived from commercial, craft or agricultural activities - regardless of whether such companies are subject to corporate income tax or personal income tax - can, in principle, benefit from this exceptional deduction insofar as they acquire **between April 15, 2015 and April 14, 2016** equipment that falls within the following categories:

- equipment and tools used for manufacturing or processing industrial operations (with the exception of mobile or rolling equipment dedicated to transport operations);
- handling equipment;
- water treatment and air cleaning facilities;
- facilities that produce steam, heat or energy, with the exception of facilities that produce electric energy and whose output is subject to regulated sales tariff;
- equipment and tools used for scientific and technical research purposes.

A company may benefit from this exceptional measure for both (i) the tools/equipment that it purchases or manufactures for its own use, and (ii) the tools/equipment subject to a leasing contract, without purchase option.



The deduction is equal to 40% of the initial value of the eligible tools/equipment and is spread on a straight-line basis over the period of use of such tools/equipment.

For example, for a tool/equipment acquired at the price of 100,000 euros and depreciated over a four-year period, the company will be entitled to an exceptional tax deduction of 40,000 euros in aggregate, spread over the four years, i.e. 10,000 euros per year.

In practice, companies can make such deduction directly from their taxable income. It is completely independent from the depreciation that the company is entitled to continue to deduct under ordinary-law conditions.

SoulieR Avocats is an independent full-service law firm that offers key players in the economic, industrial and financial world comprehensive legal services.

We advise and defend our French and foreign clients on any and all legal and tax issues that may arise in connection with their day-to-day operations, specific transactions and strategic decisions.

Our clients, whatever their size, nationality and business sector, benefit from customized services that are tailored to their specific needs.

For more information, please visit us at www.soulieR-avocats.com.

This material has been prepared for informational purposes only and is not intended to be, and should not be construed as, legal advice. The addressee is solely liable for any use of the information contained herein.