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The Legal Framework for Venture Capital in Spain

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Introduction

Spanish legislator is aware of the role of VC in the promotion of growth, jobs and R&D

- RCAP
- *100 measures to improve productivity.* March 2005
- Law 25/2005 on Venture Capital Entities



VC Law: main features

- VC entities: funds and companies.
- Management company
- Authorization requirements
- Financial rules
- Non binding regime



Law 25/2005: main objectives

1. Increase flexibility for investments
2. Adaptation to international standards
3. Private placements regime
4. Maintaining favorable taxation



Law 25/2005: main innovations

1. Increasing flexibility for investments:

- Broadening the scope of investments: *Ptop*, listing suitable companies, secondary markets.
- Drooping burdensome requirements



2. Adoption of international standards

- Investing in other VC entities
- Fund of funds

3. Private placement regime

- Distinction between Common and simplified regime
 - Benefits: carried interest, flexibility, faster access
 - Conditions: private placement, minimum investment



4. Favorable taxation is maintained

- For the VC entity:
 - Direct taxation: capital gains (99% exempted) and dividends (exempted)
 - Indirect taxation: VAT and Stamp Duty: exempted
- For shareholders or unitholders:
 - Non-residents: Tax transparency. Dividends and capital gains are not subject to tax.
 - Spanish residents: legal entities and individuals



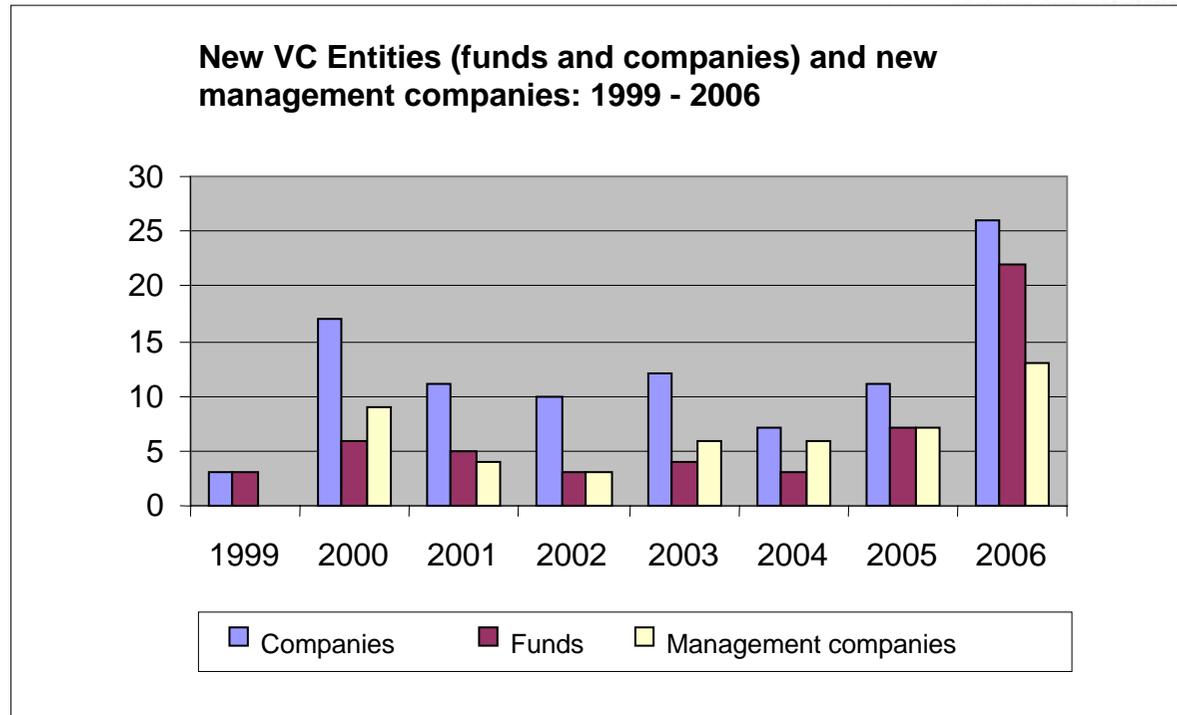
Other initiatives to promote VC

- NEOTEC program
- I+D UNIFONDO fund



Impact of the Law 25/2005

The number of new entities has increased significantly



(Source: CNMV)



Impact of the Law 25/2005

VC activity is growing in Spain

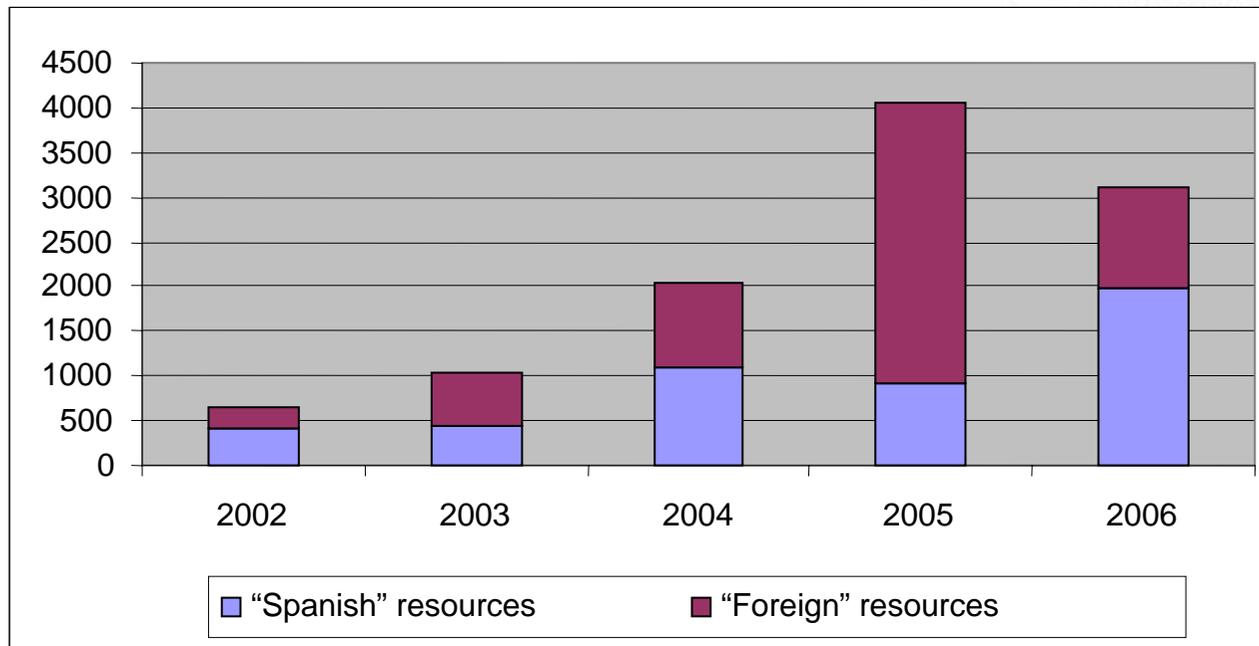
VC and PE activity	2004	2005*	2006
Operations of investments (Number)	494	513	612
Amount of investments (€ mill)	1.996	4.118	2.715
Disinvestments (number)	253	317	340
Amount of disinvestments (€ mill)	515	1.491	1.302
Annual raising of new funds (€ mill)	2.111	4.042	3.108

Source: ASCRI and Ministerio de Industria, Comercio y Turismo (D.G. de Política de la PYME)



Impact of the Law 25/2005

The trend is positive: origin of the new funds raised in Spain





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Thank you for your attention