

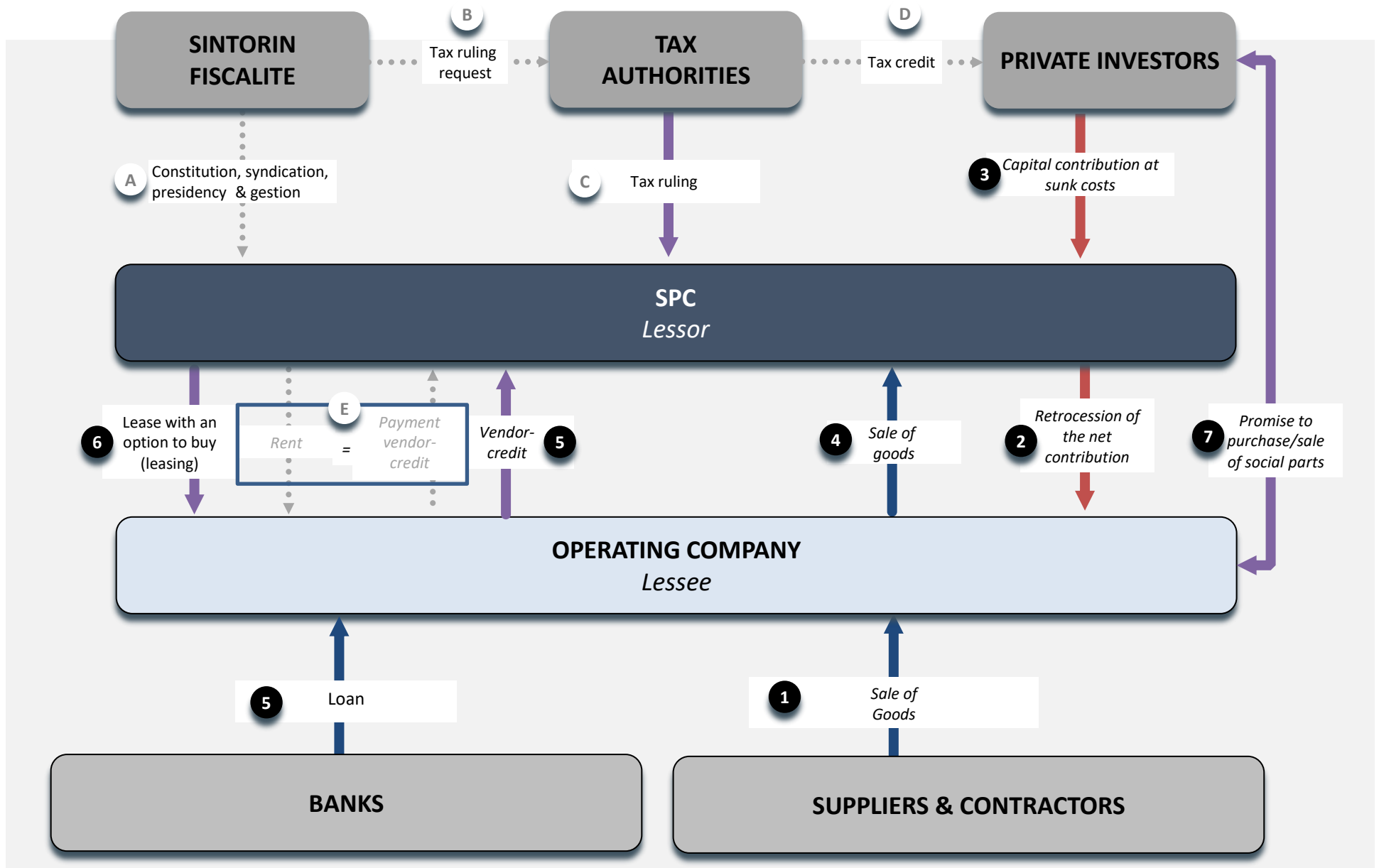
# LA BELLE CREOLE

## CONSTRUCTION AND RENOVATION WORKS

*TAX EXEMPTION SCHEME*

*ART. 199 UNDECIES B OF THE FRENCH TAX CODE*

# PROPOSED TAX EXEMPTION PLAN



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- Our proposed tax exemption scheme relates to an arrangement involving income tax, pursuant to the provisions of article 199 undecies B of the French Tax Code, which allows companies established overseas (“operating companies”) to reduce the cost of their investments by means of funds brought by investors (private persons subject to French income tax) in return for tax reductions.
- The investors will indeed benefit from tax reductions in exchange of a retrocession of their tax savings to the benefit of overseas companies. This retrocession of the tax gain is based on financial schemes of temporary carrying of investment programs by investors on behalf of overseas companies.
- The investor’s intervention takes the form of a subscription to the capital of a company dedicated to the operation (special purpose company – “SPC”), where the funds will serve to finance the investment project (*such as hotel renovation by instance*).
- The SPC will acquire the assets constituting the project by way of a notarized deed on the date on which they are put into service and, from that time onwards, will rent/lease them to the operating company under a lease contract with an option to buy, for a minimum period of five years.
- The acquisition of the assets by the SPC will be financed by:
  - (i) The net equity contributions from the investors, and
  - (ii) A seller’s loan granted by the operating company as part of the sale agreement. The seller’s loan will be refinanced by the operating company using available direct financing sources.

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- This tax scheme is subject to a tax ruling which shall be requested from the “Bureau des Agréments” of the French Tax Administration (« FTA »). SINTORIN FISCALITE will draft the ruling request and file it with the FTA on behalf of the operating company and the SPC and, if necessary, will produce any additional information, drafts or other elements necessary for the FTA’s investigation with a view to obtain the requested ruling on satisfactory terms and conditions.
- The tax ruling requested pursuant to the provisions of Article 199 undecies B of the CGI shall define the basis, for the SPC, of the tax benefits to which the acquisition of the assets constituting the Project (the « tax basis ») will carry entitlement in favor of the investors (as shareholders of the SPC).
- The capital contribution of the investors will finance the retrocession of the tax savings to the operating company (net retrocession), the costs for setting up the operation and managing the dedicated company.
- As part of this arrangement, the share of the tax benefit that will be retroceded by the tax investors to the company benefiting from the aid will be equal, pursuant to expenses relative to the **renovation/rehabilitation as well as construction work of an hotel established in a COM (Overseas Collectivity), to 70%** of the applicable tax reduction (i.e.: 54.36% for renovation/rehabilitation and 45,30% for construction work) namely, in the current state of the legislation, 35% of the amount of the eligible basis approved by the Tax department. This retrocession rate applies provided that the tax regulations remain unchanged between the signing date of the consulting and assistance contract and the subscription date by tax investors.

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- This benefit amount, to be retroceded to the operating company, is net of all costs and commissions related to the arrangement and management of the proposed scheme, with the exception of the costs of the notarized acts and - if applicable - the taking out of guarantees and setting up of the bank financing.
- SINTORIN FISCALITE will be responsible for organizing the syndication of the operation with the different investors. The syndication of the operation will occur as soon as the tax ruling is obtained and for the year during which the investments constituting the project will be put into service.
- In that respect, SINTORIN FISCALITE :
  - Will draft the presentation documents on the basis of the proposed scheme which shall be provided to the investors,
  - Will present the operation to the investors identified, or to their attorneys, and coordinate their participation in the operation,
  - Will draft all the legal documentation to be signed by the operating company , the SPC and the tax investors,
  - Will collect funds from the tax investors as well as the documents necessary for their equity contributions to the SPC capital increase,
  - Will handle the legal procedures for the capital increase of the SPC,
  - If needed, will provide the additional information, draft documents or other elements necessary to permit all parties intervening, in particular the banks which will participate in the operation, to perform a conclusive analysis of the operation.

# FAQ

## ▪ **When is the tax benefit retroceded to the operating company ?**

- The retrocession occurs upon delivery of the asset, specifically:
  - In case of renovation/rehabilitation work: when the work is finished,
  - In case of construction work: when the foundations are done.
- The project must therefore be pre-financed by the investors. However, the tax benefit may be pre-financed by banks, provided that the administration's approval (tax ruling) has been obtained.

## ▪ **What is needed to obtain the tax ruling from the “Bureau des Agréments”?**

- To receive approval from the “Bureau des Agréments”, the tax ruling request must include — among other elements — the following documentation:
  - The building or renovation permit, issued by the local Collectivity,
  - A comprehensive financing plan for the full project, supported by bank documents and statements,
  - Proof of ownership (e.g. preliminary sale agreement, title deed),
  - A property valuation report.
- We emphasize that, as is customary in French overseas investment projects, preliminary studies (technical, administrative, and regulatory) are essential to confirm the feasibility of the project and to secure the relevant permits. A dedicated study budget, proportional to the scale of the project, should be anticipated.

# SINTORIN MISSIONS (1/2)

- With extensive on-the-ground experience in COM territories, SINTORIN anticipates local regulatory constraints and integrates them into the engineering of the project.
- SINTIRON' assistance will be covered by a consulting and assistance contract between the companies SINTORIN FISCALITE and the operating company. This consulting and assistance contract will itemize SINTORIN's commitments in connection with the set-up of the arrangement proposed, notably relative to:



## SINTORIN MISSIONS (2/2)



**Drafting and signing of the contractual documentation** by private agreement, and link with the notary for the preparation of the authentic document(s)



**Collection of the funds from the tax and investors remittance of the net retroceded contribution**



**Set-up of the carrying structure(s)**, while also monitoring of the relations with investors and the interface with the Budget, Public Accounts and Public Service Ministry during the fiscal period



**Unwinding of the operation at the end of the fiscal period**



# SINTORIN INTERVENTION



- **Extensive discretion and confidentiality** relative to the project's implementation, notably in terms of competitors



- **Set-up of a coherent financial engineering cell:**
  - ✓ continuing over time
  - ✓ that coordinates the entire end-to-end investment programme: search for subsidies and set-up of refinancing operations
  - ✓ capable of discussing with all of the project's stakeholders: Banks, Attorney, Chartered accountant, Notary, Architect, Suppliers.



- **In depth knowledge of the operation of the *Bureau des Agréments et des Rescrits* at Bercy and of the European Funds**, thereby ensuring better follow-up of the examination time limits



- **Expertise with regard to bank financing, backed up by local and national partnerships** with many financial institutions, thereby enabling to negotiate the best conditions and to arrange optimised refinancing (attractive rate, reduced processing times...)

# FEE PROPOSAL

- The remuneration of SINTORIN FISCALITE will be covered in full by the SPC's shareholders, and is including the costs of arrangement, obtaining the tax ruling and syndicating the operation, as well as the costs for setting-up the SPC.
- No fees will be directly invoiced to the operating company.

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