

Focus :

SUPPORTING ENTREPRENEURS

# LEGAL AND TAX ASSISTANCE FOR SOCIAL VENTURES

CONFERENCE

[FIN11]

Room Amartya Sen  
Palais Brongniart

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## MAIN FINDINGS

Social venture entrepreneurs face new challenges and must make allowances for specific legal and tax constraints. In France, the General Tax Code sets out incentives for investing in general interest activities. This is the case for example with private and business patronage provided in the form of endowment funds. Although the social and solidarity economy is made up of 1.2 million companies, there is a need to scale up, to learn from experiences from abroad and to spread the field of action by optimising synergies among stakeholders. Different projects show that by doing this, network setups and pro-bono initiatives allow skills to be mobilised for social ventures. However, adapting and applying models from one country to another requires adaptation to cultural differences.

## SPEAKERS

**Stéphane Couchoux**

Partner Lawyer, Head of Philanthropy,  
Foundations and Associations, Aklea

**Yvon Martinet**

Partner Lawyer, Savin Martinet Associés Vice-  
President, Paris Bar Association

**Monique Villa**

CEO, Thomson Reuters Foundation

## MODERATOR

**Adelphé De Taxis du Poët**

Head of the Acting for Employment Division,  
Caisse des Dépôts

## SUMMARY OF INTERVENTIONS

### Examples of legal and tax support schemes

**Stéphane Couchoux** notes that the 2008 French law on modernising the economy sets out a diverse range of tax schemes for supporting social entrepreneurship. Patronage has a role to play within the social and solidarity economy as a tool for developing social ventures. In France, patronage provides businesses with a tax break equivalent to 60% of the money paid into the endowment fund (Article 238 of the General Tax Code). Funds of this type bring together non-commercial bodies, and this is where the key distinction between patronage and sponsorship lies. Social businesses have to therefore have a selfless mission, not working for profit or competing with others and should respect the territorial clause. The General Tax Code also outlines financial help for SMEs.

**Adelphé De Taxis du Poët** points out that although the social and solidarity economy presents many opportunities at a time of crisis, it also has to face many threats. Given that public policy is less innovative, support for ventures is essential. What is more, new stakeholders come onto the scene, such as journalists and lawyers from the Thomson Reuters Foundation.

**Monique Villa** points out that 2.5% of the revenue of large law firms in the United States is set aside for social ventures. The idea is to favour setting up a marketplace for solidarity-based companies by lawyers offering their services for free. TrustLaw was created in response to the growing lack of commitment from governments, who have been reducing subsidies for SMEs. This approach based on philanthropy, which originates from the United States, has spread all around the world with the swift changes that have been seen in the world of social ventures. There are a number of different possible legal structures for businesses, whether or not they are for-profit ventures. What is important is that businesses reinvest in social projects. Today, TrustLaw is the largest global network of pro-bono lawyers.

**Yvon Martinet** highlights the fact that support for the most impoverished is part of the DNA of lawyers. The lawyer profession has always been at a crossroads between the government and the market. In 2012, the Paris Bar Association and CARPA (Paris Union for Funds Managing Barristers' Pecuniary Settlements), set up the Paris Bar Solidarity endowment fund. The Paris Bar Solidarity project, launched in 2003, offers legal

consulting free of charge to the most impoverished, and encourages lawyers to participate in social and humanitarian ventures by providing financial, legal and logistical support. The project also aims to restructure the policies of the Paris Bar, with the aim of taking new problems into account, such as microcredit.

### Legal and tax hurdles for the social and solidarity economy in France and in the system of English-speaking countries

**Monique Villa** observes that businesses' social outlook is being broadened on a number of different levels. For example, despite a certain amount of reluctance at the beginning, France is slowly falling in line with the pro-bono TrustLaw model in the United States. More and more lawyers understand how the whole of society can benefit through them contributing with their competencies as opposed to with financial donations.

**Stéphane Couchoux** points out that it remains difficult for some people to offer their services out of generosity. In France, volunteering and patronage are less common than in the United States. Although some cultural differences can make the philanthropic model imported from the United States difficult to apply, it is important to consider the fact that this legal tool is malleable and can be adapted. To the contrary, in the United States, endowment funds bring considerable risks with them and tax breaks can pose a problem. More flexibility is also necessary at this level, in order to adapt the tool to the challenges that society faces.

For **Yvon Martinet**, France is somewhat behind in promoting solidarity initiatives in the private sphere. The reason is that in France, people find it hard to accept the state being absent. In the United States on the other hand, alternatives to state intervention are put forward more readily since the government stays out of the lives of its citizens. This cultural difference thus explains the differences in practices and competencies in patronage. Nevertheless, the crisis and experience show that these differences are fading away.

## SUMMARY OF DEBATE WITH THE AUDIENCE

### Where do we stand with regards to the status of the non-profit businesses being defined in France?

There are many different non-profit social enterprises in France, but they are not grouped together under one label. It all depends on the way the businesses are managed.

### How can tools providing healthcare which is adapted and adaptable be designed?

**Stéphane Couchoux** explains that French-style foundations work according to a network strategy, and he points out that it is more beneficial to work

together, involving people in the project who are facing great difficulties. Endowment funds work on the basis of donations being given for specific projects, but it is necessary to move beyond simple subsidies. As a matter of fact, more help is provided when people can see the effect it has, and donations increase when donors can have a role to play regarding a company's capital.

**Monique Villa** adds that this practice is showing the trend of broadening out and going beyond the framework of NGOs, with hybrid and public-private models appearing, for example.

Finally, **Yvon Martinet** underscores the need for concrete awareness-raising initiatives and initiatives to provide training for social and solidarity entrepreneurs, and mentions the case of primary and secondary schools in which volunteer lawyers take part in training programmes and award prizes to secondary schools.

## REPORTER

Andrea Delgado Almeida

## MORE ON THIS TOPIC

- Barreau de Paris Solidarité : [www.avocatparis.org/fonds-barreau-de-paris-solidarite.html](http://www.avocatparis.org/fonds-barreau-de-paris-solidarite.html)
- Law on the modernisation of economy: loi n°2008-776 du 4 août 2008, JO du 5 août 2008
- Ministry of Ecology, Sustainable Development and Energy, « Evolution de la législation en faveur du mécénat » : [www.developpement-durable.gouv.fr/La-legislation,11708.html](http://www.developpement-durable.gouv.fr/La-legislation,11708.html)
- Trustlaw: [www.trust.org/trustlaw](http://www.trust.org/trustlaw)