



ENGELWOOD



**LIMITED PARTNERSHIP IN LUXEMBOURG:**  
A new opportunity for the fund industry & the wealth management





## New Instrument

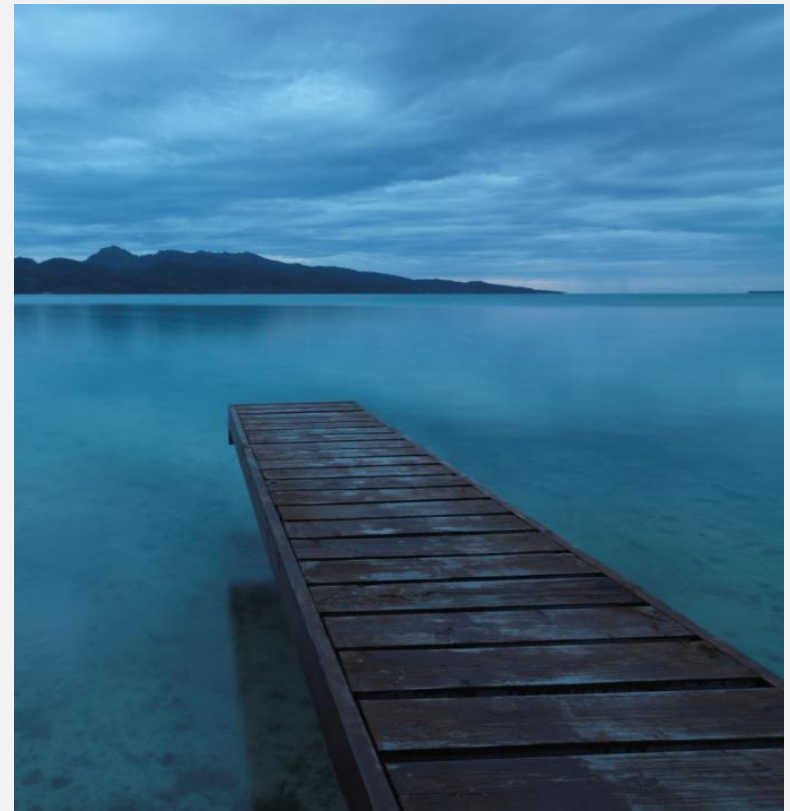
Scope

Features

Why Luxembourg

About Engelwood

- New regulations, higher compliance requirements and investors' expectations represent a challenging environment for the AIF industry.
- Costs related to new regulatory environment oblige to focus on new instrument and opportunity.
- Besides implementing the new AIF law dated 12 July 2013 (translation of the AIFMD EU-Directive), Luxembourg demonstrated, once again, its capability to meet requirements and expectations from investors, managers and promoters : **the modernisation of the common limited partnership with legal personality ("société en commandite simple" – SCS or "LP") and the creation of the new limited partnership form without legal personality ("société en commandite spécial" – SCSp or "SLP").**



Investors and asset managers are looking for flexibility, transparency, fast process and tax efficiency.

LP and SLP represent a new **on-shore solution** (regulated or unregulated) very close to the Anglo-Saxon limited partnership concept, even more attractive, especially for private equity and real estate funds.

LP and SLP may be considered for unlimited purposes, especially but not exclusively:

- **master fund, feeder fund, acquisition vehicle;**
- **co-investment vehicle;**
- **carried interest structuring;**
- **management incentive program;**
- **wealth management vehicle;**





## Contractual freedom

- The limited partnership agreement („LPA“) governs the terms and conditions between the investors (the „Partners“) and the manager (the „GP“), the governance, the contributions (capital, bridge financing), the distributions (waterfall), type of financial instruments (securities or not), entry/exit of Partners, GP powers and duties, defaulting investors rules, advisory & supervisory board (if any), investment strategy and financial limits. **The Luxembourg corporate law dated 10 August 1915 as amended (the „Company Law“) is applicable if the LPA is silent.**
- Regulated entities shall integrate and comply with the terms and conditions of the SIF law dated 13/02/2007 („SIF Law“) and the SICAR law dated 15/06/2004 („SICAR Law“).

## Confidentiality

- **No disclosure of the Partners, no reference to their commitment, no disclosure of the LPA rules.** Only the denomination, the GP designation and its powers shall be published to the Luxembourg Trade Register.
- No filing of the annual accounts but regulated entities shall report to the Luxembourg supervisory authorities (C.S.S.F.).





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## **Fast set up/implementation**

The LP or the SLP may be incorporated by way of **private deed** (no Notary requirement) or public deed (same advantage for disclosure and registration);

## **Assets protection for SLP**

Any investment completed by a SLP (i.e. without legal personality) is registered in the name of the SLP and not in the name of the GP or the Partners. Creditors of the Partners cannot have any recourse against the SLP's assets.





## Accounting rules & Valuation

### If unregulated

- Luxembourg GAAP (historical cost or fair value option) or IFRS or any accounting framework defined in the LPA (US GAAP, UK GAAP; any tailored GAAP for complying with GP and investors requirements).
- Value of investments (methodology) may be **freely determined in the LPA**.
- Audit and Consolidation could be required if criteria of the Company Law are met.



### If regulated

- Luxembourg GAAP (historical cost or fair value option) or IFRS, **AND** any regulatory requirement related to the SIF Law and the SICAR Law.
- Value of investments may be freely determined in the LPA but shall comply with the SIF Law and the SICAR Law.
- **Exemption for consolidation.**
- External auditor shall be appointed and duly approved by C.S.S.F.



## Tax

### Income tax (CIT), wealth tax (NWT) and municipal tax (MBT)

- Full tax transparency and neutrality if (i) GP organized under the form of a Luxembourg company owns less than 5% of the partnership interest, and (ii) LP or SLP is strictly limited to private wealth management, including alternative investment fund activities (no business income model, no commercial activity performed on a permanent basis).

→ **No CIT, no NWT, no MBT.**

- Dividends distributed or interests (subject to rules arising from EU Directive 2003/48) paid by LP or SLP (unregulated or regulated) to the Partners are **not subject to withholding taxes in Luxembourg.**

## VAT

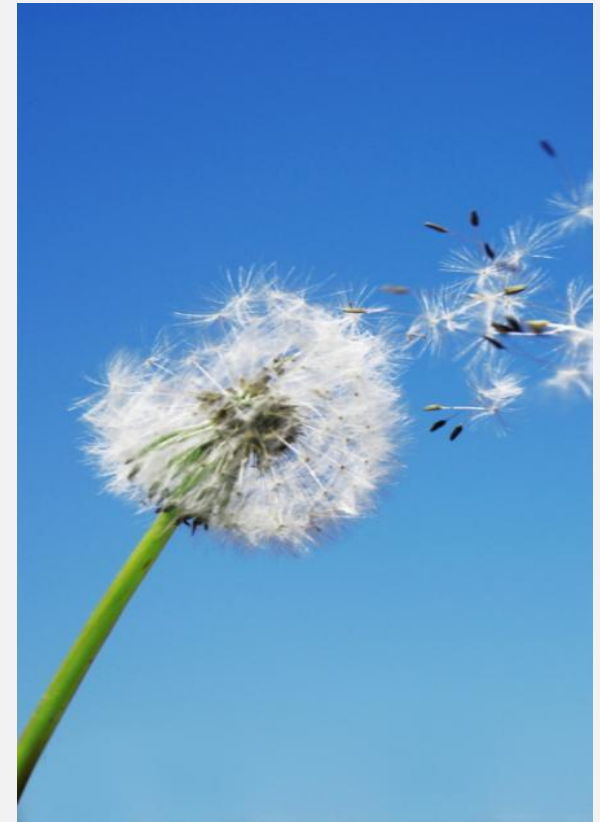
- If the LP or SLP qualifies with the investment vehicle status as governed by art. 44.1.d) of the Luxembourg VAT law, it would be exempt from VAT. Since some cases could lead to different interpretation (e.g. debt fund activities, non performing loans management) and eventual VAT obligations, each structure shall be carefully analysed from the VAT view point prior setting up the proposed activities.
- Advisory and or management services provided to VAT exempted LP or SLP, shall be exempted of VAT as a consequence.





## Other specificities

- Carried interest: asset managers will be very interested by the flexibility and the tax efficiency of the LP or SLP for structuring carried interest scheme or management incentive program;
- Compartments: if not regulated, a LP or SLP cannot be divided in several compartments but could be structured in a efficient way for complying with the promoters' requirements.





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“Luxembourg is the second largest investment fund centre in the world after the United States, the premier captive reinsurance market in the European Union and the premier private banking centre in the Eurozone. The financial sector is the largest contributor to the Luxembourg economy. From its origins as a Euroloan centre, the city subsequently developed as a private banking centre and then, from the 1980s, as a leading domicile for investment funds. The success of the financial centre is founded on the social and political stability of the Grand Duchy and on a modern legal and regulatory framework that is continuously updated, inspired by regular consultation between the government, the legislator and the private sector. Thus, over the years, specific regulatory frameworks have been created for alternative investment funds, venture capital investment funds, international pension funds, specialised investment funds, captive reinsurance companies, covered bond issuing banks, securitisation vehicles and family wealth management companies. This legal framework, combined with Luxembourg’s openness to the world, has attracted banks, insurance companies, investment fund promoters and specialist service providers from all over the world. The Luxembourg financial centre is characterised by a strong culture of investor protection and rigorous anti money-laundering policies. Its specialist teams are multilingual and multicultural, with a long tradition of financial expertise and extensive knowledge of the needs of an international clientele.”

Source: [www.luxembourgforfinance.lu](http://www.luxembourgforfinance.lu)



Our mission is built up around the **One Stop Shop concept**: a global player which is staying client focused from the inside out, providing tailored solutions with high level of expertise.

Our experienced team is dealing with:

- ✓ complex and common investment policies in the **alternative investment fund industry**,
- ✓ a challenging **corporate industry**,
- ✓ diversified **private client** requirements, and
- ✓ a new **financing sources** environment

in close relationship (fast and proactive) with our clients and in accordance with an increasing **regulated environment**.

More information about our solutions & services available on our website: [www.engelwood.lu](http://www.engelwood.lu)



- ✓ A **specialized team** coming from the alternative investment fund and corporate industry with more than 20 years expertise in Europe;
- ✓ A truly **independent financial and corporate services provider** able to leverage on the existing expertise by providing a fully integrated solution in several jurisdictions.



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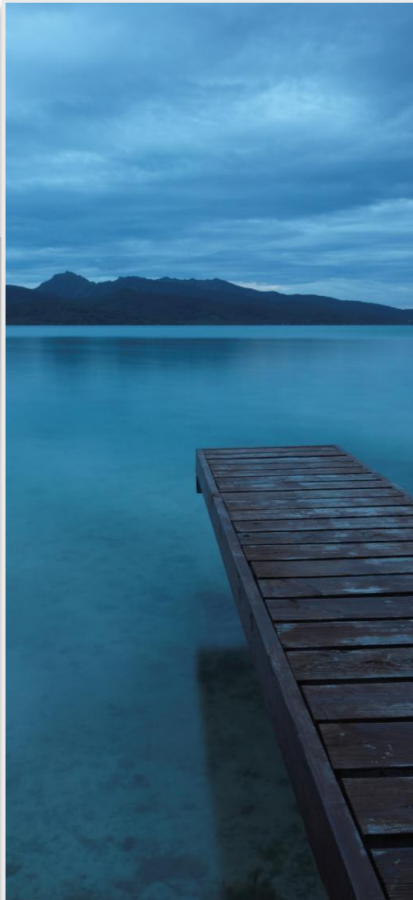


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## LINKS



C.S.S.F. (Commission de Surveillance du Secteur Financier)

[www.cssf.lu](http://www.cssf.lu)

Ordre des Experts-Comptables (Luxembourg)

[www.oec.lu](http://www.oec.lu)

Institut Luxembourgeois des Administrateurs

[www.ila.lu](http://www.ila.lu)

Luxembourg for Finance

[www.luxembourgforfinance.lu](http://www.luxembourgforfinance.lu)

LPEA (Luxembourg Private Equity & Venture Capital Association)

[www.lpea.lu](http://www.lpea.lu)

EVCA (European Private Equity & Venture Capital Association)

[www.evca.eu](http://www.evca.eu)

ALFI (Association of the Luxembourg Fund Industry)

[www.alfi.lu](http://www.alfi.lu)



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