

**KEY FACTS**
**SOPARFI – SOCIÉTÉ DE PARTICIPATIONS FINANCIÈRES**

A Société de Participations Financières (SOPARFI) is considered a Luxembourg holding company. A SOPARFI can engage in ancillary activities such as investment management, financing, real estate ownership, holding intellectual property rights or conducting commercial and industrial activities.

Benefits include:

- Attractive participation exemption regime.
- Luxembourg's extensive network of Double Tax Treaties.
- EU directives transposed into Luxembourg law (e.g. the EU/parent/subsidiary directive).

**STRUCTURE OF A SOPARFI**

- Can be established as a Public Limited Company (SA) or a Private Limited Company (SARL).
- Minimum of one Shareholder.
- Nominee Shareholders allowed.
- Foreign corporate or individual Shareholder is permitted.
- Minimum of one Director.
- A corporate entity, foreign or domestic, may act as a Director.
- Director information is available in the public record.
- Minimum share capital
  - SA: €31,000 – 25% (must be paid-in)
  - SARL: €12,500 – 100% (must be fully paid in)
- In an SA different classes of shares with different rights, such as profit sharing, redeemable preference shares and voting rights may be issued.
- SA allows the issuing of bearer shares. A SARL may only issue registered shares.
- Registered Office address must be in Luxembourg.
- Shareholder meetings must be held in Luxembourg, unanimous consent resolutions may be used
- Audited annual financial statements and annual return must be submitted to the Registrar of Companies in French or German.
- Shareholder information is disclosed in the Register of Commerce and is available to the public.
- Beneficial ownership information is not disclosed to any regulatory authority.
- Incorporation takes approximately one week from the receipt of the capital and the due diligence documents.
- The Register of Commerce will furnish official corporate documents within approximately four weeks.
- A portfolio of existing companies is available.

**KEY FACTS**
**TAXATION OF SOPARFIS**
**Corporate Income Tax**

Effective 2010 a SOPARFI will be subject to a corporation tax rate of 28.59%.

**Dividends Received**

Dividends are tax exempt subject to the following criteria:

- The SOPARFI must own a minimum of 10% of the issued share capital of the underlying subsidiary (or an investment of at least €1,2 million).
- The subsidiary, whether or not non-resident, must be subject to a similar tax regime (minimum 10.5% corporate tax).
- Ownership of the interest in the subsidiary must have been held for a period of 12 months.
- Dividends paid to corporate Shareholders established in a Double Tax Treaty country are not withheld at source. In other cases a 15% withholding tax will be imposed on distributions.

**Liquidation Distributions**

- Liquidation distributions received by a SOPARFI from a subsidiary are tax-exempt.
- Liquidation proceeds from a subsidiary paid to the SOPARFI Shareholder are not subject to withholding.

**Interest**

- Interest received is fully taxable at the corporate tax rate.
- Interest paid abroad is tax exempt (subject to EU savings tax directive).
- Debt equity ratio may not exceed 15:85 to be exempt from withholding tax.

**Capital Gain Exemption**

To qualify for capital gain exemption, the SOPARFI investment in the subsidiary must be 10% (or €6 million).

**Royalties**

- A total of 80% of royalty and other income (e.g. capital gains) derived from intellectual property rights (marks, logo, software, patent, licence, and even internet domain names) is tax exempt.
- The balance (20%) is taxable at the corporate rate, giving an effective tax rate of approximately 5.72%.

**Double Tax Treaties**

The SOPARFI is eligible to use Luxembourg's extensive network of Double Tax Treaties.

**Liquidation – Depreciation – Recapture Rule**

- Expenses such as financing costs, bank charges and fees, audit fees, management fees and surveys linked to participations are fully deductible up to the amount of the annual exempted income.
- Depreciation of participations is allowed.
- Liquidation losses are fully deductible.
- Our local Luxembourg office can provide all services required for the establishment and ongoing representation and administration for a SOPARFI.

**KEY FACTS**
**ADDITIONAL FISCALLY-ADVANTAGED REGIMES**
**The Private Wealth Management Company (SPF)**

- An SPF can be set up as an SA or SARL and is fully tax exempt on income received from shares, bonds, notes, mutual funds, deposit, and any financial instrument.
- An SPF can be used by individuals, trusts, foundations, family offices or group of investors.
- The SPF is corporation tax exempt and pays a subscription tax of 0.25% (with minimum of €100).

**The Securitisation Company (SF)**

- SF can acquire risks linked to any assets or liabilities and issue financial instruments (shares/bonds).
- Dividends and interest paid by the SF derived from these financial instruments are fully deductible.
- The remaining profit in the company is subject to tax at 28.59%.
- Our local Luxembourg office can provide all services required for the establishment and ongoing representation and administration for an SPF or SF.

**The Risk Capital Investment Company (SICAR)**

- The object of the SICAR is to invest in risk or venture capital with target investors who are deemed to be experienced or institutional investors.
- A SICAR can be formed either as an SA or a SARL and has a minimum capital requirement of €1 million which must be reached.
- A capital flat duty of €1,250 is applicable at set-up.

**The Specialised Investment Fund (SIF)**

- The SIF is a flexible Undertaking for Collective Investment (UCI) which is meant for experienced or institutional investors.
- The minimum capital is €1,250,000 which should be reached within one year, and contributions in kind are allowed.
- Capital duty is capped at €1,250 and subscription tax is fixed at one basis point per annum (0.01% of assets) except in the case of exemption.

**E-Commerce**

- A VAT regime for services provided by electronic means specifies that VAT is due in the country of the individual or professional client (non-EU resident), or if the client is a professional body established in the EU.
- When services are provided to individuals established in the European Union, it will be taxable in Luxembourg only (from 0% to 15%) which has the lowest rate in the EU.

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