

Press release

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CLARIFICATION ON THE POSITION OF LUXEMBOURG-DOMICILED FUNDS IN RELATION TO THE RECENT DISCUSSIONS ON TAX PRACTICES IN LUXEMBOURG

Luxembourg is a leading investment fund domicile with more than 3900 regulated funds, or close to 14000 fund units, currently domiciled in the Grand Duchy. Fund promoters from all over the world choose to domicile their funds in Luxembourg because of the professional expertise, the market infrastructure, a state-of-the-art legal framework, and the quality of services available in Luxembourg. Last but not least, Luxembourg plays a key role in enabling fund management companies to distribute their funds in more than 70 countries globally. Over the past 25 years, assets under management by regulated Luxembourg investment funds have grown to reach over 3000 billion EUR at the end of 2014.

ALFI, the Association of the Luxembourg Fund Industry, considers it important to clarify the position of Luxembourg-domiciled funds in relation to the recent discussions on the so-called “LuxLeaks”.

- Luxembourg-domiciled investment funds are subject to an annual subscription tax (“taxe d’abonnement”) calculated on their assets under management. In contrast, the vast majority of other countries do not apply any taxation at all on a fund level.
- The quasi-totality of Luxembourg investment funds, and more specifically ‘UCITS’ funds, do not need, nor do they obtain, rulings.
- At times, real estate or private equity funds, which represent only a few tens of billions of the EUR 3000 billion of total assets under management by Luxembourg funds, need to use ‘special purpose vehicles’ (SPV) at the level of which rulings may be granted. SPVs are common market practice and used in many jurisdictions, primarily for legal and regulatory reasons¹. Rulings applied to SPVs mainly aim to ensure that fiscal neutrality is maintained. In other words, an investor should not be fiscally disadvantaged when he invests in real estate or private equity through a foreign fund rather than directly.

Camille Thommes, Director General of the Association of the Luxembourg Fund Industry (ALFI), says: “There is no tax advantage by domiciling an investment fund in Luxembourg. Fund managers and international investors select Luxembourg as a domicile because of the track record and unequalled expertise of the investment fund industry in Luxembourg.”

He adds: “Regulated investment funds are an important source of funding for the economy, i.e. for small- and medium, as well as for multinational companies, for infrastructure projects, environmental or social entrepreneurs. They are well-regulated financial products for investors around the world. There is no reason to draw such investment funds into the recent discussion on tax practices in Luxembourg.”

¹ For example, banks will insist on the creation of SPVs to guarantee their security when they act as lending banks in a private equity or real estate acquisition.

Camille Thommes emphasizes that: “Investment funds play no role in enabling people or companies to avoid tax: investors in Luxembourg investment funds will be essentially taxed in their home country, according to the local tax rules, on the income derived from their investment.”

Camille Thommes concludes: “In the meantime, everybody knows that tax rulings are legal and commonly used in many jurisdictions. They are not a “Luxembourg-specific” practice, contrary to what the LuxLeaks press seems to suggest. It is difficult to get rid of the feeling that LuxLeaks is a targeted campaign against Luxembourg”.

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Notes to editors:

The Association of the Luxembourg Fund Industry (ALFI) is the representative body of the Luxembourg investment fund community. Created in 1988, the Association today represents over 1300 Luxembourg domiciled investment funds, asset management companies and a wide range of service providers such as custodian banks, fund administrators, transfer agents, distributors, legal firms, consultants, tax experts, auditors and accountants, specialist IT providers and communication companies. The Luxembourg Fund industry is the largest fund domicile in Europe and a worldwide leader in cross-border distribution of funds. Luxembourg-domiciled investment structures are distributed on a global basis in more than 70 countries with a particular focus on Europe, Asia, Latin America and the Middle East. For further information, do not hesitate to consult our website at www.alfi.lu

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